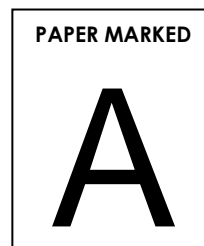


# **POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL**



Report of	<b>CHIEF CONSTABLE</b>
Subject	<b>INTERNAL AUDIT PROGRESS REPORT</b>
Date	<b>WEDNESDAY 21 FEBRUARY 2018 – 10.00 A.M.</b>
Author :	<b>MR BRIAN WELCH, MAZARS</b>

## **Purpose of Report**

1. This report summarises the work that Internal Audit has undertaken in progressing the Operational Plan for the year 2017/18.
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

February 2018

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 21<sup>st</sup> February 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 2017/18 Internal Audit Plan which was considered and approved by the JARAP at its meeting on 17<sup>th</sup> 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 two final reports / memos in respect of the 2017/18 plan since the last progress report to the JARAP, these being in respect of Payroll and Payroll Project, the latter being an additional request to the audit plan. We have also issued draft reports in respect of Seized Property and Counter Fraud where we await management's responses and the final report will be issued shortly. 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
Core Financial Systems	Final	Satisfactory		3		3
Payroll	Final	Satisfactory		3	1	4
Payroll Project	Final	N/A				0
Seized & Found Property	Draft					
Counter Fraud	Draft					
<b>Total</b>			<b>1</b>	<b>21</b>	<b>17</b>	<b>39</b>

2.2 There remains only the one Leicestershire-specific audit to complete – Payroll Provider – for which the scope and planned fieldwork dates has been agreed. The audit of IT Strategy, which was originally planned for quarter 3, and was intended to encompass Northamptonshire and Nottinghamshire as well, has been deferred to 2018/19 following changes in the manner in which IT will be managed across the region. Further details are provided within Appendix A2.

2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. 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 four areas of collaboration that formed the focus of these initial reviews were:

- EMCHRS Learning & Development
- EMCHRS Occupational Health
- EMSOU Forensic Services
- Criminal Justice (EMCJS)

The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and will review the arrangements in place across the region to manage cash and property seizures.

2.4 We have issued one final report since the last progress report to the JARAP, this being in respect of Criminal Justice (EMCJS). Further details are provided in Appendix 1.

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	Substantial			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
<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.

## 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% (12/12)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (10/10)
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% (13/13)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (4/4)

## 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:

### Payroll

<b>Assurance Opinion</b>	Satisfactory
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	3
Priority 3 (Housekeeping)	1

Our audit considered the following area objectives:

#### Policies and Procedures

Procedures and policies are in place to support the effective administration of the function and are communicated to all relevant staff.

#### 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.

Payroll information is produced in a timely manner and secured to allow for effective monitoring and decision making.

Timely Payroll control account reconciliations are undertaken, with any balancing items investigated to ensure the integrity, reliability and accuracy of the Payroll system.

#### Starters, Leavers and Variations

New joiners are accurately and timely added to the payroll with terms and conditions as per their contracts of employment.

Leavers are timely removed from the payroll, with outstanding commitments calculated and recouped where necessary.

Variations and adjustments to employee payroll records are accurately processed in a timely manner.

#### Deductions

Deductions, both statutory and voluntarily made, are accurately in line with contracts of employment.

#### Payments & Expenses

Payments to staff, including officer mileage claims, are made in line with Force policy, contracts of employment and legislative requirements.



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

- The Payroll Department should determine the use to which the BACS payroll report is to be made, ensuring that the information contained is correct and reflects the payment period.
- A review of user access should be undertaken and, where users can access payslip records of others, and there is no operational requirement for this access, this should be removed.  
Consideration should also be taken to introducing user profiles with pre-defined access rights when requesting a new user to ensure access to employee wage slips are restricted.
- Staff should be reminded that where PIM Request forms are submitted to the Payroll Department with inaccurate or missing information, these should be returned to the EMSHRC for re-issue prior to input on to the system.  
Where calculations are required, staff should ensure the supporting documentation is with the PIM Request form.  
Upon the leaver leaving, staff should undertake a reconciliation of the BACs report to the Payroll Payment report to ensure closure of the timesheet and removal from the Payroll BACs report.

We also raised one priority 3 recommendation of a more housekeeping nature relating to expense claims.

Management have confirmed that agreed actions will be implemented by the end of January 2018.

### **Payroll Project**

This audit formed part of the agreement between Mazars LLP and Derbyshire & Leicestershire Police Force's and Offices of the Police & Crime Commissioners. This audit was requested in addition to the approved Internal Audit Plan for 2017/18. The audit was added to each Force's existing internal audit plans and had been requested by Derbyshire Police to gain independent assurance that effective project plans were in place to ensure a smooth transition to the new payroll system.

The purpose of the audit was to undertake a review of the project that is being planned for the replacement of the existing payroll system, Selima, by the Payroll provider, Kier. Due to ongoing issues with the current payroll system, the plan is to move to the iTrent payroll system in April 2018 and Leicestershire Finance Team are liaising with Kier to ensure an appropriate project plan is agreed for the implementation of the new system.

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

- The roles and responsibilities of the Force, the Payroll Provider and the Software Provider are clearly defined and have been communicated to all relevant parties.
- The Force have assurance that all relevant parties have committed adequate resources to enable the effective delivery of the project to time and quality.
- The rights of the Force to amend or alter the specifications for the project are clearly included.
- The Force has scrutinised the project plans to ensure that they are reasonable and are in line with the expectations for the project, including the provision for data migration, training of staff, parallel payment runs and appropriate testing of the new system prior to implementation.
- Due consideration has been given to the timetables for delivery and the Force are satisfied that these are achievable.
- The project includes specific timetables for delivery of the various elements that make up the project and the Force has assurance from the provider that progress against the timetable will be regularly reported upon to ensure deadlines are met.
- The project includes the Force's right to hold the provider to account and makes provisions should deadlines not be met.
- The project plans include identified risks and appropriate risk mitigation actions to effectively deliver the project.
- Appropriate oversight and regular reporting arrangements are in place to ensure the Force has assurance that risks are being managed.

The review of the Project Plans for the replacement of the Payroll System found that there is appropriate scrutiny and review of plans to assist in a smooth transition to the new system. Leicestershire have carried out appropriate review and scrutiny of the initial specification and project plan documentation. However, at the time of the audit, these were yet to be finalised with Kier and should be signed off prior to the start of project work streams in January 2018.

The outcomes of the audit review have been discussed with the Head of Finance in Leicestershire and the points raised are planned to be further discussed, by the Force leads for the project, with Kier prior to the project specification and implementation plan being finalised.

### East Midlands Criminal Justice Service (EMCJS)

<b>Assurance Opinion</b>	<b>Satisfactory</b>
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	1
Priority 3 (Housekeeping)	2

The East Midlands Criminal Justice Service (EMCJS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a four Force collaboration in April 2015 when each force agreed to progress with a regional approach to criminal justice.

The Criminal Justice Unit aims to support each regional force through the delivery of a number of services, including:

- Custody Function – provision of trained custody sergeants and civilian detention officers to maintain custody for detainees;
- Custody Audit Compliance – EMCJS undertake its own compliance regime;
- File Administration – EMCJS will provide a service for file receipt and file transfers between investigators and the CPS;
- Warrant Management; and
- Secretariat support for the East Midlands Criminal Justice Board.

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

- The Unit should ensure that business plans are signed off in a timely manner prior to the start of the period they are intended to cover. The Unit should adopt a three year plan in addition to its annual plan to ensure that it complies with the Section 22 agreement and that relevant planning into the future is considered.

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of terms of reference for governance forums and the review and update of policies and procedures.

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

## Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
<b>Core Financial Systems</b>					
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			May 2018	Starts 7 <sup>th</sup> March.
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.
<b>Strategic &amp; Operational Risk</b>					
Seized & Found Property	Jan 2018	Feb 2018		Mar 2018	Draft report issued.
Counter Fraud Review	Sept 2017	Jan 2018		Mar 2018	Draft 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.

<b>Auditable Area</b>	<b>Planned Fieldwork Date</b>	<b>Draft Report Date</b>	<b>Final Report Date</b>	<b>Target JARAP</b>	<b>Comments</b>
<b>Other</b>					
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.
<b>Collaboration</b>					
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			May 2018	Work in progress.

## 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

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## 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.*

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