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

PAPER MARKED

A

Report of	**CHIEF CONSTABLE**
Subject	**INTERNAL AUDIT PROGRESS REPORT**
Date	**WEDNESDAY 20 JUNE 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 2017/18 and 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 2017/18 & 2018/19

June 2018

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 20th June 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 Operational Plan for the year ended 31st March 2018, together with progress on delivering the 2018/19 Internal Audit Plan which was considered and approved by the JARAC 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 We have issued three final reports in respect of the 2017/18 plan since the last progress report to the JARAP, these being in respect of Payroll Provider, Seized & Found Property and Counter Fraud. Further details are provided in Appendix 1.

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

Leicestershire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Seized & Found Property	Final	Limited	1	4	2	7
Payroll Provider	Final	Satisfactory		2		2
Counter Fraud	Final	N/A				
		Total	**2**	**27**	**19**	**48**

2.2 As reported in previous progress reports, five specific areas had been identified in terms of the collaborative audits for 2017/18. Four of the audits adopted a similar scope to that of the 2016/17 audits and 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. The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and reviewed the arrangements in place across the region to manage cash and property seizures.

2.3 Since the last progress report to the JARAP in February 2018, we have completed the fieldwork in respect of POCA and the draft report has been circulated across the region for comment.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development[1]	Final	Satisfactory		2	3	5
EMSOU Forensic Services[1]	Final	Significant			3	3
EMCHRS Occupational Health[1]	Final	Significant			3	3
Criminal Justice (EMCJS)[1]	Final	Satisfactory		1	2	3
Proceeds of Crime Act	Draft					
		Total	**-**	**3**	**11**	**14**

[1] Denotes those collaborative arrangements which Leicestershire are a part of.

2.4 Work in respect of the 2018/19 audit plan is underway and we have recently issued two draft reports, these being in respect of Firearms Licensing and Procurement. Fieldwork in respect of the Code of Governance has recently been completed, whilst a number of audits are planned to be carried out over the coming weeks, including IT Strategy, Health & Safety and Fleet Management. Further details are provided within Appendix A3.

03 Performance 2017/18

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)

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:

Seized & Found Property

Assurance Opinion	Limited

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

Our audit considered the following area objectives:

- Policies and procedures are in place to ensure that cash / property detained is dealt with in accordance with relevant legislation and the Force's policies and procedures.
- Suitable training is provided to officers and staff to ensure they are aware of requirements when dealing with seized property.
- An appropriate insurance policy for the handling, retention and movement of cash / property is in place.
- Cash is counted in a secure and controlled environment, with an appropriate level of independent verification.
- Cash / property initially seized or received is accurately recorded on the property system in line with relevant procedures.
- Appropriate mechanisms are in place to accurately record the movement and disposal of cash / property.
- Cash / property is stored securely, with restricted and controlled access to nominated officers and staff.
- Cash / property is transported securely by the appropriate number of authorised officers or staff in line with procedural and insurance requirements.
- Physical cash / property is only retained by the Force for the necessary period of time.
- Cash / property is disposed of in an appropriate manner and evidence of the reasons for, and method of, disposal is retained for confirmation.
- Authorised officers or staff provide approval for the disposal of cash / property in line with relevant procedures.
- An appropriate safe audit regime is in place to identify breaches of agreed procedure and confirm cash / property stored.
- Mechanisms for monitoring the cash / property stored and disposed of at the Force are in place.

We raised one priority 1 recommendation where we believe there is a fundamental control weakness. This relates to the following:

Recommendation	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.
Finding	Property should be identified, recorded and securely held. Through an audit of four temporary stores, issues were noted in respect of the recording and/or location of firearms in two instances. In one instance a missing firearm was being investigated by the OIC, although KIM had not been updated to reflect this, whilst shotgun cartridges were present in the firearm safe but had not been recorded on KIM. In another instance the firearm was recorded on KIM but could not be located during the audit.
Response	One identified firearm (of 2 highlighted) -KiM had not been updated to reflect a new OIC (see response to 4.6) and also with the reason for removal from the temp store. This discrepancy would have been found by the monthly diarised internal audit process and rectified. The second firearm was a BB gun. It was transferred to the main store at Keyham Lane and disposed of using the gun cutter on 7th Nov. KiM had not been updated, This issue has been raised with the couriers and property team. The process is being reviewed. The force is working tirelessly to improve its evidential property management and has made numerous significant changes over the last 12 months including a new staff structure and dedicated posts. 9 new procedures have been introduced over the last year, however we acknowledge that these significant improvements need further embedding within training and staff culture. The audit also came in the middle of significant procedural changes to both the PMS (Property Management System- KIM being replaced by NICHE) and also improvements to the Temporary Stores early 2018. The force acknowledges and was already aware that currently the temporary stores are vulnerable for property removal without PMS update. The system is reliant upon officers (per procedure) updating (currently) KiM PMS (due to be replaced by NICHE in March 2018) with all property movements. This is the case with the firearms outlined. The force had recognised this and is currently investing £43k in upgrading the temp stores now, which will be online end of March 2018. The investment includes: **Security** 1) New ammunition cabinets separating firearms from ammunition 2) New x plan locks on firearms/ammunition safe keys allowing audit of keys. Xplan locks (auditable) are already on all main temp store doors 3) New shelving colour coded to assist staff in correctly placing items and interior design and new signage. Warning signs to be introduced 4) CCTV in temporary stores to monitor activity/deterrent. 5) Introduction of NICHE property to replace KiM PMS in March 2018. This will link all property to incidents and allow easier tracking of individual items, also making it easier for officers to update property movement. However, individual compliance requirements by the officer will remain. 6) Temp stores w/e March the responsibility of new courier roles, currently the responsibility of LPD volunteers. This will tighten internal temp store procedures and provide clear ownership 7) Intro of the evid. property audit procedure (Nov 2017) allows for much quicker identification of issues. These discrepancies would have been found in the audit the following week.

	Training **8)** -NCALT package for new PMS -NICHE property reinforces key messages -Probationer training package being reviewed and input - New training videos being prepared -Experienced officer inputs **Enforcement** 9) Proposal to include property on new force performance dashboard 10) Above to include performance monitoring? 11) Consideration of officer PDR inclusion submitted to SCOT 12) Officer verbal warnings process to be introduced by Evid Property Manager 13) Tighter in house management through evidential courier role
Timescale / Responsibility	**Security** Jez Leavesley / End March 2018 excluding CCTV end June 2018 **Training** Amie Peplow/Shruti Pattani / March –Sept 2018 **Enforcement** Jez Leavesley/Amie Peplow / March to Sept 2018

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

- Staff should be reminded that cash should be securely held in the cash safes within the temporary stores prior to its subsequent transfer.
- 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.
- 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.
- 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.

We also raised two priority 3 recommendations of a more housekeeping nature relating to the storing of unknown cash amounts and the updating of procedures.

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

Payroll Provider

Assurance Opinion	Satisfactory

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

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 are actioned in a timely manner and are 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 a timely basis to ensure there are no delays 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 two priority 2 recommendations where we believe there is scope for improvement within the control environment. These related to the following:

- Kier should ensure that the removal of leavers are completed in a timely manner and that confirmations with screenshots are transmitted through the secure portal back to the Force.

  Kier should address the technical issue regarding access rights to payslip information and resolve urgently.

- Kier should be required to record the correct date for the payment period onto the monthly checklist in order that it is verified prior to submission.

Management confirmed that these recommendations will be actioned by June 2018.

Counter Fraud

Under the heading 'Counter Fraud' we undertook two exercises, with two separate reports. These were in respect of the following:

- Fraud Awareness Survey
- Counter Fraud Policy Review

Fraud Awareness Survey

One key principal of any organisation should be the creation and maintenance of an anti-fraud culture. In connection with this, it was agreed with the OPCC Chief Finance Officer and the ACO Finance & Resources that a survey should be produced that would allow the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police to gain an understanding of current fraud and bribery knowledge across employees.

Surveys are one of a range of tools that we use to measure staff awareness and identify fraud risks for proactive work. Surveys also help us to measure awareness of the materials used to help prevent fraud, bribery and corruption, including for example the Anti-Fraud, Bribery and Corruption Policy. The questions contained within the survey were agreed with the Chief Officers to ensure relevance.

As agreed with the Chief Officers, the survey was issued to all staff electronically in October 2017 and concluded in November 2017. The survey incorporated direct questions including; 'where would you find the Fraud Policy?', questions which related to the agreement of staff to a particular subject including; 'Leicestershire Police takes a strong stance against instances of fraud and corruption' and questions which invited a free response such as: 'What areas of Leicestershire Police do you consider to be most vulnerable to fraud?'.

We received a total of 35 surveys: 19 completed and submitted surveys and a further 16 partially completed surveys. Both complete and incomplete responses were included in the results. It is acknowledged that the results of the survey are based on a relatively small proportion of the force and, as a consequence, should only be used as an indication of trends.

The Fraud Awareness Survey suggests that there is a good basic knowledge of fraud and bribery arrangements amongst respondents. Overall, of those who responded, the majority have a reasonable understanding of what fraud and corruption is, the actions to take, and the importance of raising suspicions.

Counter Fraud Policy Review

As part of Counter Fraud Review terms of reference, an assessment of the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire Police's Counter Fraud Policies and procedures was undertaken. The purpose of this work was to assess the content of the Policies from a counter fraud and bribery perspective, focusing on the extent to which the Policies include relevant information in line with good practice and legislative requirements, and suggesting improvements where appropriate.

Assessing the adequacy of the policies/guidance in place, in relation to counter fraud and bribery, is key in checking that the framework in which staff operate is in line with OPCCL and Leicestershire Police's objectives. In addition, updating the policies and communicating this to staff, where appropriate, helps in reinforcing OPCCL and Leicestershire Police's approach to tackling fraud, bribery and corruption; and enables the organisation to take successful sanction and redress against individuals should fraud, bribery or other impropriety occur.

The review covered the following policies and procedures:

- Business Interests and Additional Occupations Procedure;
- Code of Ethics;
- Fraud and Financial Crime Strategy;
- Gifts, Gratuities and Hospitality Procedure;
- Information Security Policy;
- Procurement Policy; and
- Treatment of Whistle Blowers Policy.

The report set out findings and recommendations from the work and raised a number of recommendations where we believe policies and procedures could be improved upon to better encompass best practice relating to the counter fraud.

Appendix A2 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	Nov 2017	Nov 2017	Dec 2017	Final report issued.
Payroll	Nov 2017	Nov 2017	Dec 2017	Feb 2018	Final report issued.
Payroll Provider	Mar 2018	Mar 2018	May 2018	June 2018	Final report issued.
Audit Committee Effectiveness	April 2017	May 2017	Oct 2017	Dec 2017	Final report issued.
Risk Management	Aug 2017	Sept 2017	Oct 2017	Dec 2017	Final report issued.
Strategic & Operational Risk					
Seized & Found Property	Jan 2018	Feb 2018	Mar 2018	June 2018	Final report issued.
Counter Fraud Review	Sept 2017	Jan 2018	Mar 2018	June 2018	Final report issued.
Business Continuity	July 2017	Aug 2017	Aug 2017	Sept 2017	Final report issued.
Estates Management	Oct 2017	Nov 2017	Dec 2017	Dec 2017	Final report issued.
Information Technology Strategy	Dec 2017			N/A	Audit deferred to 2018/19.
Workforce Planning	May 2017	June 2017	July 2017	Sept 2017	Final report issued.
Commissioning	Nov 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Other					
Health & Safety	Aug 2017	Sept 2017	Nov 2017	Dec 2017	Additional request. Final report issued.
Payroll Project	Dec 2017	Dec 2017	Feb 2018	Mar 2018	Final memo issued.
Collaboration					
EMCHRS Learning & Development	Aug 2017	Aug 2017	Sept 2017	Dec 2017	Final report issued.
EMCHRS Occupational Health	Oct 2017	Nov 2017	Nov 2017	Dec 2017	Final report issued.
EMSOU Forensic Services	Sept 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.
Criminal Justice (EMCJS)	Dec 2017	Jan 2018	Jan 2018	Mar 2018	Final report issued.
POCA	Jan 2018	Apr 2018		June 2018	Draft report issued.

Appendix A3 Internal Audit Plan 2018/19

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Financial Systems					
Core Financial Systems	Dec 2018			Feb 2019	
- Payments & Creditors					
- General Ledger					
- Cash & Bank					
- Income & Debtors					
- Payroll					
Code of Governance	June 2018			Sept 2018	Fieldwork completed; being reviewed.
Payroll Provider	Mar 2019			June 2019	
Strategic & Operational Risk					
Firearms Licensing	May 2018	May 2018		Sept 2018	Draft report issued.
IT Strategy	July 2018			Sept 2018	
Procurement	May 2018	May 2018		Sept 2018	Draft report issued.
Health & Safety	July 2018			Sept 2018	
Data Quality	Aug 2018			Dec 2018	

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
GDPR	Nov 2018			Dec 2018	
Fleet Management	Aug 2018			Dec 2018	
Property Management	Feb 2019			June 2019	
Archive Management	Mar 2019			June 2019	
Collaboration					
Collaboration	Sept 2018 – Feb 2019			Dec 2018 & Feb 2019	

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

David Hoose	07552 007708 David.Hoose@Mazars.co.uk
Brian Welch	07780 970200 Brian.Welch@Mazars.co.uk

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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