



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

Internal Audit Progress Report 2019/20

January 2020

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 22nd January 2020

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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 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 four final reports in respect of the 2019/20 plan, these being in respect of Partnerships, Budget Control, Payroll and Core Financials. In addition we have issued one draft report in respect of the 2019/20 plan, this being Learning & Management Development. 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
Partnerships	Final	Satisfactory			4	4
Budget Control	Final	Satisfactory		1		1
Learning & Management Development	Draft					
Core Financials	Final	Significant		1		
Payroll	Final	Significant			1	
Total				11	8	19

- 2.2 Good progress has been made in respect of Leicestershire's 2019/20 Internal Audit Plan with nine out of the eleven, Leicestershire specific, audits now completed. For the remaining two audits in regards to the Payroll Provider and Benefits / Project Realisation these have been discussed with management and are on track for completion during quarter four.
- 2.3 In regards to the Collaboration audits the Performance Management fieldwork has been completed and the draft report will be issued shortly, the fieldwork for the Business Continuity and Health and Safety audits has been scheduled across January and early February.

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.	90% (9/10)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (9/9)
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% (10/10)
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:

Partnerships

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	4

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

- Determine what partnership arrangements the Force and OPCC are involved in.
- Assess current governance arrangements for individual Partnerships in terms OPCC / Force engagement with the partnership; it will look at the following:
 - whether they are clearly defined;
 - roles and responsibilities are understood by all parties;
 - risks to the force / OPCC are being effectively managed;
 - decision making is clear and transparent; and
 - whether reporting arrangements are in line with best practice.
- Evaluate how partnerships contribute to the strategic objectives of the force / OPCC, including the Police & Crime Plan.
- Determine whether partnership arrangements are regularly reviewed to ensure that they remain relevant, effective and outcomes are being achieved.
- Provide assurance that regular monitoring information is produced to inform reporting of Partnership activity, including consideration of value for money.
- Assess arrangements for reviewing partnerships and how the OPCC/Force ensures that they remain relevant, effective and that expected outcomes are delivered.

We raised four priority 3 recommendation of a more housekeeping nature relating to partnership information retained, partnership governance, partnership resources and partnership performance monitoring.

Management have confirmed that agreed actions will be completed across 2020.

Budget Control

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

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

Development and sign-off of financial plans.

- An effective and informed medium term financial strategy (MTFS) is in place to ensure that a comprehensive review of the OPCC and Force's financial position for the current and future years is undertaken and is reviewed on a regular basis.
- The MTFS and financial planning process is aligned with key strategies and priorities of the OPCC and Force, and there is a clear link back to the borrowing and reserves strategies.
- Responsibility for creation, review and sign off of the MTFS is defined and controls are in place to ensure these responsibilities are discharged effectively.
- Appropriate assumptions are made as part of the planning process.

Delivery of Efficiency Savings

- Efficiency savings are incorporated into the MTFS and these savings are monitored on a regular basis.
- Procedures and guidance are available to support the effective delivery of the savings programme, including the methodology / rationale for calculating and justifying the proposed savings.
- Responsibilities for the delivery of individual savings targets are agreed and understood.
- There is a rigorous process for challenging the proposed savings targets, including their subsequent approval.
- Processes exist to enable management to highlight potential failure to deliver efficiency savings and action taken accordingly.

Budget Management and Monitoring

- The MTFS is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.

Budget Shortfall/ variances to budget projections

- Budget shortfalls/variances to budget projections are recognised as part of the MTFS process.
- Shortfalls and variances are monitored and the MTFS updated accordingly as these occur through the financial year, with future impact on deliver of the overall plan assessed.
- There are sound controls over the use of budget virements, which are in line with the Force Financial Regulations.

Management Information

- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFS.
- Budgets are loaded onto the MIS in a timely manner and are updated as the year progresses in line with budget change decisions.

We raised the one priority 2 recommendation. This was with regards the OPCC Financial Handbook not being updated since 2014. The OPCC Temporary Chief Finance Officer confirmed the review and subsequent update is ongoing and due for completion by December 2019.

Core Financials

Assurance Opinion: Overall	Significant
General Ledger	Significant
Cash & Bank	Significant
Payments & Creditors	Satisfactory
Income & Debtors	Significant

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

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

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Misappropriation of cash held by the force and lack of appropriate security to keep funds safe.
- The purchasing process is not complied with by staff which could lead to inappropriate transactions going undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- System weaknesses are not addressed in line with agreed actions resulting in sustained weaknesses which may lead to financial loss or reputational damage.

In reviewing the above risks, our audit considered the following areas:

- General Ledger
- Cash and Bank
- Payments and Creditors
- Income and Debtors
- Previously Identified Weaknesses

We raised the one priority 2 recommendation. This was with regards to the evidencing of fraud checks when processing new suppliers or amendments to suppliers. The Finance Manager has implemented a new manual check in the process to ensure the checks have been completed.

Payroll

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:

- Procedures and policies are in place to support the effective administration of the function and are communicated to all relevant staff.
- Confidentiality and security of the payroll system(s) and employee records are maintained through the reliable operation of the system(s);
- 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 systems.
- 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, both statutory and voluntarily made, are accurately in line with contracts of employment.
- Payments to staff, including expense claims and overtime payments, are made in line with Force policy, contracts of employment and legislative requirements.

We raised the one priority 3 recommendation. This was with regards to the performance reporting capabilities of the iTrent payroll system. Management confirmed the audit module has now been installed and were currently reviewing how to use the data to monitor payroll performance.

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	Dec 2019	Jan 2020	Jan 2020	Final report Issued
- Payments & Creditors						
- General Ledger						
- Cash & Bank						
- Income & Debtors						
Payroll	5	Nov 2019	Dec 2019	Jan 2020	Jan 2020	Final Report Issued
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			Jan 2020	Final report Issued
Learning & Management Development	8	Oct 2019	Nov 2019		Jan 2020	Draft Report Issued, awaiting management comments.
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	Dec 2019	Dec 2019	Jan 2020	Final Report Issued

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			Apr 2020	Fieldwork completed, draft report to be issued shortly
Business Continuity	3	Nov 2019			Apr 2020	Fieldwork to commence in January & February
Health & Safety	3	Jan 2020			Apr 2020	Fieldwork to commence in January & February

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

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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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