POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

A

Report of	**CHIEF CONSTABLE**
Subject	**INTERNAL AUDIT PROGRESS REPORT**
Date	**WEDNESDAY 19 SEPTEMBER 2018 – 10.00 A.M.**
Author :	**MR BRIAN WELCH, MAZARS**

Purpose of Report

1. This report summarises the work that Internal Audit has undertaken in progressing the Operational Plan for the year 2018/2019.

2. The purpose of the Internal Audit Progress Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011.

Recommendation

3. The Panel is recommended to discuss the contents of the report.

Background

4. None

Implications

Financial: none.
Legal: none.
Equality Impact Assessment: none.
Risks and Impact: as per individual reports.
Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

Internal Audit Progress Report

Background Papers

None

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

Internal Audit Progress Report 2018/19

August 2018

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 19th September 2018

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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 2018/19 Internal Audit Plan, which was considered and approved by the JARAP at its meeting on 21st February 2018.

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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 The last final report for 2017/18 that had yet to be presented to the JARAP, in respect the Proceeds of Crime Act (POCA), has been issued, details of which are provided in Appendix 1.

2.2 We have issued four final reports in respect of the 2018/19 plan since the last progress report to the JARAP, these being in respect of Procurement, Firearms Licensing, Governance and Data Quality. We have also issued a draft report in respect of Fleet Management where we await management's responses. Further details are provided in Appendix 2.

Leicestershire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Procurement	Final	Satisfactory		2	1	3
Firearms Licensing	Final	Satisfactory		1	1	2
Governance	Final	Satisfactory		2	1	3
Data Quality	Final	Satisfactory		3	1	4
Fleet Management	Draft					
		Total		**8**	**4**	**12**

2.3 The first piece of work under the heading of 'Collaboration' has been completed and the final memo issued. This was in respect of a review of Regional Collaboration Assurance Statements. Further details of this are provided in Appendix 2. Work in respect of the 2018/19 Collaboration Internal Audit Plan is progressing. Work is drawing to a close in respect of the Strategic Financial Planning, whilst the audit of Risk Management has also recently commenced.

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	N/A
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% (5/5)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (4/4)
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% (6/6)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

Appendix A1 – Summary of Reports 2017/18

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 in respect of the 2017/18 Internal Audit Plan:

Regional Approach to Proceeds of Crime Act (POCA)

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	4

The Proceeds of Crime Act 2002 (POCA) is a wide ranging Act aiming to take the profit out of criminality. A part of the Act gives power to the police and other public bodies to confiscate assets and cash from individuals who are convicted of offences or, on the balance of probability, have benefited from their illegal activities. The Home Office operates the Asset Recovery Incentivisation Scheme (ARIS) where a proportion of the recovered assets is returned to the agency(ies) that recovered it.

Under ARIS guidance, POCA funding received from the Home Office should be used by police forces to drive up performance on asset recovery and, where appropriate, to fund local crime fighting priorities for the benefit of the community. There are two routes for securing POCA monies under the ARIS scheme, Confiscation Orders and Cash Forfeitures.

Internal Audit carried out visits to each of the five police forces across the East Midlands, as well as the regional unit, EMSOU, to compare and contrast the manner of approach that is adopted to managing and maximising POCA opportunities.

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

- Policies and procedures are in place for maximising POCA receipts via cash forfeiture and confiscation orders.
- Effective communications and training arrangements are in place in respect of the cash forfeitures and confiscation orders.
- Each forces' application of the above procedures leads to them maximising opportunities for POCA performance.
- POCA receipts are used in accordance with the Act.
- Monies received under confiscation orders and / or cash forfeiture, together with its subsequent use, are fully accounted for.
- Management information is complete and timely and supports the objective of driving up POCA performance.

There is a generally sound system of internal control across the region that supports the management of POCA arrangements, however we have identified some areas where the control environment could be improved into to maximise the application of the legislation across the region.

Due to the complexity of individual cases, and the length of time that a criminal prosecution can take, it is often difficult for the Forces to see a relation between high performance and high ARIS returns. These can be dependent on a number of factors, including the assets available when an investigation has started, the court's decision and successful cases that result in monies being returned to the victims rather than to the Forces under ARIS.

Overall, the review of the POCA approach across the region found that there are areas of commonality and examples of best practice in place for the management of the POCA receipts. A summary of the approaches seen across the region was provided in the report. Additionally, there were areas of improvement that should be considered and these were raised in the report as Priority 3 recommendations. These related to the following:

- The Forces should consider adopting a clear POCA Strategy that outlines the approach they will take to maximising POCA receipts via cash forfeiture and confiscation orders.
- The Forces should consider a structured approach to awareness of POCA through targeted communications and training schedules.
- Each Force should consider their approach to maximizing POCA opportunities and explore whether it could adopt any of the approaches seen across the region. These include:
    - Mandatory referrals to the Financial Investigation Unit when property stores are releasing cash;
    - A daily report received by the FI's providing details of all charges, crimes recorded, property logged and postal requisitions within the last 24 hours; and
    - An accredited Financial Investigator reviews the Suspicious Activity Reports received to ensure potential opportunities are not missed.
- The Forces and Region should review the performance information they utilise to manage the POCA process. Consideration should be given to the following:
    - The number and value of the compensation orders obtained should be clearer; this can be overlooked as the Force receive no monies under ARIS for this work but it is a clear success story for the victims of the crime;
    - For the number and value of cash forfeitures and compensation orders, a monthly or quarterly trend rather than comparison to 12 months ago;
    - Number and value of ongoing cases that the Financial Investigation team are working on would provide an overview of pipeline/future potential returns;
    - Cases can be pursued that may not be significant in value, however they are significant in the disruption of criminal activity or crime groups and, where possible, it would be beneficial to highlight success stories in this area of Financial Investigation.

Appendix A2 – Summary of Reports 2018/19

Below we provide brief outlines of the work carried out, a summary of the key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report in respect of the 2018/19 Internal Audit Plan:

Review of Collaboration Assurance Statements

As part of resources set aside to review collaboration arrangements across the region, it was agreed that internal audit would undertake a desktop review of the Collaboration Assurance Statements provided by the regional units. The regional units covered in the review were:

- Collaborative Human Resource Service – Learning & Development (EMCHRS L&D)
- Collaborative Human Resource Service – Occupational Health (EMCHRS OHU)
- Criminal Justice Service (EMCJS)
- Operational Support Services (EMOpSS)
- Legal Services (EMPLS)
- Special Operations Unit (EMSOU)

As part of the work, we have undertaken a desktop review of each of the self-assessments in order to determine their completeness and compare them to our own understanding of their control environment gained from carrying out audits of the units. It is acknowledged that audit coverage in some of the units goes back some 18 months, whilst the scope of the audits did not cover all aspects referred to in the self-assessments returns.

The aim of the review was to provide a commentary on each of the self-assessments that can be taken into account by each of the OPCC's and Forces when compiling their own Annual Governance Statements.

In 2015, Baker Tilly (now RSM) were tasked with supporting the development of Collaboration Assurance Statements for each of the collaboration units across the East Midlands Policing region. Based on this initial project, each unit has now been tasked with maintaining the resultant Statements on an annual basis.

The Statements are divided into the following areas of responsibility:

1. Progress of collaboration business plan.
2. Ownership of actions.
3. Management of collaboration business risk.
4. Integrity of decision making.
5. Robustness of collaboration units.
6. The integrity and reliability of information, accounts and data.
7. Best use of assets, including people, equipment and buildings.
8. The collaboration contributes to the delivery of each member's police and crime plan.

The eight areas of responsibility are broken down into examples of where the unit is able to demonstrate compliance, with the unit being required to confirm whether it fully, partially or does not meet the required element of best practice. Each unit is then required to provide narrative in terms of the assurance it is able to call upon, split into the 'Three Lines of Defence'. The unit is required to set out any actions required to remedy any areas of activity where they cannot or can only partly confirm compliance with best practice. Finally, the unit is required to identify any expected significant changes in their assessments in the next six months.

Conclusion

On the whole, the Collaboration Assurance Statements submitted by each of the regional units were generally consistent with our understanding of each unit's control environment. As with any self-assessment process, the Statements were completed with varying levels of detail and, in some cases, they could have benefited from further explanations covering certain areas of responsibility.

It was noted that the template currently being used for the Assurance Statements remains in the Baker Tilly branded format. As Baker Tilly no longer exist, and it could be mistakenly assumed by someone reading the Statements that Baker Tilly have endorsed the information they contain, it is recommended that the templates are amended to that specific to the regional collaboration units.

In terms of the Statements themselves, a common area for attention is that of the third line of defence and how the units secure independent assurance that risks are being managed and controls are being consistently applied. Across the board there is a need for greater consideration be given to this element of the assessment, with a number of units not even referring to internal audit activity in their area.

Whilst the assessments require each unit to consider 'actions required', the opportunity to do this was largely not taken. Additionally, where 'partial' confirmation was given in respect of an area of responsibility, in many cases there was little narrative to outline what the unit would do to address the gap in assurance.

As the Statements cover eight separate areas of responsibility, the Statement Overview is an important part of the assessment in giving the reader a one-page understanding of the regional collaboration unit. Possibly due to the fact that a significant part of the Overview was to outline 'actions required', this was largely poorly completed and, in some instances, the area assessments were inconsistent with the individual area assessments.

Procurement

Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

- Procurement activity is governed by Contract Regulations and that these are available to all relevant staff.
- Expenditure with regards to goods and services is incurred in accordance with Contract Regulations and best value principles, for example, through the use of quotes, tenders, national and regional frameworks, etc.
- Requisitions and purchase orders are approved at the appropriate level and in accordance with approved delegated authorities.
- Expenditure on goods and services is supported, where appropriate, by an approved purchased order.

- Where there is a contract / agreement in place, expenditure is only incurred with these suppliers.
- There are effective goods receipting processes in place.

We raised two significant (priority 2) recommendations where we felt that the control environment could be improved. These related to the following:

- Upon closure of the accounts and the availability of relevant information, a review of annual spend per supplier should be undertaken in order to identify where the level of expenditure would warrant consideration be given to putting a contract in place. Evidence of this review should be retained.
- Procurement should liaise with representatives of IT, Estates and EMSOU to agree upon a process whereby Procurement are made aware, and are able to advice, on all purchasing activity over £5k.

We also raised a priority 3 recommendation of a more housekeeping nature relating to periodic reviews of spend under £5k with a view to determining the extent to which lower value expenditure (under £5k) is being subject to competition.

Management have confirmed that agreed actions will be implemented by September 2018.

Firearms Licensing

Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

- Clearly defined policies and/or procedures are in place and are available to both the Force and to potential applicants. The policies and procedures are reviewed and updated on a regular basis.
- All applications and renewals are suitably vetted as part of the approval process.
- Applications and renewals are authorised in accordance with the approved firearms licensing process.
- Payments are received in accordance with the agreed rates and are properly accounted for.
- There are effective controls in place to monitor when renewals are due and which prompt the reapplication process.
- There are effective controls in place to flag up, and act upon, changes of circumstances with regards a licence holder.
- Comprehensive and up to date records are maintained of licence holders which are available to officers during the course of their duties.
- There are clear procedures in place in respect of the revoking of licences.
- There is an agreed process for home / security inspections with regards the holding of firearms.
- Performance information is available and is reviewed with regards the effective administration of the firearms licensing process.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

- Regular reconciliations should be undertaken between the fees received and licenses issued.

We also raised a priority 3 recommendation of a more housekeeping nature relating to referee police security checks.

Management confirmed that these recommendations have been actioned.

Governance

Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

- A Code of Corporate Governance is in place between the Commissioner and Chief Constable that complies with relevant legislation and guidance.
- Appropriate Annual Governance Statements are produced on behalf of the Commissioner and Chief Constable that provide assurance that the governance framework is effective.
- The process used for the annual review of the governance framework is sufficiently robust and that the implementation of previously identified improvement actions has been effectively monitored.
- The corporate governance framework is supported by policies and procedures, such as a decision making framework and scheme of delegation and these are appropriately communicated and monitored for compliance.
- The roles and responsibilities of senior officers and staff within the Force and OPCC are clearly defined, particularly regarding their decision making responsibilities.
- Decisions are made in accordance with the governance framework in a clear and transparent manner, supported by the appropriate levels of relevant and timely information.
- Decisions made are clearly recorded, communicated and published where relevant.
- Complaints against the Chief Constable and Police and Crime Commissioner are handled appropriately in line with relevant legislation and guidance.

We raised two significant (priority 2) recommendations where we felt the control environment could be improved. These related to the following:

- The Corporate Governance Framework should be reviewed, updated where appropriate, and approved by the Strategic Assurances Board. The Framework should then be reviewed on a regular basis.

  Policy Review Logs for both the OPCC and the Force should be developed that enables the status of the policies to be tracked. The log should include, but not be limited to:

  - A list of all policies for both the Force and the OPCC;
  - The version number of the policy;

- The date of the last review;
- The due date of the next review;
- The officer responsible for review;
- The approving officer/committee;
- The compliance monitoring checks to be undertaken on the policy; and
- Evidence of these checks being undertaken.

The log should be held centrally and updated on a regular basis, with each department submitting their evidence for the updates.

We also raised a priority 3 recommendation of a more housekeeping nature relating to declarations of interest.

Management have confirmed that agreed actions will be implemented by December 2018.

Data Quality

Assurance Opinion	Satisfactory

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

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

Governance

- There is an appropriate governance structure in place to evaluate data quality of Crime Recording at the Force.
- The roles and responsibilities for the recording of crime within the Force are clearly stated and communicated.

Policies and Procedures

- Policies and procedures are in place, are regularly updated to reflect lessons learnt and legislative changes, and are communicated to all relevant staff.
- Guidance is in place on how to correctly record incidents and crimes in compliance with the National Crime Recording Standards.
- The current crime recording process in place is aligned to the National Crime Recording Standards.

Data Quality Audits

- There is an effective process in place at the Force to review and scrutinise data quality within the crime recording process.
- Audits are undertaken in line with HMIC guidelines to ensure that the Force is complying with the National Crime Recording Standards.

- Areas of underperformance are highlighted to the appropriate forum and actions plans put in place to address areas of weakness.

Monitoring / Benchmarking

- There are robust processes in place for the Force to review their crime recording data against national benchmarking data and / or other areas of best practice.

We raised three significant (priority 2) recommendations where we felt that the control environment could be improved. These related to the following:

- The Force should put in place Terms of Reference for the Crime Date Integrity Group and update the existing terms of reference for the Niche User Group.

- The Force should consider reviewing the existing action plan and creating a separate Crime Data Integrity Strategy that will then be supported by an appropriate action plan. This should provide clarity and consistency for the CDI Group moving forward.

  The Force should consider updating the format for the CDI Action Plan to ensure it can more effectively be utilised.

- Force should ensure they monitor the completion of the audit schedule to ensure timely identification of any resilience issues.

  The CDI Group should maintain an Audit Log that summarises all audits undertaken, the key issues arising from them, trend analysis where available and actions set to address any issues raised are monitored for completion.

  The Force should consider collating more detail on the interventions that the DDM's are undertaking so that common themes or areas of concern can be identified and appropriately addressed.

  An overview of relevant performance information gathered from the work undertaken by the DDMs should be regularly reported to the CDI group as a standing agenda item.

We also raised a priority 3 recommendation of a more housekeeping nature relating to benchmarking.

Management have confirmed that agreed actions have either been implemented or will be implemented by December 2018.

Appendix A3 Internal Audit Plan 2018/19

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Financial Systems						
Core Financial Systems	22	Dec 2018			Feb 2019	
- Payments & Creditors						
- General Ledger						
- Cash & Bank						
- Income & Debtors						
- Payroll						
Code of Governance	6	June 2018	June 2018	July 2018	Sept 2018	Final report issued.
Payroll Provider	5	Mar 2019			June 2019	
Strategic & Operational Risk						
Firearms Licensing	8	May 2018	May 2018	Aug 2018	Sept 2018	Final report issued.
IT Strategy	10	July 2018			Sept 2018	F/w completed; exit meeting 3rd Sept.
Procurement	7	May 2018	May 2018	June 2018	Sept 2018	Final report issued.
Health & Safety	7	Dec 2018			Feb 2019	Agreed to defer from July to Dec.
Data Quality	8	July 2018	July 2018	Aug 2018	Sept 2018	Final report issued.
GDPR	10	Nov 2018			Dec 2018	

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Fleet Management	7	Aug 2018	Aug 2018		Dec 2018	Draft report issued.
Property Management	10	Feb 2019			June 2019	
Archive Management	8	Mar 2019			June 2019	
Collaboration						
Risk Management	3	Aug 2018			Dec 2018	Working progress.
Strategic Financial Planning	3	July 2018			Dec 2018	Fieldwork completed; being reviewed.
Business Planning	3	Sept 2018			Dec 2018	Scope agreed; starts in Sept.
Review of Collaboration Assurance Statements	1	May 2018	May 2018	June 2018	Sept 2018	Final memo issued.

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.

The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

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