



Office of the Police & Crime Commissioner for Leicestershire and
Leicestershire Police

Internal Audit Progress Report 2016/17 & 2017/18

June 2017

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 20th June 2017

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01 Introduction

- 1.1 The purpose of this report is to update the Joint Audit, Risk & Assurance Panel (JARAP) as to the progress in respect of the Operational Plan for the year ended 31st March 2017, together with progress on delivering the 2017/18 Internal Audit Plan which was considered and approved by the JARAP at its meeting on 17th March 2017.
- 1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

- 2.1 We have issued one final report in respect of the 2016/17 plan since the last progress report to the JARAP, this being in respect of Payroll Provider. Further details are provided in Appendix 1.

Leicestershire 2016/17 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Business Continuity	Final	Significant	-	-	3	3
Complaints Management	Final	Satisfactory	-	3	-	3
Vetting Procedures	Final	Satisfactory	-	5	2	7
Pensions Provider	Final	Satisfactory	-	1	1	2
Core Financial Systems	Final	Satisfactory	-	1	4	5
Payroll	Final	Satisfactory	-	2	2	4
Victims Code of Practice	Final	Satisfactory	-	4	4	8
ICT Review	Final	Satisfactory	-	2	2	4
Payroll Provider	Final	Satisfactory	-	1	3	4
Seized & Found Property	Deferred to 2017/18.					
Commissioning	Deferred to 2017/18.					
Total			-	19	21	40

2.2 As reported in our previous progress report, five specific areas have been identified in terms of the collaborative audits for 2016/17. These reviews looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. Since the last progress report to the JARAC we have finalised the last two audits; these being in respect of EMSOU and EMOpSS. Further details are provided in Appendix 1.

Collaboration Audits 2016/17	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Collaboration						
EM Shared HR Service Centre	Final	Satisfactory		1	3	4
EM Legal Services	Final	Limited	1	3	2	6
EMOpSS	Final	Satisfactory		3	3	6
EMS Commercial Unit	Final	Satisfactory		3		3
EMSOU	Final	Satisfactory		3	1	4
Collaboration Total		Total	1	13	9	23

2.3 Work in respect of 2017/18 audits is underway and we have recently issued draft reports in respect of Audit Committee Effectiveness and Workforce Planning. We have agreed fieldwork dates in respect of Business Continuity and Risk Management. Further details are provided within Appendix A3.

03 Performance

The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter.

No	Indicator	Criteria	Performance
1	Annual report provided to the JARAP	As agreed with the Client Officer	Achieved
2	Annual Operational and Strategic Plans to the JARAP	As agreed with the Client Officer	Achieved
3	Progress report to the JARAP	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (9/9)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (9/9)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (9/9)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (3/3)

Appendix A1 – Summary of Reports 2016/17

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report relating to the 2016/17 Internal Audit Plan:

Payroll Provider

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	1
Priority 3 (Housekeeping)	3

Our audit considered the controls in place with regards the following:

System Security and management of information

- Confidentiality and security of the payroll system and employee records are maintained through the reliable operation of the system.
- Key changes to standing data is actioned timely and checked for accuracy.

Key Process checks and Reconciliation Processes

- Processes are in place to ensure evidence of timely completion of key process checks and reconciliations.
- An agreed timetable for payroll processes is defined and communicated.
- Variance of payroll figures are investigated and resolved in timely basis to ensure no delay in processing and payments to employees.
- Appropriate control and separation of duties exist for BACS payment runs.

Performance Monitoring

- Key Performance Indicators exist in order to monitor performance against Service Level Agreements and charges are applied where standards do not meet requirements.
- An agreed suite of monthly management information reports are submitted to the Force/ OPCC securely, on a timely basis in line with the Service Level Agreement.

We raised one priority 2 recommendation where we felt that controls could be strengthened. This related to the following:

- Kier Business Services should be required to ensure that vetting renewals are submitted three months prior to the expiration of the current vetting clearance. This will help to ensure all officers maintain appropriate vetting clearance to work on the police contracts.

Where officer's vetting has expired, and new clearance not granted, specific arrangements should be agreed with the appropriate Force as to the necessary actions to take. This may include temporary restriction from Police sensitive data.

We also raised three priority 3 recommendations of a more housekeeping nature relating to policies and procedures, evidencing payroll checks and the costing file reconciliation checklist.

Management have confirmed that actions had been taken immediately or will be taken by the end of March 2017.

East Midlands Special Operations Unit (EMSOU)

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	3
Priority 3 (Housekeeping)	1

The East Midlands Special Operations Unit (EMSOU) is one of the oldest collaborations, with it being established over a decade ago. It was brought together as a five force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. It has four main units that sit within the EMSOU structure:

- EMSOU – Major Crime (EMSOU-MC)
- EMSOU – Serious Organised Crime (EMSOU-SOC)
- EMSOU – Forensic Services (EMSOU-FS)
- EMSOU – Special Branch (EMSOU-SB)

Our audit considered the following risks relating to the area under review:

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

- A review of the current governance groups should be undertaken and a consistent format to the terms of references that are in place should be applied across EMSOU. These should include, but not be limited to:
 - Purpose
 - Scope
 - Membership
 - Decision making authority
 - Reporting Requirements
 - Frequency of meetings
 - Review
- Appropriate business plans should be put in place in line with the section 22 agreements.

The business plans should have a three year outlook, clearly stating reporting requirements that will allow for an effective review of performance against the objectives set.
- A consistent approach to managing risk, including the format of risk registers, should be established across EMSOU. This should include consistency in the scoring of risks in order that EMSOU SLT is able to more effectively manage risks across each unit.

A risk register should be put in place in respect of the Serious Crime unit.

We also raised one priority 3 recommendation of a more housekeeping nature in respect of policies and procedures.

Management have confirmed that all agreed actions will be completed by 31st August 2017.

East Midlands Operational Support Services (EMOpSS)

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	3
Priority 3 (Housekeeping)	3

The East Midlands Operational Support Services Unit (EMOpSS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. In December 2013 the four forces agreed to progress with a regional solution to operational support with leadership appointed in 2014 before going live in May 2015. The Unit collaborates in providing operational support in the following areas:

- Command and Control – Tasking, Co-ordination,
- Specialist Services – Dogs, Search, Tactical Support
- Armed Policing – Operations and Training
- Strategic Roads Policing – Roads Policing, Road Crime, Serious Collision Investigations

Our audit considered the following risks relating to the area under review:

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

- A review of the current governance groups should be undertaken and a consistent format to the terms of references should be applied across EMOpSS. These should include, but not be limited to:
 - Purpose
 - Scope
 - Membership
 - Decision making authority
 - Reporting Requirements
 - Frequency of meetings
 - Review

The Terms of Reference should be established for each of the governance groups and the forums with decision making powers should ensure that they have a decision log in place and record meeting minutes.

- EMOpSS should continue to develop a performance framework.

This should consider the outputs and quality of its deployments across the region to ensure effective performance monitoring can take place.

- The risk register should be updated to include a RAG rating between the target risk score and the current risk score to clearly identify the priorities for risk mitigation actions.

The risk actions should be separated into ongoing actions and specific actions that will be taken on a set date, with the planned effect on the risk score clearly stated.

The Risk Register should be a standard agenda item at the Strategic Management Board meetings.

We also raised three priority 3 recommendations of a more housekeeping nature in respect of the meeting schedule, policies and procedures and the business plan.

Management have confirmed that all agreed actions will be completed by 30th September 2017.

Appendix A2 Internal Audit Plan 2016/17

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Financial Systems					
Pensions Provider Review	Oct 2016	Nov 2016	Nov 2016	Dec 2016	Final report issued.
General Ledger	Nov 2016	Nov 2016	Dec 2016	Mar 2017	Final report issued.
Payroll	Nov 2016	Nov 2016	Nov 2016	Feb 2017	Final report issued.
Cash & Bank	Nov 2016	Nov 2016	Dec 2016	Mar 2017	Final report issued.
Payments & Creditors	Nov 2016	Nov 2016	Dec 2016	Mar 2017	Final report issued.
Income & Debtors	Nov 2016	Nov 2016	Dec 2016	Mar 2017	Final report issued.
Payroll Provider Review	Jan 2017	Feb 2017	Apr 2017	June 2017	Final report issued.
Strategic & Operational Risk					
Business Continuity	May 2016	June 2016	June 2016	July 2016	Final report issued.
Complaints Management	June 2016	June 2016	Aug 2016	Sept 2016	Final report issued.
Vetting Procedures	June 2016	Aug 2016	Sept 2016	Sept 2016	Final report issued.
Victims Code of Practice	Dec 2016	Jan 2017	Jan 2017	Mar 2017	Final report issued.
Information Technology	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Final report issued.
Seized & Found Property	Feb 2017				Agreed to defer to 2017/18.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Commissioning	Feb 2017				Agreed to defer to 2017/18.
Collaboration					
EMCHRS Transactional Services	Dec 2016	Dec 2016	Jan 2017	Mar 2017	Final report issued.
EM Legal Services	Nov 2016	Nov 2016	Nov 2016	Dec 2016	Final report issued.
EMOpSS	Feb 2017	Mar 2017	May 2017	June 2017	Final report issued.
EMS Commercial Unit	Nov 2016	Dec 2016	Jan 2017	Mar 2017	Final report issued.
EMSOU	Jan / Feb 2017	Mar 2017	Mar 2017	June 2017	Final report issued.

Appendix A3 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Financial Systems					
Core Financial Systems	Nov 2017			Dec 2017	
Payroll Provider	Jan 2018			Mar 2018	
Audit Committee Effectiveness	April 2017	May 2017		June 2017	Draft report issued.
Risk Management	Aug 2017			Dec 2017	Start date of 21 st Aug agreed.
Strategic & Operational Risk					
Seized & Found Property	Nov 2017			Mar 2018	
Counter Fraud Review	Sept 2017			Dec 2017	
Business Continuity	July 2017			Sept 2017	Start date of 24 th July agreed.
Estates Management	Oct 2017			Dec 2017	
Information Technology Strategy	Dec 2017			Mar 2018	
Workforce Planning	May 2017	June 2017		Sept 2017	Draft report issued.
Commissioning	Feb 2018			Mar 2018	
Collaboration					
EMCHRS Learning & Development	Aug 2017			Dec 2017	

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
EMCHRS Occupational Health	Aug 2017			Dec 2017	
EMSOU Forensic Services	Sept 2017			Dec 2017	
Criminal Justice (EMCJS)	Dec 2017			Mar 2018	
POCA	Jan 2018			Mar 2018	

Appendix A4 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
Limited Assurance:	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Appendix A5 - Contact Details

Contact Details

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A6 Statement of Responsibility

Status of our reports

The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

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