Police & Crime Commissioner for Leicestershire & Leicestershire Police

Internal Audit Operational Plan 2023/24 and Charter

Prepared by: Mazars LLP

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Contents

Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of the Police & Crime Commissioner for Leicestershire (OPCC) 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.

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01

Section 01:

Introduction

Introduction

An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime for Leicestershire and Leicestershire Police (the OPCC and Force) for the period 1 April 2023 to 31 March 2024.

As part of fulfilling the Joint Audit, Risk & Assurance Panel's (JARAP) responsibilities, the JARAP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

The purpose of this document is to provide the JARAP with the proposed 2023/24 Plan for consideration and approval.

In considering the document, JARAP is asked to consider:

- whether the balance is right in terms of coverage and focus;
- whether we have captured key areas that would be expected; and
- whether there are any significant gaps.

We are also seeking approval from JARAP for the Internal Audit Charter in Section 04, which we request on an annual basis. There are no changes from the Charter presented for approval last year.

Scope and Purpose of Internal Audit

IA's Role

The purpose of internal audit is to provide the Commissioner and Chief Constable, through the JARAP with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the OPCC and Force's agreed objectives

IA Plan

Completion of the internal audits proposed in the 2023/24 Plan should be used to help inform the OPCC's and Force's Annual Governance Statement.

Objective

Government accounting standards require Accounting Officers to make provision for internal audit in accordance with accordance with UK Public Sector Internal Audit Standards (PSIAS), as produced by the Internal Audit Standards Advisory Board. Within the OPCC and Force, the Police & Crime Commissioner and the Chief Constable are the Accounting Officer and have responsibility for maintaining a sound system of internal control in the respective organisations.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Charter

We have included our Internal Audit Charter in Section 04. The Charter sets out terms of reference and serves as a basis for the governance of the OPCC's and Force IA function, establishing our purpose, authority, responsibility, independence and scope, in accordance with the Chartered Institute of Internal Auditor's (IIA) standards.

Preparing the Operational Plan for 2023/24 & future considerations

As part of our approach, it is important we consider organisation's strategic priorities, as well as the key strategic risks identified, as we seek to align our risk-based approach accordingly.

In preparing the Strategy update we have undertaken the following:

- Met with the the Chief Finance Officers of the Force & OPCC and the Head of Inspection & Audit on 7th February 2022;
- Reviewed the outcomes of historic internal audit work;
- Reviewed the outcomes of 2022/23 internal audit work;
- Considered the latest assessment of risks facing both the OPCC and the Force as detailed in their respective risk registers;
- Considered areas which are not necessarily high risk (such as core operational controls), but where the work of internal audit can provide a tangible input to assurance; and
- Considered the results of internal audit across our wider client base.
- Considered changes to control environments due to Covid-19.
- Considered the output from the Police Audit Group planning seminar.
- Included the Chair of the JARAP in the planning process.

The proposed 2023/24 Plan is included in Section 02. This also includes the associated risks and reasoning for the inclusion in the plan as well as a proposed high level scope for each review. These will be revisited as part of the detailed planning for each review. Fieldwork dates for each of the audits, including presentation of finalised reports at future dates for JARAP meetings have been proposed for discussion and approval with the OPCC and Force's management.

Preparing the Operational Plan for 2023/24 & future considerations (continued)

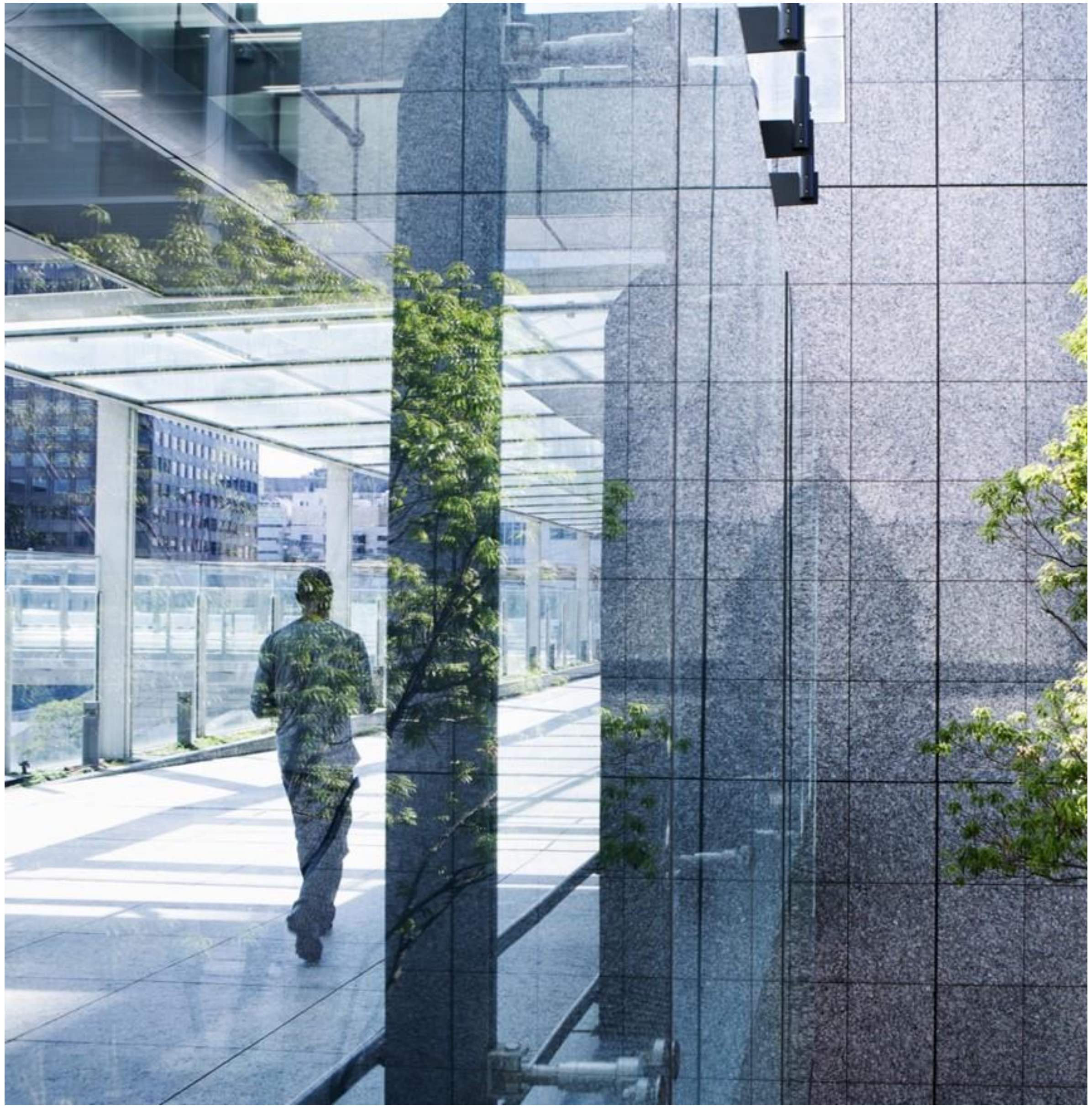
In the discussions with management in considering the above factors there were a wide range of possible audits that could have been selected but through input from management and their considerations on other areas of assurance that they received we were able to narrow the list from a wider starting point to reach the proposed plan in Section 02. To provide the committee with an understanding of the areas discussed these are included in Section 05 the report.

It is noted that the risk profile of the organisation will change and adapt over the course of the year and through regular and ongoing communication with management we will adopt a flexible approach should there be a need to make changes to during the year; we will communicate this in clear agreement with the JARAP.

Prior to conducting each internal audit, we will undertake a more detailed planning meeting in order to discuss and agree the specific focus of each review. Following the planning meeting, we will produce Terms of Reference, which we will agree with key representatives at the Force and/or OPCC prior to commencement of the fieldwork. It should be noted that in every audit that we engage in we take due consideration of any potential areas of weakness and fraud and will raise these with management should they arise.

The results of our work will be communicated via an exit meeting. A draft report will then be issued for review and management comments and in turn a final report issued. Final reports as well as progress against the plan will be reported to each JARAP.

Following completion of the planned assignments and the end of the Financial Year, we will summarise the results of our work within an Annual Report, providing an opinion on the Fore and OPCC's governance, risk management and internal control framework.



02

Section 02:

Internal Audit Operational Plan 2023/24

Internal Audit Operational Plan 2023/24

An overview of the Internal Audit Operational Plan 2023/24 is set out below:

Proposed Summary Operational Plan for Approval			
Audit Area	**Days**	**Risks**	**Start Date**
Risk Based Considerations			
Core Financials Incl. Payroll	15	Multiple Finance Risks across the registers	Q3
Risk Management	8	Cyclical Audit to provide assurance on Risk Management framework	Q2
MTFP/Budget Control	8	Multiple Finance Risks across the registers	Q2
Procurement	10	Chief Finance Officers (OPCC)	Q3
Asset Management/Stock Control	8	Chief Finance Officers (Force & OPCC)	Q3
Project Management	10	Deputy Chief Constable	Q2
Counter Fraud	8	Deputy Chief Constable / OPFCC Director of Delivery	Q4
Vetting	8	Deputy Chief Constable	Q3
Staff Retention	8	Deputy Chief Constable	Q3
Occupational Health Unit	5	Chief Finance Officers (OPCC)	Q1
Estates Maintenance/ Management	8	Chief Finance Officers (Force & OPCC)	Q1
OPCC Communication/ Community Engagement	8	Chief Finance Officers (Force & OPCC)	Q4
Information Technology			
IT Audit	10	Deputy Chief Constable	Q3/4
Management and Reporting Activities			
Collaboration	5	Chief Finance Officers (Force & OPFCC)	
Management	18	Chief Finance Officers (Force & OPFCC)	
Contingency	3		
Total	**140**		

Internal Audit Operational Plan 2023/24

The rationale behind the inclusion of each of the areas identified within the Internal Audit Operational Plan 2023/24 is detailed below, alongside a indicative high-level scope. Please note that the detailed scope of each audit will be discussed and agreed with the relevant sponsor prior to the commencement of fieldwork. We have listed reasoning to provide the JARAP with the context for the individual audit inclusion in the plan.

Core Financials & Payroll

To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems.

A risk based approach to the areas of finance will form the basis of the audit during 2023/24. This is representative of the level of assurance received in this area in the past and the level of consistency in terms of systems and staffing.

We will also include fraud & counter fraud measures that are in place across the financial systems as well.

Risk Management

A cyclical audit is undertaken to provide assurance that the Force and OPFCC have robust systems in place for the effective management of strategic and operational risks facing the organisation.

Procurement

To provide assurance that value for money is being in achieved within the procurement function, a robust control framework is in place to manage procurement spend and also expand to focus on supply chain risk management as well.

MTFP/Budget Control

A high risk on the Force risk register as financial pressures are being faced across the public sector. The audit will review the MTFP approach and the existing MTFP to provide assurance that effective plans are in place.

This will cover budget control and delivery of efficiency savings

Asset Management

To provide assurance with regards to the Force’s management of assets held across the estate to ensure that efficient systems are in operation and waste or write offs of assets are minimised.

Internal Audit Operational Plan 2023/24 (Continued)

Project Management

The Force has undertaken some significant projects recently and the audit will be performed by Project Assurance specialists at Mazars, the exact scope to be determined after detailed planning.

Counter Fraud

To follow up on previous limited assurance area to ensure the Force has embedded controls for preventing and detecting inappropriate actions.

Vetting

The subject of vetting has been in the spotlight nationally following some high profile cases of failure and therefore the review will look to provide assurance that the Force has effective controls in place over this area of operation.

Reasoning: Significant changes to the workforce with a number of associated risks on the risk register

Staff Retention

The recruitment and retention of staff is an increasing risk area for the Force. Whilst the exact scope of the review will be agreed with management the focus will be on the procedures in place in this area and where possible to provide benchmarking against similar organisations.

Reasoning: High risks recorded in relation to dealing with Domestic Violence

Occupational Health Unit

Following the OHU being brought back in house following the end of the collaboration agreement, the audit will look to provide assurance that an effective control framework has been established for the new in-house unit.

Estates Management

To provide assurance that the Force & OPCC have effective processes in place for the management of the estate, this will include consideration of greener ways of working and sustainability factors.

Internal Audit Operational Plan 2023/24 (Continued)

OPCC Communication/ Community Engagement

A high risk currently on the OPCC Risk Register. Whilst the exact focus of the review will be agreed with management the focus of the audit will be on the OPCC's framework of control for communications with the community.

Digital Transformation Strategy (IT)

The audit will be conducted by IT specialists and as such a detailed risk assessment will be carried out to determine the specific area of IT Audit coverage for 23-24.

Management

Resources for client and external audit liaison.

For example, preparation and attendance at JARAP, strategic and operational planning, meetings with Force Chief Officer Team/Chair of JARAP, preparation of the Internal Audit Opinion, Annual Internal Audit Plan and other reports to the JARAP, etc

03

Section 03:

Internal Audit Charter

Internal Audit Charter

The Internal Audit Charter sets out the terms of reference and serves as a basis for the governance of the OPCC & Force Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).
The Charter will be reviewed and updated annually by the Engagement Lead for Internal Audit for the OPCC & Force ('Head of Internal Audit').

Nature and Purpose

The OPCC & Force are responsible for the development of a risk management framework, overseen by the JARAP, which includes:

- Identification of the significant risks in the OPCC and Force's programme of activity and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Senior/Executive Team and the JARAP of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

The OPCC and Force's systems of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support each organisation's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable each organisation to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Senior/Executive Team. The OPCC and Force needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the OPCC and Force's business. There are also many assurance providers. The OPCC and Force should, therefore, develop and maintain an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework (IPPF) as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'

Internal Audit carries out assurance and consulting activities across all aspects of the OPCC and Force's business, based on a programme agreed with the JARAP, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, and the Senior/Executive Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the OPCC and Force's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Senior/Executive Team and management in relevant departments. The independent assurance provided by Internal Audit also assists the OPCC and Force to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all OPCC and Force records and information, both manual and computerised, and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter business property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the JARAP.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities. Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Head of Internal Audit is required to provide an annual opinion to the OPCC and Force, through the JARAP, on the adequacy and the effectiveness of the OPCC and Force's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate assurance activities with other assurance providers as needed (such as the external auditors) such that the assurance needs of OPCC, Force and other stakeholders are met in the most effective way.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.

Internal Audit Charter continued

- Carry out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the JARAP.
- Provide the Board with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issue periodic reports to the JARAP and the Senior/Executive Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within OPCC & Force to aid the prevention and detection of fraud;
- Assist in the investigation of allegations of fraud, bribery and corruption within OPCC & Force and notifying management and the JARAP of the results.
- Assess the adequacy of remedial action to address significant risk and control issues reported to the JARAP. Responsibility for remedial action in response to audit findings rests with line management.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the OPCC and Force's policies and standards and will monitor whether such measures are implemented on a timely basis.

The JARAP is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Senior/Executive Team and the Board through the JARAP with reasonable, but not absolute, assurance as to the adequacy and effectiveness of OPCC & Force governance, risk management and control processes using a systematic and discipline approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting OPCC & Force in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to OPCC & Force's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Senior/Executive Team and the JARAP.

The UK PSIAS require the Head of Internal Audit to report at the top of the organisation and this is done in the following ways:

- The annual risk-based plan is compiled by the Head of Internal Audit taking account of the OPCC and Force's risk management / assurance framework and after input from members of the Senior/Executive Team. It is then presented to the Senior/Executive Team and JARAP annually for comment and approval.
- The internal audit budget is reported to the JARAP for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Head of Internal Audit) and the independence of internal audit will be reported annually to the JARAP.

Internal Audit Charter continued

- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Senior/Executive Team and JARAP on a regular basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the JARAP.
- Any significant instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Senior/Executive Team and the JARAP and will be included in the Internal Audit Annual Report.

Independence

The Head of Internal Audit has free and unfettered access to the following:

- Chief Officer Team
- Chief Finance Officers at the OPCC and Force;
- Chair of the JARAP; and
- Any other member of the Senior/Executive Team.

The independence of the contracted Head of Internal Audit is further safeguarded as their annual appraisal is not inappropriately influenced by those subject to internal audit.
To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored ‘My Compliance Responsibilities’ portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the JARAP. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit if requested to do so by the OPCC and Force.
Internal Audit and external audit will meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor’s International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK PSIAS; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK PSIAS, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Head of Internal Audit and the Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the OPCC and Force's requirements and that it is improving on an annual basis. We will work to the measures outlined in the original Invitation to Tender, whilst we agree performance measures with the OPCC and Force.

04

Section 04:

Audit Areas Considered

Audit Areas considered

An overview of the areas that were discussed as part of the 23/24 audit plan planning process

These areas will continually be monitored through ongoing discission with management and audit to ensure the current plan remains appropriate for the organisations. Whilst these areas may have not been included at this time, they will form part of the ongoing programme of internal audit and could be included in future years plans.

- Business Continuity
- Data Quality
- Training
- Equality Diversity & Inclusion
- Wellbeing
- Future Leaders Training
- Reasonable Adjustments
- Adjusted Duties

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We take responsibility to the Office of the Police & Crime Commissioner for Leicestershire 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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