

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

PAPER MARKED

B

| | |
|-----------|--|
| Report of | CHIEF CONSTABLE |
| Subject | INTERNAL AUDIT PROGRESS REPORT |
| Date | WEDNESDAY 23 OCTOBER – 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 2019/20.
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

Leicester Police Progress Report – Oct 19

Background Papers

None

Officer to Contact

Paul Dawkins – Assistant Chief Officer (Finance & Resources): Leicestershire Police and Temporary Chief Finance Officer: Office of Police and Crime Commissioner for Leicestershire – 0116 248 2244



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

Internal Audit Progress Report 2019/20

October 2019

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 23rd October 2019

Contents

01 Introduction

02 Summary and conclusions from Internal Audit work to date

03 Performance

Appendices

A1 Summary of Reports

A2 Internal Audit Plan 2019/20

A3 Definition of Assurances and Priorities

A4 Contact Details

A5 Statement of Responsibility

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 2020 that was approved by the JARAP at its meeting on 25th April 2019.
- 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 Since the last meeting of the JARAP we have issued five final reports in respect of the 2019/20 plan, these being in respect of Pensions Provider, Workforce Planning & Absence Management, Recruitment, Complaints Management and Custody Arrangements. Further details are provided in Appendix A1.

| Leicestershire 2019/20 Audits | Report Status | Assurance Opinion | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|---|---------------|-------------------|--------------------------|--------------------------|---------------------------|-----------|
| Pension Provider | Final | Significant | | | 1 | 1 |
| Workforce Planning & Absence Management | Final | Satisfactory | | 2 | | 2 |
| Recruitment | Final | Satisfactory | | 3 | | 3 |
| Complaints Management | Final | Satisfactory | | 2 | 1 | 3 |
| Custody Arrangements | Final | Satisfactory | | 2 | 1 | 3 |
| Total | | | | 9 | 3 | 12 |

- 2.2 Furthermore, we have now issued the final 2018/19 collaboration report, this being an additional piece of work to that in the original plan relating to Projected Underspends. Further details are provided in Appendix A1
- 2.3 Fieldwork in respect of Partnerships is in progress, whilst over the coming months we will be carrying out audits of the Core Financial Systems, Budget Control and Learning & Management Development.
- 2.4 As reported in the previous progress report, with regards the collaboration audits that form part of the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar approach to 2018/19 will be taken whereby a number of 'themed' audits will be carried out across a sample of units. The proposed 'themed' audits are Performance Management, Business Continuity and Health & Safety and will be carried out between October 2019 and January 2020.

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% (5/5) |
| 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% (8/8) |
| 9 | Customer satisfaction (measured by survey) | 85% average satisfactory or above | 100% (1/1) |

Appendix A1 – Summary of Reports

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:

Collaboration: Projected Underspends

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

An audit was undertaken earlier in the year in respect of Strategic Financial Planning. That audit covered the development of financial plans, delivery of efficiency savings, budget management and monitoring, and budget shortfalls. This audit specifically focused on Projected Underspends across a sample of collaboration units agreed by the CFO's and should be read in conjunction with the earlier report. The selected units were East Midlands Operational Support Services (EMOpSS), East Midlands Criminal Justice Service (EMCJS) and East Midlands Special Operations Unit Major Crime Unit (EMSOU MC).

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

- Roles and responsibilities for budget monitoring and financial reporting within the unit are clearly stated.
- Clear timetables are in place for the production of financial performance reports.
- There are effective and robust budget management and monitoring procedures, including the forecasting of budget shortfalls.
- Variances to budget projections are recognised as part of the reporting process and adequate information is provided to explain underspends / overspends during the year.
- Amendments to collaboration budgets have appropriate and robust governance arrangements in place.
- The completion of budget monitoring reports are undertaken consistently with accurate forecasting to enable future positions to be considered.
- Reports on financial performance are submitted in a timely manner to the PCC's Board, including the relevant regional forces.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

| | |
|-----------------------------|---|
| Recommendation 1 | A clearly defined virement process should be agreed for all in year amendments of collaboration budgets. |
| Finding | <p>The base budgets for the collaboration units have a defined process in place, with approval given at the PCC Board on an annual basis.</p> <p>During 2018/19 the EMCJS Management Board agreed to carry out a budget virement to reallocate some central staffing costs back to the Forces, therefore reducing the</p> |

| | |
|-----------|--|
| | <p>overall budget by £127k and therefore this reduced the projected underspend during the 2018/19 financial year.</p> <p>As collaboration budgets are made up of contributions from the Forces that are part of the collaboration, a virement approval process should include authorisation from each Force so that there is a clear rationale behind the in-year adjustment and the impacts of the virement are clearly understood.</p> |
| Response | Agreed |
| Timescale | Jon Peatling / 31 December 2019 |

We raised one significant (priority 2) recommendation where felt that the control environment could be improved. This related to the following:

- The timing of PCC Board meetings should be considered in regard to period end financial reporting.

The actual figures reported to the PCC Board should be clear on which period they relate to.

It should be ensured that a finance report is presented for the PCC Board each quarter.

We also raised one priority 3 recommendation of a more housekeeping nature relating to the provision of quarterly finance reports to the PCC Board.

Management have confirmed that agreed actions will be completed by the end of December 2019.

Pension Provider

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

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

System Security and management of information

- Confidentiality and security of the pension system and officer / pensioner records are maintained through the reliable operation of the system. (Including arrangements for disaster recovery).
- Key changes to standing data are actioned timely and checked for accuracy.
- All correspondence is maintained on pensioner / employee record.

Calculation of eligibility & Notification

- Review of processes, (i.e. eligibility, calculation (including HMRC), checking, receipt of signed forms, notification within payroll timescales) for the following:
 - New entrants enrolled into the appropriate Pension scheme
 - Retirements – Commutation and annual pension
 - Transfers In / Transfers out
 - Refund of contributions
 - Deaths – In service / pensioners
 - Application of pension increase at age 55
 - Calculation of pension estimates
 - Application of Pension Increase on System

Payment of Pensions

- Appropriate payables are identified, requested and schedules recorded in the correct accounting period. Appropriate payments are made for pension entitlements, including regular payments, lump sum payments, payments due when members die, refunds of pension contribution, and deferred benefits.

Year End Processes

- Review of processes and reconciliation for the import of year end data from Force regarding contributions made and service and preparation of Annual Benefit and Saving Statements.

Performance Monitoring

- Key Performance Indicators exist in order to monitor performance against Service Level Agreements
- An agreed suite of quarterly management information reports are submitted to the Force/ OPCC securely, on a timely basis in line with the Service Level Agreement.

We raised the one priority 3 recommendations of a more housekeeping nature. This was with regards establishing an agreement between XPS and the force for a deadline for performance reports to be produced after each quarter. Management confirmed that this has now been implemented.

Workforce Planning & Absence Management

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

Our audit considered the risks relating to the following control objectives:

Absence Management

- The Force have appropriate Policies and Procedures with regards to absence management which provide clear direction as to the processes to be followed to allow effective management of staff absence.
- The requirements, roles and responsibilities of staff and management in relation to absence management are documented and clearly communicated.

- Absences are accurately and consistently recorded in line with the Force Absence procedures and a process is in place for the monitoring of absence levels.
- The Forces' sickness absence performance reports are accurately produced and sent out to the appropriate forum for review on a regular basis; and
- Actions to address areas of weakness are set, monitored and reviewed to confirm the weaknesses have been addressed.

Wellbeing

- There is an appropriate governance structure in place to oversee the management of Wellbeing at the Force.
- Appropriate Strategy and Plans for Wellbeing are in place and are aligned to the OPCC & Force Strategic aims;
- There are robust mechanisms in place to monitor the progress of the Wellbeing Strategy across the Force and this is collated and reported at appropriate management forums;
- Clear action plans are put in place to address areas of weakness highlighted and these are assigned to responsible individuals and are monitored to confirm they have achieved the desired outcomes.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The HR procedures which have been identified as out of date should be reviewed and updated.
- The ToR for both the Wellbeing Leadership Group and Wellbeing Working Group should be updated to include meeting frequency requirements.

Compliance should be monitored to ensure the groups are completing their duties.

Management confirmed that actions will be completed by the end of March 2020.

Recruitment

| | |
|--------------------------|--------------|
| Assurance Opinion | Satisfactory |
|--------------------------|--------------|

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

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

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.

Procedures clearly set out the different roles and responsibilities of both the Retained HR and Transactional Services, and are reviewed and kept up to date.

Recruitment

Recruitment is delivered against wider initiatives, such as that in respect of diversity and anti-discriminatory policies.

The recruitment process is aligned with the force's workforce planning processes.

Recruitment is carried out following the approval of a new post or a vacancy in an existing post. Person specifications and job descriptions are reviewed and approved at the appropriate level.

Approaches to advertising and recruitment agencies are reviewed for their effectiveness, including the role of Transactional Services in the placing of adverts and the use of agencies via a five force arrangement.

Selection & Shortlisting

Selection panels are of an appropriate seniority and are provided with suitable support and / or training to enable them to fulfil this role.

There are effective and robust arrangements in place between the Force and Transactional Services for the logging and communication of applications for shortlisting.

Only applications received by the advertised closing date are considered and those shortlisted meet the key requirements of the person specification / job description.

All interviews are fully documented to ensure full transparency in the selection process. In addition, all decisions are documented, approved and justified in accordance with pre-determined selection criteria.

Retained HR has effective arrangements in place to confirm that Transactional Services' role in the administration of the recruitment process meets the Force's requirements.

Vetting & Pre-Employment Checks

The Force secures adequate assurance that appropriate vetting checks are carried out, including obtaining proof of identity, qualifications, experience and disclosure of convictions.

Vetting is commensurate with the nature of the position and proportionate to the role being advertised.

Job Offer

The Force receives adequate assurance that Transactional Services has robust systems and controls in place to ensure that job offers are correctly administered.

All relevant documentation in respect of the recruitment and selection process, including approved contracts of employment, are collated by Transactional Services and reviewed for accuracy and completeness by Retained HR.

Performance

Standards and KPI's have been agreed against which the recruitment process can be measured.

Complaints relating to the recruitment process are monitored and dealt with appropriately.

The performance of Transactional Services in the recruitment process is measurable and any issues of under-performance promptly addressed.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The Force should ensure that all documentation is retained either in working folders or, preferably, on e-recruitment. This includes interview notes; scoring sheets; and, copies of evidence used to verify identity, address and/or qualifications.
- The Force should ensure where deviations in the e-recruitment process occur, or processes have been overridden, that explanations for any deviations are provided and are subject to approval by retained HR/SHRSC.
- The Force should engage with SHRSC to ensure that all agreed KPIs are reported to the Management Board on a monthly basis.

Management confirmed that actions will be completed by the end of October 2019.

Complaints Management

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

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

Governance Arrangements

- There are effective governance arrangements in place for the investigation and resolution of complaints that includes defined roles and responsibilities, senior oversight and reporting arrangements.
- There are clear procedures in place that support the complaints handling process and these are in line with the Police Reform Act 2002, Police (Complaints & Misconduct) Regulations 2012 and any other relevant legislation and good practice.

Processing of Complaints & Appeals

- There is a mechanism for accurately recording complaints information and adequate information is collected from the complainants.
- Complaints are correctly assessed and dealt with in accordance with the relevant legislative and procedural requirements.
- The complaints management process meets the objective of addressing the concerns of the complainants and/or satisfies them that they have been listened to and treated fairly, even if the outcome is not what they were seeking.

Monitoring & Review Arrangements

- There are key performance indicators and internal targets in place for the complaints management process.
- There are processes in place to review closed complaints cases to confirm they have been completed accurately and correctly.
- Robust performance information is produced that enables the Force and OPCC to effectively manage the complaints process and provide assurance that complaints have been handled in line with requirements.

Change Requirements

- The Force and OPCC have made appropriate preparations for the planned changes to Complaints Management legislation.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Staff should be reminded of the timescales in place for contacting customers.

All documentation should be retained on Centurion in a timely manner.

- Complaints should not be closed prior to the appeals period.

Staff should be reminded of the guidance in place for administering complaints.

We also raised one priority 3 recommendation of a more housekeeping nature. This was with regards the completion of decision records to highlight the intention of the PCC with respect to the future input in complaints management.

Management confirmed that actions had either been actioned or will be completed by the end of August 2019.

Custody Arrangements

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

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

Governance Arrangements

- There are effective governance arrangements in place for the oversight and monitoring of custody arrangements at the Force.
- The management of custody includes defined roles and responsibilities, senior oversight and reporting arrangements.

Reviews/Monitoring of Custody

- The management of custody takes into consideration the demands on custody including the type of detainees and the necessary requirements to effectively deal with this.
- There are processes in place to carry out testing/reviews of custody processing to confirm processes have been completed accurately and correctly.
- There are processes in place to ensure complaints, incidents and near misses are reported and reviewed.
- Arrangements are in place and lessons are learned from incidents, near misses and complaints.

Performance Information

- Robust performance information is produced to allow for the effective oversight of current custody performance.
- The performance information reports are reported to the right forums in a timely manner.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The Force should consider developing a Terms of Reference for the Operational Custody Group to ensure clear alignment within the existing governance structure for custody.

- The Force should consider which governance forum will regularly review demand management and the relevant escalation routes that need to be followed.

The Force should consider enduring demand management is a standing agenda item at the relevant governance forum.

We also raised one priority 3 recommendation of a more housekeeping nature. This was with regards the completeness and depth of performance data.

Management confirmed that actions had either been actioned or will be completed by the end of April 2020.

Appendix A2 Internal Audit Plan 2019/20

| Auditable Area | Plan Days | Planned Fieldwork Date | Draft Report Date | Final Report Date | Target JARAP | Comments |
|---|-----------|------------------------|-------------------|-------------------|--------------|--|
| Core Financial Systems | | | | | | |
| Core Financial Systems | 17 | Nov 2019 | | | Jan 2020 | Fieldwork starts 4 th Nov. |
| - Payments & Creditors | | | | | | |
| - General Ledger | | | | | | |
| - Cash & Bank | | | | | | |
| - Income & Debtors | | | | | | |
| Payroll | 5 | Nov 2019 | | | Jan 2020 | Fieldwork starts 4 th Nov. |
| Pensions Provider | 6 | July 2019 | July 2019 | Aug 2019 | Oct 2019 | Final report issued. |
| Payroll Provider | 5 | Feb 2020 | | | Apr 2020 | |
| Strategic & Operational Risk | | | | | | |
| Partnerships | 10 | Sept 2019 | | | Oct 2019 | Work in progress. |
| Learning & Management Development | 8 | Oct 2019 | | | Jan 2020 | Fieldwork starts 14 th Oct. |
| Project / Benefit Realisation | 12 | Feb 2020 | | | Apr 2020 | |
| Workforce Planning & Absence Management | 8 | Aug 2019 | Aug 2019 | Sept 2019 | Oct 2019 | Final report issued |
| Budget Control | 10 | Oct 2019 | | | Jan 2020 | Fieldwork starts 7 th Oct. |

| Auditable Area | Plan Days | Planned Fieldwork Date | Draft Report Date | Final Report Date | Target JARAP | Comments |
|------------------------|------------------|-------------------------------|--------------------------|--------------------------|---------------------|----------------------|
| Recruitment | 9 | Aug 2019 | Aug 2019 | Sept | Oct 2019 | Final report issued. |
| Complaints Management | 8 | May 2019 | June 2019 | Aug 2019 | Oct 2019 | Final report issued |
| Custody Arrangements | 8 | May 2019 | June 2019 | Aug 2019 | Oct 2019 | Final report issued |
| Collaboration | | | | | | |
| Performance Management | 3 | Oct 2019 | | | Jan 2020 | |
| Business Continuity | 3 | Nov 2019 | | | Jan 2020 | |
| Health & Safety | 3 | Jan 2020 | | | Apr 2020 | |

Appendix A3 – 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 A4 - Contact Details

Contact Details

David Hoose

07552 007708

David.Hoose@Mazars.co.uk

Mark Lunn

07881 284060

Mark.Lunn@Mazars.co.uk

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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.