

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

PAPER MARKED

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Report of	CHIEF CONSTABLE
Subject	INTERNAL AUDIT PROGRESS REPORT
Date	WEDNESDAY 29 JULY – 10.00 A.M.
Author :	MR MARK LUNN, 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 and present progress on the 2020/21 Operational Plan
2. 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.

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 – Jul 20

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 & 2020/21

July 2020

Presented to the Joint Audit, Risk & Assurance Panel meeting of: 29th July 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. Moreover to present progress on the 2020/21 Operational Plan.
- 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 Learning & Management Development, Payroll Provider and Benefit Realisation. In relation to the Collaboration audits we have issued one final report in respect of Performance Management and issued two draft reports in respect of Health & Safety and Business Continuity. 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	Final	Satisfactory		1	2	3
Core Financials	Final	Significant		1		1
Payroll	Final	Significant			1	1
Payroll Provider	Final					
Benefit Realisation	Final	Satisfactory		1		1
Total				13	10	23

Collaboration 2019/20 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Performance Management	Final	Satisfactory		1	4	5
Health & Safety	Draft					
Business Continuity	Draft					
TOTAL				1	4	5

- 2.2 Audit have completed all of the Leicestershire specific, audits that were agreed for the 2019/20 internal audit plan. The Benefits Realisation audit was scheduled for March 2020 and was delayed due to the impacts of the UK lockdown, however we worked well with the Force to ensure the audit could be carried out safely and we were able to issue the final report at the beginning of July.
- 2.3 The Collaboration audit report in respect of health and safety has been issued in draft and discussed at the regional DCC and regional CFO meetings, but further management comments were requested, which has been completed, and is currently being re-circulated so that the report can be finalised. The Business Continuity audit was delayed due to the Covid-19 pandemic, however our report was issued in draft in May and is also being circulated so that management comments can be gathered and the report issued as a final report.

03 Progress of 2020/21 Internal Audit Work to date

- 3.1 The Covid-19 global pandemic has impacted all organisations as the UK enforced lockdown restrictions and closed organisations across the country in a bid to protect public health. This has inevitably impacted upon the early part of 2020/2021 and our ability to undertake the planned audits in the usual manner. However, contact and engagement with the Force & OPCC has been business as usual. We held regular catch up meetings and have outlined dates for the delivery of the 2020/21 plan. Audit planning meetings have taken place and terms of reference agreed and dates agreed for the first audits to take place (Refer to Appendix A3 for details).
- 3.2 The impact of covid-19 is that audits that would have taken place in Q1 have not yet been carried out, but they have been rescheduled and all of the planned audits are set to be carried out in 2020/21. With remote working likely to continue for some time the audits will have to be carried out remotely, or with very specific arrangements and precautions for an auditor to be on site. Mazars have not raised any issues with regard to completing Leicestershire's 2020/2021 Internal Audit Plan but will keep this under constant review and provide the JARAP with updates where issues are impacting upon our ability to deliver the audit plan.
- 3.3 In relation to the 2020/2021 Collaboration Audits, internal audit have attended a number of regional Chief Finance Officers meetings and an agreement has been reached for an outline three year plan on the areas of coverage across the collaborations. This is summarised below. Internal audit will continue to liaise with the regional CFO group to ensure the collaboration audits are planned and delivered on schedule. Moreover to assist in a more efficient process for 2020/2021 a process for the completion of audit, exit meeting, draft report, management comments and then final report has been agreed by the regional CFO group.

Audit Assignment	2020/2021	2021/2022	2022/2023
Workforce Planning	✓		
Wellbeing	✓		
Budgetary Control	✓		
Asset Management		✓	
Savings Plans		✓	
Business Continuity (Lessons Learned Covid-19)		✓	

Audit Assignment	2020/2021	2021/2022	2022/2023
Governance			✓
Business Plans			✓
Risk Management			✓

04 Performance 2019/20

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% (12/12)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (12/12)
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% (12/12)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (2/2)

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:

Leadership & Management Development

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

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

- The Force have clear and documented procedures for the determination and recording of officer / staff development needs and these are applied consistently across departments.
- Departmental training provision is aligned with the corporate appraisal and performance management processes.
- There are clear and coordinated development plans which are aligned with available funding and which are consistently applied at a departmental level.
- Delivery of leadership and management development is aligned with the strategic and service objectives and is focused on areas of priority / need.
- The Force has in place effective processes to record and manage training provision and provides timely and accurate management information with regards training provision and development requirements.
- Where applicable, there are robust processes in place for the requisition and management of training.
- Where training is provided externally, for example, through contractual arrangements with a provider, there are effective processes in place for ensuring performance and quality.

We raise one priority two recommendation in regards to the People Strategy and the annual development plan, audit suggested a number of updates that could be made to improve these documents including:

- Roles and responsibilities of those individuals involved in the delivery of Leadership & Management (L&M)
- SMART targets attached to the goals that have been listed.
- What supporting documents are in place which relate to L&M
- What boards / forums are in place for L&M / how L&M is governed

We raised two priority 3 recommendation of a more housekeeping nature relating to the completion of performance development reviews and analysis of training evaluation feedback

Management have confirmed that agreed actions will be completed by the end of April 2020.

Payroll Provider

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

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

- 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.
- 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.
- Systems and controls are in place to ensure that queries raised by the Force are correctly processed and prioritised.
- Queries raised by the Force are prioritised and managed in line with the target response times per the Service Level Agreement.
- 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 the one priority 2 (significant) recommendation. This was with regards to the KPI Calculation for ticket resolution as audit testing had found some anomalies. Management confirmed KPI's had been amended to ensure they are being correctly calculated and presented.

We also raised two priority 3 recommendations of a housekeeping nature that are summarised below:

- The format of the performance report should be updated to clearly show whether targets have been met;
- The format of the performance report should align to the agreed performance indicators.

Management confirmed that discussions with Kier had taken place and the recommendations have been implemented.

Benefits Realisation

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:

- Governance arrangements are adequate to ensure that clearly defined roles and responsibilities, decision making processes, risk management and performance management arrangements exist in respect of all projects and programmes.
- There is effective oversight and reporting arrangements with relevant governance forum.
- To confirm whether effective processes are in place in respect of the identification of projects/programmes, which is based on need. In addition, to confirm that all identified projects have been sufficiently defined.
- To verify that all identified projects are appropriately costed, based on realistic assumptions. To confirm that potential projects are effectively scrutinised prior to receiving formal approval and inclusion in the service improvement programme.
- There is effective communication across all stakeholders who would be impacted by the projects/programmes and these are considered prior to project approval.
- Benefits realisation objectives are clearly defined, with effective targets/ performance measures quantified in line with required outcomes.
- An effective and consistent approach to performance management is undertaken across all projects.
- Regular reporting takes place across the governance structure to ensure that any issues are highlighted at an early stage and action plans are put in place.
- Where issues are identified in projects/programmes evaluation of the issues takes place and improvements are made to existing processes so that the issues are not repeated in future projects.

We raised the one priority 2 (significant) recommendation. This was with regards the completion of a project closure report for one of the closed projects that was missing at the time of audit visit. Management confirmed the action would be completed ready for the next Change Board in October 2020.

Collaboration: Performance Management

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

Our audit considered the following area objectives:

- There is a robust and formal performance management framework in place.
- Performance targets are relevant, realistic, measurable and are properly communicated to staff.
- The unit's performance management arrangements are effectively aligned with the requirements of relevant forces / PCC's.
- There are effective reporting routines in place which provide up to date and accurate information to the relevant forum on the delivery of the service.
- Benchmarking information is available that allows comparative data and learning opportunities.
- There is a clear structure of performance oversight across the collaboration, including by Chief Constable's and PCC's, covering both strategic and operational performance.
- There are effective escalation procedures in place to resolve areas of under-performance.

We raised one significant (priority 2) recommendation where it was felt that the control environment could be improved. This is set out below:

Recommendation	When presenting performance metrics EMCJS, EMCHRS L&D and EMSOU should consider what good performance should look like to provide users with a better understanding of how well the unit is performing in that area.
Finding	<p>Each collaboration unit carries out a variety of functions and services for the Forces and due to this it can be difficult to assign performance targets or measures that clearly demonstrate what good performance looks like.</p> <p>Whilst targets may not be applicable in all the performance metrics, indicators of good or bad performance should be included to provide those charged with managing performance with a better understanding of the performance metrics being presented. Examples include:</p> <ul style="list-style-type: none"> • EMCHRS L&D KPI's relate to % of Force's staff who have undertaken mandatory training, some RAG ratings are applied but these have not been reviewed and updated for some time. • EMCJS the custody metrics are recorded but no indication of what good should look like e.g. a downward trend or upward trend or an expected percentage. • EMSOU have no performance targets in most areas due to the nature of the work they undertake, however trend analysis is utilised where possible to demonstrate performance but it was unclear what trend demonstrated good performance.

	Once a better understanding of levels of performance are in place this will allow those charged with managing performance to put in place appropriate actions in areas of underperformance.
Response	<p><u>EMSOU</u></p> <p>EMSOU have commissioned a performance project to review existing performance reporting, strip out unnecessary bureaucracy and make better use of the gathered data.</p> <p>All departments will report via a standard template and all data will be held in one, bespoke database. That database will be capable of being queried via Power BI, allowing a far more agile approach to performance monitoring.</p> <p>Whilst targets would not be helpful for most EMSOU work, this system will allow us to see our effect in many ways, such as commodities seized and offenders imprisoned, but also important information on the effect of our operations in communities, such as the overall reduction of risk from an OCG.</p> <p>The data can be separated out for departments, teams, threat areas and so on, allowing for questions to be answered in different ways to cater for changing contexts.</p> <p>This deals with the issue of good performance, and how that is defined, given that stakeholders will have a range of views.</p> <p><u>EMCJS</u></p> <p>There are a few areas within the scorecard that targets could be attributed to. However, a lot of the data is for information only and can't be targeted i.e. throughput. The scorecard will be reviewed and targets will be included where deemed appropriate.</p> <p><u>EMCHRS L&D</u></p> <p>A Performance Management Group is in place and will benchmark L&D performance measures to ensure that these ultimately drive improved performance.</p>
Timescale	<p>Head of EMSOU / June 2020</p> <p>Head of EMCJS / May 2020</p> <p>Head of EMCHRS L&D / Immediately</p>

We raised four priority 3 recommendation of a more housekeeping nature with regards to:

- Governance: Updating the terms of reference of EMSOU Performance Management Group and Strategic Governance Group regularly and EMCHRS L&D updating the Management Board terms of reference;
- EMCHRS L&D Performance Data: Consideration of other performance metrics to be included in performance reports and consideration of alternative solutions to the course evaluations;
- EMCJS Performance Data: Consideration of updating the process of performance reports to maintain audit trails, implementing secondary quality checks for accuracy and producing guidance notes for the production of performance reports.

- Performance Information vs Management Information: When presenting performance metrics EMCJS, EMCHRS L&D and EMSOU should consider the separation of management information from performance information.

Management confirmed that these will be completed by end of June 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	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	Apr 2020	Apr 2020	Final Report issued.
Strategic & Operational Risk						
Partnerships	10	Sept 2019		Jan 2020	Jan 2020	Final report issued
Learning & Management Development	8	Oct 2019	Nov 2019	Jan 2020	Jan 2020	Final Report issued.
Project / Benefit Realisation	12	Feb 2020	July 2020	July 2020	Jul 2020	Final report issued.
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	Feb 2020	May 2020	Apr 2020	Final report issued
Business Continuity	3	Nov 2019	May 2020		Apr 2020	Draft report issued.
Health & Safety	3	Jan 2020	Apr 2020		Apr 2020	Draft report issued.

Appendix A3 Internal Audit Plan 2020/21

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Core Assurance						
Core Financial Systems	17	Nov 2019			Jan 2021	
- Payments & Creditors						
- General Ledger						
- Cash & Bank						
- Income & Debtors						
Payroll	5	Nov 2019			Jan 2021	
Payroll Provider	5	Feb 2021			Apr 2021	
Risk Management	8	Oct 2020			Jan 2021	
Strategic & Operational Risk						
Procurement	8	July 2020			Oct 2020	Fieldwork Underway
Victims Code of Practice	8	Jan 2020			Apr 2021	Planning discussions have taken place
Workforce Planning	8	Sept 2020			Oct 20 / Jan 21	
Wellbeing	9	Jan 2021			Apr 2021	

Auditable Area	Plan Days	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JARAP	Comments
Vetting	8	Jan 2021			Apr 2021	
Estates Management	8	Oct 2020			Jan 2021	
Medium Term Financial Plans	8	Jan 2021			Apr 2021	
IT: GDPR	10	TBC			TBC	
IT: Security	8	TBC			TBC	
Collaboration						
Workforce Planning		TBC			TBC	
Wellbeing		TBC			TBC	
Budgetary Control		TBC			TBC	

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

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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.

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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