



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

Internal Audit Progress Report 2018/19 & 2019/20

June 2019

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 24<sup>th</sup> July 2019

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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 31<sup>st</sup> March 2019, together with progress on delivering the 2019/20 Internal Audit Plan which was considered and approved by the JARAP at its meeting on 25<sup>th</sup> 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 the final three reports in respect of the 2018/19 plan, these being in respect of Payroll Provider, Property Management and Archives Management. Further details are provided in Appendix 1.

Leicestershire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Procurement	Final	Satisfactory		2	1	3
Firearms Licensing	Final	Satisfactory		1	1	2
Governance	Final	Satisfactory		2	1	3
Data Quality	Final	Satisfactory		3	1	4
Fleet Management	Final	Satisfactory		4	1	5
IT Strategy	Final	Significant			2	2
Core Financials	Final	Satisfactory				
• Payments & Creditors		Satisfactory		1		1
• General Ledger		Significant				0
• Cash & Bank		Significant			1	1
• Income & Debtors		Satisfactory		1		1
Payroll	Final	Satisfactory		1	2	3
Payroll Provider	Final	Satisfactory		2		2
Health & Safety	Final	Satisfactory		3	1	4
GDPR	Final	Satisfactory	1		3	4

Leicestershire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Property Management	Final	Satisfactory		1	2	3
Archives Management	Final	Significant				0
<b>Total</b>			<b>1</b>	<b>21</b>	<b>16</b>	<b>38</b>

2.2 As reported at the last JARAP meeting, the initial 2018/19 Collaboration Internal Audit Plan is complete, however we still await management's response to the additional audit in respect of Projected Underspends. Further details are provided in Appendix 2.

Collaboration Audits 2018/19	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Strategic Financial Planning	Final	Satisfactory		4		4
Risk Management	Final	Satisfactory		3	3	6
Business Planning	Final	Satisfactory		2	1	3
Projected Underspend	Draft					
<b>Total</b>			<b>-</b>	<b>9</b>	<b>4</b>	<b>13</b>

For the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar 'themed' approach would be taken, albeit covering a different set of themes / areas, carrying out the audit across a further sample of units. The proposed 'themed' audits are:

- Performance Management
- Business Continuity
- Health & Safety

A paper, briefly setting out the audit areas for 2019/20, will be presented for consideration at the Deputy Chief Constable's Board, including a brief overview of the likely areas of the scope. Prior to the audit work commencing a more detailed set of terms of reference will be produced which provide the framework for the audit fieldwork and these too will be shared with DCC's in order for them to feed in at that stage as well.

## 03 Performance 2018/19

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% (13/13)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (13/13)
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% (5/5)

## Appendix A1 – Summary of Reports 2018/19

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 2018/19 Internal Audit Plan:

### Payroll Provider

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

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

#### 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

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 are set out below:

- The Force, in discussion with Kier, should review and amend the Quarterly KPIs that are in place.  
The Quarterly KPIs should provide sufficient transparency on the performance of Kier.
- The Force, in discussion with Kier, should review the support provided by the Helpdesk and, in particular, the manner in which queries are managed and the communication arrangements in place.

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

## Property Management

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

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

- 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 2 recommendation where we believe there is scope for improvement within the control environment. This is set out below:

- Although mandatory training has been introduced for new starters, refresher training and importance of Evidential Property Management should be regularly re-iterated.

The Force should work with the Officers to address any difficulties or confusion experienced by the officers with the process.

We also raised two priority 3 recommendations of a more housekeeping nature. These were with regards the recording of cash and the update of procedures.

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



## Archive Management

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

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

### Aims & Objectives

- The strategic aims underpinning the 'archives project' are understood, documented and are linked to the overall aims of the Force.

### Governance and Internal Assurance

- There is an appropriate governance structure in place underpinning the 'archives project'.
- An appropriate 'archives project' internal assurance structure is put in place and all reporting lines are defined.

### Benefits Identification

- The 'archives project' objectives are aligned with corporate strategic objectives, have been translated into identifiable benefits and allocated to projects to ensure responsibility and accountability for delivery.

### Benefits Definition, Measurement and Realisation

- The benefits are clearly defined so as to enable measurement and that they are brought forward onto a benefits realisation plan and benefits tracker to ensure their realisations are monitored and if applicable, that corrective management action can be taken to bring the programme/projects back on track.
- The 'archives project' is responsive to changing corporate objectives and priorities and, if applicable, benefits/outcomes/outputs are re-defined and brought forward onto the benefits realisation plan and benefits tracker as necessary.

### Risks/Issues

- Risks and issues are identified, recorded, reported on and managed.

### Programme Monitoring, Management Reporting and Progress Management

- Appropriate programme/project event and time driven controls have been devised.
- Project/programme progress is monitored, reported on and if applicable, that corrective management action can be taken to bring the programme/projects back on track.

Audit did not raise any recommendations where we felt that the control environment could be improved.

## Appendix A2 Internal Audit Plan 2018/19

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
<b>Core Financial Systems</b>						
Core Financial Systems	17	Dec 2018	Jan 2019	Feb 2019	April 2019	Final report issued.
- Payments & Creditors						
- General Ledger						
- Cash & Bank						
- Income & Debtors						
Payroll	5	Jan 2019	Feb 2019	Feb 2019	April 2019	Final report issued.
Code of Governance	6	June 2018	June 2018	July 2018	Sept 2018	Final report issued.
Payroll Provider	5	Feb 2019	Mar 2019	April 2019	July 2019	Final report issued.
<b>Strategic &amp; Operational Risk</b>						
Firearms Licensing	8	May 2018	May 2018	Aug 2018	Sept 2018	Final report issued.
IT Strategy	10	July 2018	Sept 2018	Oct 2018	Dec 2018	Final report issued.
Procurement	7	May 2018	May 2018	June 2018	Sept 2018	Final report issued.
Health & Safety	7	Jan 2019	Jan 2019	Mar 2019	Apr 2019	Final report issued.
Data Quality	8	July 2018	July 2018	Aug 2018	Sept 2018	Final report issued.
GDPR	10	Nov 2018	Dec 2018	Feb 2019	April 2019	Final report issued.

<b>Auditable Area</b>	<b>Plan Days</b>	<b>Planned Fieldwork Date</b>	<b>Draft Report Date</b>	<b>Final Report Date</b>	<b>Target JARAP</b>	<b>Comments</b>
Fleet Management	7	Aug 2018	Aug 2018	Sept 2018	Dec 2018	Final report issued.
Property Management	10	Mar 2019	Apr 2019	May 2019	July 2019	Final report issued.
Archive Management	8	Mar 2019	Apr 2019	Apr 2019	July 2019	Final report issued.
<b>Collaboration</b>						
Risk Management	3	Aug 2018	Nov 2018	Feb 2019	April 2019	Final report issued.
Strategic Financial Planning	3	July 2018	Oct 2018	Feb 2019	Dec 2018	Final report issued.
Business Planning	3	Sept 2018	Jan 2019	Mar 2019	April 2019	Final report issued.
Review of Collaboration Assurance Statements	1	May 2018	May 2018	June 2018	Sept 2018	Final memo issued.
Projected Underspend	2	Feb 2019	Mar 2019		July 2019	Additional request. Draft report issued.

## Appendix A3 Internal Audit Plan 2019/20

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
<b>Core Financial Systems</b>						
Core Financial Systems	17	Nov 2019			Jan 2020	
- Payments & Creditors						
- General Ledger						
- Cash & Bank						
- Income & Debtors						
Payroll	5	Nov 2019			Jan 2020	
Pensions Provider	6	July 2019			Oct 2019	
Payroll Provider	5	Feb 2020			Apr 2020	
<b>Strategic &amp; Operational Risk</b>						
Partnerships	10	Sept 2019			Oct 2019	
Training	8	Oct 2019			Jan 2020	
Project / Benefit Realisation	12	Feb 2020			Apr 2020	
Workforce Planning	8	Aug 2019			Oct 2019	
Budget Control	10	Oct 2019			Jan 2020	
Recruitment	9	Aug 2019			Oct 2019	

<b>Auditable Area</b>	<b>Plan Days</b>	<b>Planned Fieldwork Date</b>	<b>Draft Report Date</b>	<b>Final Report Date</b>	<b>Target JARAP</b>	<b>Comments</b>
Complaints Management	8	May 2019	June 2019		July 2019	Draft report issued
Custody Arrangements	8	May 2019	June 2019		July 2019	Draft report issued
<b>Collaboration</b>						
Performance Management	3	Oct 2019			Jan 2020	
Business Continuity	3	Nov 2019			Jan 2020	
Health & Safety	3	Jan 2020			Apr 2020	

## Appendix A4 – 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 A5 - Contact Details

### Contact Details

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## A6 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

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