

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

PAPER MARKED

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Report of	CHIEF CONSTABLE and CHIEF FINANCE OFFICER (OPCC)
Subject	INTERNAL AUDIT PLAN 2017/18
Date	WEDNESDAY 20 JUNE 2018 – 10:00AM
Author :	MR BRIAN WELCH, MAZARS

## **Purpose of Report**

1. This report provides an annual proposed Internal Audit Operational Plan for the period 1 April 2017 to 31 March 2018.

## **Recommendation**

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

## **Background**

3. 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**

Appendix 1: Internal Audit Plan 2017-2018

## **Background Papers**

None



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

## Internal Audit Annual Report 2017/18

April 2018

This report has been prepared on the basis of the limitations set out on page 13.

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# 01 Introduction

## Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across the Office of the Police and Crime Commissioner (OPCC) for Leicestershire and Leicestershire Police during the 2017/18 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit 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. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

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.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Audit, Risk & Assurance Panel (JARAP), 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.

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.

## 02 Head of Internal Audit Opinion

### Opinions

From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31<sup>st</sup> March 2018, we can provide the following opinions:



## Basis of the Opinion

Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

### Corporate Governance

Whilst no specific audit of Governance was carried out during 2017/18, we have carried out a number of audits where governance arrangements were a key aspect. In addition, during 2017/18 we undertook a review of the effectiveness of the Joint Audit, Risk & Assurance Panel (JARAP). The audit used the five good practice principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012', covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JARAP during the review, with the aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA's self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. JARAP members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.

Through our delivery of the internal audit plan, our review of the JARAP's effectiveness and attendance at JARAP meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police has been effective for the year ended 31<sup>st</sup> March 2018.

### Risk Management

As part of the 2017/8 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; programme assurance; reporting arrangements and follow up of previous recommendations. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made. Overall risk management within the Force and OPCC is deemed effective and controls and processes tested were being consistently applied.

Additionally, during the course of delivering the 2017/18 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

## Internal Control

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2017/18 year, eleven (85%) internal audits were rated either 'significant' or 'satisfactory', whilst two (15%) internal audits were given 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017/18, split between those specific to Leicestershire and those undertaken as part of East Midlands regional collaborative audits. More details of the audit opinions and the priority of recommendations for all 2017/18 Internal Audit assignments is provided in Appendix A1 – Audit Opinions and Recommendations. In addition, further analysis of those areas where systems improvement are required are set out in Appendix A2 – Audit Projects with Limited and Nil Assurance 2017/18.

### Leicestershire Only

Assurance Gradings	2017/18	
Significant	7	54%
Satisfactory	4	31%
Limited	2	15%
Nil	0	0%
<b>Sub-Total</b>	<b>13</b>	
No opinion	3	
<b>Total<sup>1</sup></b>	<b>16</b>	

Collaboration Audits

Assurance Gradings	2017/18	
Significant	2	50%
Satisfactory	2	50%
Limited	0	0%
Nil	0	0%
<b>Total</b>	<b>4</b>	

**Issues relevant to Annual Governance Statement**

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. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement. As part of this responsibility, we have highlighted any limited or nil assurance reports within Appendix A2.

**Restriction placed on the work of Internal Audit**

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.



## 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% (16/16)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (16/16)
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% (16/16)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (5/5)

## Quality and Conformance with the Public Sector Internal Audit Standards

In addition to the firm's overall policy and procedures, our internal audit manual and working papers are designed to ensure compliance with the Firm's quality requirements. Furthermore, our internal audit manual and approach are based on professional internal auditing standards issued by the Global Institute of Internal Auditors, as well as sector specific codes such as the Public Sector Internal Audit Standards.

Our methodology and work has been subject to review as part of our internal Quality Assurance Reviews undertaken by our Standards and Risk Management team as well as external scrutiny by the likes of external auditors, as well as other regulatory bodies. No adverse comments have been raised around our compliance with professional standards or our work not being able to be relied upon.

## Appendix A1 - Audit Opinions and Recommendations 2017/18

Leicestershire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Audit Committee Effectiveness	Final	N/A		6	2	8
Workforce Planning	Final	Significant			2	2
Business Continuity	Final	Significant			1	1
Commissioning	Final	Significant			1	1
Health & Safety	Final	Limited	1	8	3	12
Risk Management	Final	Satisfactory		1	5	6
Estates Management	Final	Significant			2	2
Payments & Creditors	Final	Satisfactory		3		3
General Ledger	Final	Significant				0
Cash & Bank	Final	Significant				0
Income & Debtors	Final	Significant				0
Payroll	Final	Satisfactory		3	1	4
Payroll Project	Final	N/A				0
Seized & Found Property	Final	Limited	1	4	2	7
Payroll Provider	Final	Satisfactory		2		2
Counter Fraud	Final	N/A				
<b>Total</b>			<b>2</b>	<b>27</b>	<b>19</b>	<b>48</b>

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development <sup>1</sup>	Final	Satisfactory		2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
EMCHRS Occupational Health <sup>1</sup>	Final	Significant			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
POCA <sup>1</sup>	Draft					
<b>Total</b>			<b>-</b>	<b>3</b>	<b>11</b>	<b>14</b>

<sup>1</sup>Denotes those collaborative arrangements which Leicestershire are a part of.

## Appendix A2 - Audits with Limited and Nil Assurance 2017/18

Audit	Grading	Summary of Key Findings
Seized & Found Property	Limited	<p>We raised one priority 1 recommendation, four priority 2 recommendations and two priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> <li>• Where missing firearms are identified and are being investigated, the property management system should be updated to reflect this. Management should investigate the location of the other missing firearm, update the property management system and review the reason for the discrepancy. (Priority 1)</li> <li>• Staff should be reminded that cash should be securely held in the cash safes within the temporary stores prior to its subsequent transfer.</li> <li>• The Force should introduce communication and training days for old and new starters to ensure the correct processes are being followed. The enhanced procedure is being standardised at all temporary stores therefore the requirement for all to be trained and familiar with the correct processes is vital.</li> <li>• The Force should ensure that the procedures for cash handling, including signatures and security, are consistently complied with. Regular audits that are already undertaken should be enhanced to include the verification of bagged and correct storage of cash.</li> <li>• The PMS should be updated by all users at the earliest opportunity to prevent any discrepancies. Where it is difficult, communication must take place so that the property team can update on the officer's behalf.</li> </ul>
Health & Safety	Limited	<p>We raised one priority 1 recommendation, eight priority 2 recommendations and three priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> <li>• The RMU should support the Force and OPCC with regards the following: <ul style="list-style-type: none"> <li>➤ Carrying out a data cleanse on the training database to ensure it is up to date and represents the current position with regards manager training.</li> <li>➤ Following the above, prioritising those staff who have never completed the managerial course to ensure they receive this as soon as possible.</li> </ul> </li> </ul>

		<p>➤ The provision of training information to the Health &amp; Safety Committees so they can ensure staff are encouraged to attend training.</p> <p>The RMU, in liaison with the Health &amp; Safety Committees, should determine the resource implications required for running the managerial and executive training courses in order to agree the subsequent frequency and depth of training provided. (Priority 1)</p> <ul style="list-style-type: none"> <li>• The HR department should liaise with the RMU to ensure job / role descriptions are updated to reflect the responsibilities set out in the updated Health and Safety Procedure document.</li> <li>• Once the new H&amp;S Procedure has been signed off a clear communication strategy should be put in place to ensure that staff are made aware of their responsibilities for managing health and safety. The new Health and Safety Policy and Procedure should be made available to all staff once it has been approved.</li> <li>• The Projects Team should liaise with the RMU to ensure that all projects, which have been progressed prior to the new form being put in place, have had appropriate consultation to ensure health and safety requirements are being adequately addressed. The Force should decide how cross departmental health and safety issues with regards to projects will be reported through the current governance structure.</li> <li>• The Terms of Reference for the Executive Health and Safety Committee should be updated to ensure it also covers the OPCC. The Force should seek to clarify how assurance over health and safety management with the regional units, for which they are liable, will be sought.</li> <li>• The RMU should produce a formal Accident/Incident reporting procedure. The procedure should provide guidance on what should be reported and how this should be reported by staff. The procedure should be clearly communicated to staff via the intranet.</li> <li>• The RMU should support the force in clearing the current backlog of accidents that have not been investigated. A process should be put in place to ensure that managers undertake investigations and the RMU team quality assess them, in line with the new procedures.</li> <li>• The RMU should collate all existing risk assessments held at local levels and carry out a review to ensure they can put in place an efficient process to carry out timely reviews of risk assessments.</li> <li>• The Force should develop an appropriate Performance Information Framework that provides the Departmental Health &amp; Safety Committees with the relevant detailed information. An overall</li> </ul>
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		summary of performance across Departments and Regional Committees should be available for the Executive Health & Safety Committee to have an overall view of key data.
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## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	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.
<b>Limited Assurance:</b>	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.
<b>No Assurance</b>	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
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	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 A4 - Contact Details

### Contact Details

David Hoose	07552 007708 <a href="mailto:David.Hoose@Mazars.co.uk">David.Hoose@Mazars.co.uk</a>
Brian Welch	07780 970200 <a href="mailto:Brian.Welch@Mazars.co.uk">Brian.Welch@Mazars.co.uk</a>

## Appendix A5 - 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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