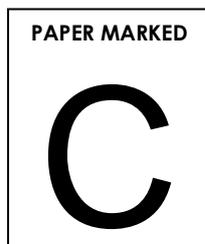


**POLICE & CRIME
COMMISSIONER FOR
LEICESTERSHIRE
JOINT AUDIT, RISK &
ASSURANCE PANEL**



Report of	CHIEF CONSTABLE
Subject	DRAFT INTERNAL AUDIT ANNUAL REPORT 20/21
Date	21 JULY 2021 – 10.00 A.M.
Author :	MR MARK LUNN, MAZARS

Purpose of Report

1. This report provides a draft copy of the Internal Audit Annual report 20/21.

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

Draft Internal Audit Annual Report 20/21

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
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Police & Crime Commissioner for
Leicestershire & Leicestershire Police
Joint Audit, Risk & Assurance Panel

DRAFT - Internal Audit Annual Report

Prepared by: Mazars LLP

Date: July 2021

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of The Office of the Police & Crime Commissioner for Leicestershire & Leicestershire Police and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of The Office of the Police & Crime Commissioner for Leicestershire & Leicestershire Police and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.





01 Introduction

This draft Internal Audit Annual Report for 2020/21 is being presented to JARAP to show the current status of the report. It is noted that four audits are yet to be finalised and therefore once these reports are finalised this report will be updated accordingly and the final Internal Audit Annual Report for 2020/21 provided. Please note therefore that all items within this report are subject to change before final issue.

Mazars LLP are the appointed internal auditors to the Police & Crime Commissioner for Leicestershire & Leicestershire Police. This report summarises the internal audit work undertaken by Mazars in 2020/21, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

Despite the restrictions imposed as a result of Covid-19, the Police & Crime Commissioner for Leicestershire & Leicestershire Police retained a full scope internal audit service for 2020/21 which, based on the work we have undertaken, enabled us to provide the enclosed Annual Opinion on the Police & Crime Commissioner for Leicestershire & Leicestershire Police arrangements for risk management, control and governance.

As a result of the government restrictions from March 2020, we were unable to conduct internal audit engagements on site. We therefore undertook visits during 2020/21 remotely. In some cases, this has impacted on the scope of work undertaken. Detail of this has been provided where applicable in Section 02.

The report should be considered confidential to the Police & Crime Commissioner for Leicestershire & Leicestershire Police and not provided to any third party without prior written permission by Mazars.

Scope and purpose of internal audit

The purpose of internal audit is to provide the Police & Crime Commissioner for Leicestershire & Leicestershire Police, through the Joint Audit, Risk & Assurance Panel (JARAP), with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving Police & Crime Commissioner for Leicestershire & Leicestershire Police’s statutory objectives and strategic aims.

Internal audit provides the Police & Crime Commissioner and Chief Constable, through the Joint Audit, Risk & Assurance Panel (JARAP), 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.

Our work is conducted in accordance with Public Sector Internal Audit Standards (PSIAS).

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the JARAP during the course of the year.

Performance against the Internal Audit Plan

The Plan for 2020/21 was considered and approved by the JARAP on 25th April 2020. In total the Plan was for 140 days, including 15 days of Audit Management. There was also provision for 5 contingency days included in the Plan, should these days be required.

The impact of the Covid-19 lockdown(s) has posed several challenges to the internal audit process and the move to remote auditing has caused some initial delays in setting dates when the audits will be carried out. Both parties have worked hard to ensure the audits could be completed and Mazars have regularly communicated with the Force and OPCC, which has enabled us to make good progress against the plan to date.

However, in a number of instances changes have had to be made to the internal audit plan that was agreed for 2020/21 and this resulted in the 3 of the 10 allocated Collaboration Audit days being deferred into the 2021/22 internal audit plan as only two of the three scheduled audits were able to take place.

The audit findings in respect of each of our finalised reviews, together with our recommendations for action and the management response, were set out in our detailed reports, which have been presented to the JARAP over the course of the year. In addition, we have presented a summary of our reports and progress against the Plan within our Progress Reports to each JARAP.

A summary of the reports we have issued is included in section 03. In addition appendix A1 describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

Acknowledgements

We are grateful to all members of the JARAP, the OPCC Chief Executive, the Chief Officers of both the Force and the OPCC and other staff throughout Leicestershire Police for the assistance provided to us during the year.



02 Audit Opinion

Scope of the Internal Audit Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Leicestershire is a reasonable assurance that there are no major weaknesses in governance, risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken as part of the plan;
- Whether or not any 'Critical', 'Highly Important' or 'Significant' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in Leicestershire's objectives or activities;
- Matters arising from previous reports to Leicestershire;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of Leicestershire; and
- The proportion of Leicestershire's internal audit needs have been covered to date.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A1.

Reliance Placed on Third Parties

Internal audit has not placed any reliance on third parties in order to assess the controls operated by OPCC for Leicestershire & Leicestershire Police. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

COVID-19

During the year, we have consulted and informed management through regular liaison with the Force & OPCC CFO's and the Joint Audit, Risk & Assurance Panel (JARAP) about changes to the plan and internal audit reviews to take account of the impact of Covid-19 on the organisation and the changing risk landscape. There was an impact on our ability to conduct a number of audits in the Plan over the period, as highlighted above.

During 2020/21, the Covid-19 pandemic impacted on the provision of internal audit services as follows:

- Our fieldwork testing and interviews were conducted remotely, specifically via video conferencing, screen sharing and email, with no onsite testing completed due to national restrictions.
- Our interaction with management and attendance at JARAP has been via video conferencing, again due to national restriction; and
- Our ability to complete all audits in the original plan.

Internal Audit Opinion

On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Significant** in its overall adequacy and effectiveness. This opinion is provided on the basis that The framework of governance, risk management and control is adequate and effective.

Certain weaknesses and exceptions were highlighted by our internal audit work, in particular limited assurance opinions during the period in respect of IT Security.

These matters have been discussed with management, to whom we have made recommendations, several of which are categorised as Priority 1 and Priority 2. All of these have been, or are in the process of being addressed, as detailed in our individual reports, and summarised in Sections 03 & 04.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance

In respect of Corporate Governance, while not directly assessed as part of the Plan, this was informed by consideration of this area through our individual assignments including where relevant. Governance is a consideration in all our audit engagements and we did not find any wholesale issues with governance across our audit plan.

Risk Management

In respect of Risk Management we have undertaken a Risk Management audit, at the time of writing the final report is still to be confirmed. In addition to this our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our 'risk management' thematic as well as observing reports and discussion around the Force's and OPCC's Risk Management including the Risk Register at each JARAP meeting with no significant issues arising.

During the course of delivering the 2020/21 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

Of the 15 audits undertaken and 12 finalised to date, where a formal assurance level was provided, 7 received a significant level of assurance and 4 audit received a satisfactory level of assurance. However, 1 audit (IT Security) has received a limited level of assurance (although the final reports for three audits remain outstanding – MTFP, Risk Management & Collaboration: Workforce Planning).

We have made a total of 23 new recommendations during the year at the Force and OPCC, 1 recommendation was categorised as Priority 1 with 10 recommendations categorised as Priority 2 and 12 were Priority 3.



03 Internal Audit Work Undertaken in 2020/21

The Internal Audit Plan was for a total of 140 days, with all reviews able to be completed. The audit findings in respect of each review, together with our recommendations for action and the management responses are set out in our detailed reports. In accordance with the approach set out within the internal audit plan, we undertook eleven specific audit reviews, supported by two IT audit reviews and two collaboration audit reviews. The results of this work (to date) are summarised below:

Ref	Audit area	Assurance level	Recommendations				Accepted	Not Accepted
			F	S	H	Total		
01.20/21	Core Financials	Significant	-	-	1	1	1	-
02.20/21	Payroll	Significant	-	-	2	2	2	-
03.20/21	Payroll Provider	Significant	-	-	-	-	-	-
04.20/21	Victims Code	Satisfactory	-	1	2	3	-	-
05.20/21	Workforce Planning	Satisfactory	-	2	0	2	2	-
06.20/21	Wellbeing	Significant	-	1	2	3	3	-
07.20/21	Vetting	Significant	-	2	1	3	3	-
08.20/21	Estate Management	Satisfactory	-	3	2	5	5	-
09.20/21	Procurement	Satisfactory	-	-	2	2	2	-
10.20/21	Medium Term Financial Planning	TBC						
11.20/21	Risk Management	TBC						
12.20/21	IT: GDPR	Significant	-	-	-	-	-	-
13.20/21	IT Security	Limited	1	1	-	2	2	-
14.20/21	Collaboration: Budgetary Control	Significant	-	-	-	-	-	-
15.20/21	Collaboration: Workforce Planning	TBC						
	Total		1	10	12	23	21	-

04 Audits with Limited or Nil Assurance 2020/21

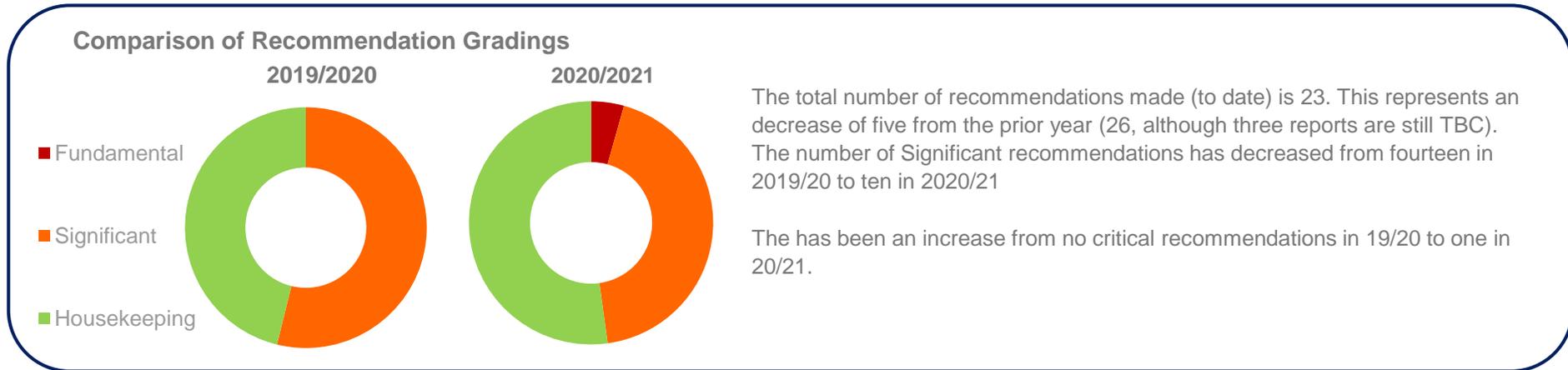
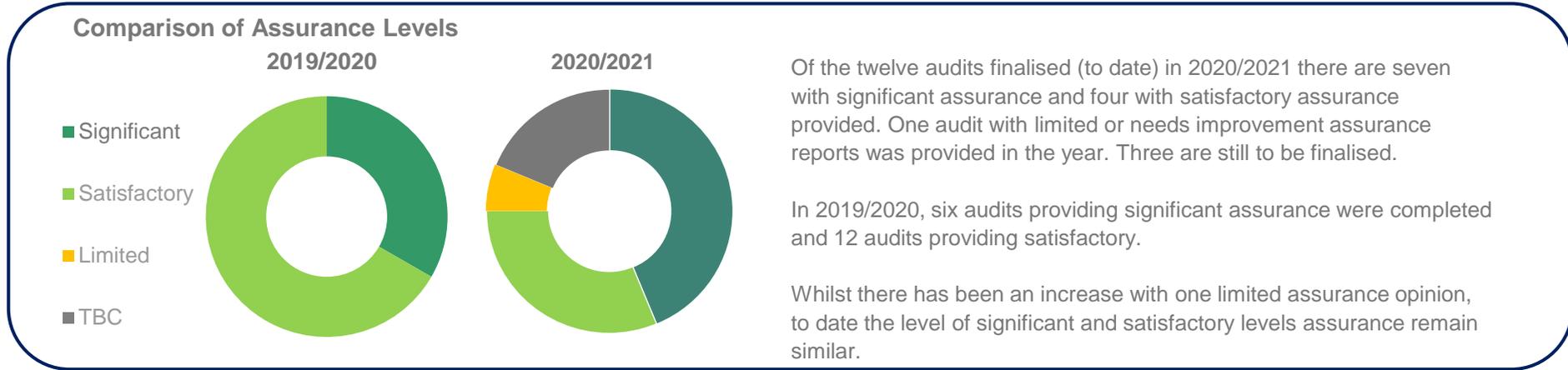
Audit area	Assurance level	Summary of Key Findings
IT Security	Limited	<p><u>One Priority 1 Recommendation:</u></p> <p>Outstanding issues and vulnerabilities should be addressed as soon as possible and where possible ahead of the next round of penetration testing and vulnerability scanning for this year's accreditation processes. The use of a tool similar to Nessus is also supported as a way of regularly assessing vulnerabilities within the force's IT environment.</p> <p>Management Response: Accepted – As noted within the report, despite complications arising from the pandemic, this workstream was adapted to enable remediation activities to progress within a remote environment. Learning is being distilled from the experiences in preparation for the next penetration test in late Sept 2021. The outstanding remediation actions are currently being finalised and are due to be completed within the coming weeks.</p> <p><u>One Priority 2 Recommendation:</u></p> <p>All policies should be reviewed to ensure they are up to date and in line with the defined review timetable.</p> <p>Management Response: Accepted – A review of all policies will be conducted to ensure that they are up to date and remain appropriate.</p>

05 Internal Audit Plan 2020/21 vs Actual

Audit area	Planned days	Actual Days	Difference	Status
Core Financials	18	18		
Payroll	4	4		
Payroll Provider	5	5		
Victims Code	8	8		
Workforce Planning	8	8		
Wellbeing	9	9		
Vetting	8	8		
Estate Management	8	8		
Procurement	8	8		
Medium Term Financial Planning	8	8		
Risk Management	8	8		
IT: GDPR	10	10		
IT Security	8	8		
Collaboration: Budgetary Control	10	7	3	Rolled forward into 21/22 IA Plan
Contingency	5	3	2	Risk Management Workshop to OPCC
Total	125	120		

05 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at Leicestershire Police.



07 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Force & OPFC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit and Risk Committee. We have received positive feedback on our work from the Audit and Risk Committee and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the JARAP with Performance being an item within our progress reports presented at each meeting.



Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform; we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Appendices

A1 Definitions of Assurance



A1 Definitions of Assurance

Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	There is a sound system of internal control designed to achieve the Organisation's objectives. The control processes tested are being consistently applied.
Satisfactory	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	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	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.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows :

Recommendation Level	Definition
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.

Annual Opinion Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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We take responsibility to The Office of the Police & Crime Commissioner for Leicestershire & Leicestershire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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