Police and Crime Commissioner for Leicestershire
Internal Audit Progress Report 2022/23
Joint Audit, Risk and Assurance Panel
April 2023
**Presented to the Panel: 17<sup>th</sup> April 2023**

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# Contents

*Disclaimer*

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

The purpose of this report is to update the Joint Audit, Risk and Assurance Panel (JARAP) as to the progress in respect of the Operational Plan for the year ended 31st March 2023, which was considered and approved by the JARAP at its meeting on 27th April 2022.

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

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.

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.

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.

Our work is delivered is accordance with the Public Sector Internal Audit Standards (PSIAS).

# 02  Current progress

2022-2023

Since the last updated provided to the committee we are pleased to have issued final reports in respect of Payroll Provider, OPCC Recruitment, Payroll, Core Financials & Firearms Licensing with full details provided in Appendix A3. We have issued draft reports in respect of Commissioning, Firearms Licensing & Workforce Planning are awaiting the management comments.

The audit of Asset Management was scheduled to take place in January, however upon discussion with management it was identified that some internal work is already been done in this area and therefore at this time the audit has been removed from the IA plan.

Unfortunately there were some initial issues with ability to complete the audits of Contract Management and IT Strategy that were scheduled to take place during Q4 of the year. Whilst dates were agreed to complete the audits, unfortunately we were unable to complete the work at the agreed time due to information not being provided in a timely manner. This has been raised with Senior Management and we are completing the work in early April.

In regard to the 22/23 Collaboration Audit Plan, the three remaining audits of EMSOT Closedown, Digital Currency and Performance Management have all been issued in draft and are pending management responses. EMSOT Closedown required some further work following the issuance of the report and audit are currently re-evaluating the information provided before progressing this report further. Likewise the Performance Management audit was also discussed with the regional collaboration manager and audit are awaiting the management comments. The Digital Current audit required a wide range of responses and these are being actively chased to enable this report to be progress to final. See Appendix 4 for full details.

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# 03   Performance

The following table details the Internal Audit Service performance for the 2021/22 year to date measured against the key performance indicators that were set out within Audit Charter.

| Number | 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. | 60% (6/10) |
| 5 | Issue of final report | Within 5 working days of agreement of responses. | 100% (6/6) |
| 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% (7/7) |
| 9 | Customer satisfaction (measured by survey) | 85% average satisfactory or above | N/A |

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# 03 Performance (continued)

| Audit | Date of ToR | Start of Fieldwork | Days'* Notice (10) | Exit meeting | Draft Report | Time* from Close to Draft Report (10) | Management Comments Received | Time* to Receive Management Comments | Final Report Issued | Time* Taken to issue Final (5) |
|---|---|---|---|---|---|---|---|---|---|---|
| Complaints Management | 6-Jun-22 | 4-Jul-22 | 20 | 4-Aug-22 | 2-Sep-22 | 21 | 23-Sept-22 | 15 | 23-Sept-22 | 0 |
| Payroll Provider | 5-Jul-22 | 25-Jul-22 | 14 | 13-Sep-22 | 10-Oct-22 | 10** | 31-Oct-22 | 26 | 01-Nov-22 | 2 |
| OPCC Recruitment | 1-Aug-22 | 30-Aug-22 | 21 | 11-Oct-22 | 14-Oct-21 | 3 | 10-Jan-23 | 63 | 10-Jan-23 | 0 |
| Commissioning | 1-Aug-22 | 5-Sep-22 | 25 | 13-Jan-23 | 23-Jan-23 | 10 | - | - | - | - |
| Core Financial | 28-Oct-22 | 21-Nov-22 | 17 | 06-Jan-23 | 15-Feb-23 | 29 | 13-Mar-23 | | 14-Mar-23 | 1 |
| Payroll | 31-Oct-22 | 5-Dec-22 | 26 | 16-Dec-22 | 31-Jan-23 | 33 | 13-Feb-23 | 10 | 14-Feb-23 | 1 |
| Firearms Licensing | 12-Dec-22 | 23-Jan-22 | 31 | 09-Feb-23 | 13-Mar-23 | 24 | 24-Mar-23 | 9 | 27-Mar-23 | 1 |

*Working Days

**Initial draft report provided 27 September 2022 (10 days) with amendments made following provision of further information

# A1  2022/23 Plan overview

| Audit area | Target/Actual (*) Start Date | Draft Report Date | Final Report Date | Target/Actual (*) JARAP | Comments |
|---|---|---|---|---|---|
| Complaints Management | Jul 22* | Sep 22 | Sep 22 | Oct 22* | Final Report Issued |
| Payroll Provider | Jul 22* | Oct 22 | Nov 22 | Jan 23* | Final Report Issued |
| OPCC Recruitment | Aug 22* | Oct 22 | Jan-23 | Jan 23* | Final Report Issued |
| Commissioning | Sep 22* | Jan 23 | - | Jul 23 | Draft Report Issued |
| Core Financials | Nov 22* | Feb 23 | Mar 23 | Apr 23 | Final Report Issued |
| Payroll | Dec 22* | - | - | Apr 23 | Final Report Issued |
| Environmental Management | Dec 22* | - | - | Jul 23 | Fieldwork Completed |
| Workforce Planning | Jan 23* | - | - | Jul 23 | Draft Report Issued |
| Asset Management | - | - | | - | Removed |
| Contract Management | Feb 23 | - | - | Jul 23 | Fieldwork Ongoing |
| Firearms Licensing | Feb 23 | Mar 23 | Mar 23 | Apr 23 | Final Report Issued |
| Partnerships | Mar 23 | - | - | Apr/Jul 23 | Fieldwork Completed |
| IT: Digital Transformation Strategy | Feb 23 | - | - | Jul 23 | Fieldwork Ongoing |

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# A2 Reporting Definitions

| Assurance Level | Control Environment |
|---|---|
| **Significant Assurance:** | There is a sound system of internal control designed to achieve the Organisation's objectives. |
| **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. |
| **Limited Assurance:** | Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk. |
| **No Assurance:** | Control processes are generally weak leaving the processes/systems open to significant error or abuse. |

| Recommendation Priority | Description |
|---|---|
| **1 (Fundamental)** | Recommendations represent fundamental control weaknesses, which expose the Organisation to a high degree of unnecessary risk. |
| **2 (Significant)** | Recommendations represent significant control weaknesses which expose the Organisation to a moderate degree of unnecessary risk. |
| **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. |

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# A3   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 in respect of the 2022/23 Internal Audit Plan:

## OPCC Recruitment

| Overall Assurance Opinion | Limited |
|---|---|

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

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

- Each new recruitment is supported by an appropriate level of approval in accordance with financial instructions.
- There are clear protocols in place between the OPCC and the Force recruitment team.
- Person specifications and job descriptions are reviewed and approved at the appropriate level.
- There is a process in place to ensure the most appropriate advertising approach for the post is adopted to maximise the chances of getting the best candidates for the role.
- There is a robust selection process, including shortlisting, selection panels and interview panels.
- Only applications received by the advertised closing date are considered and those shortlisted meet the key requirements of the person specification / job description.
- The selection and interview panels are of an appropriate seniority and have regular recruitment training to ensure the most effective process is followed.
- The job offer is appropriately reviewed and authorised prior to being issued.
- Salary rates are appropriately reviewed and authorised in accordance with the relevant pay structure and input from available budgets.
- All relevant documentation in respect of the recruitment and selection process, including approved contract of employment, are retained.
- The OPCC secures adequate assurance that appropriate pre-employment and vetting checks are carried out, including obtaining proof of identify, qualifications, experience, disclosure of convictions and references.
- Vetting is commensurate with the nature of the position and proportionate to the role being advertised.

The objectives of our audit were to evaluate the adequacy and effectiveness of the OPCC recruitment process with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

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We are only able to provide an overall assessment on those aspects of the OPCC recruitment process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We have raised one priority 1 recommendation, two priority 2 recommendations and one priority three recommendation. The full details of each recommendation and the management response to these are detailed below:

| | |
|---|---|
| Recommendation 1 (Priority 1) | The OPCC should ensure that all interview forms are completed and uploaded to E-Recruitment before a candidate is processed through to pre-employment checks. <br><br> Where interview panel members are listed on E-Recruitment, mandatory upload fields should be generated that must be filled before a candidate can be processed through from the interview stage to pre-employment checks. <br><br> The OPCC should generate a standardised template for interview panel members, which includes a field for their name. |
| Finding | For each vacancy, a selection and interview panel are formed by the recruiting manager that will be used to conduct shortlisting and interviews. For each interview with a candidate, an interview form must be completed by each panel member, which is then uploaded onto E-Recruitment for transparency purposes. These forms include questions based on the essential criteria for the vacancy. <br><br> Our sample comprised of 8 vacancies, that should have followed the above process however, audit testing found: <br><br> • five instances across three candidates wherein interview panel forms had not been uploaded, and yet the respective candidates had been processed through E-recruitment to the pre-employment check stage. The OPCC and SHRSC were unable to produce these forms. <br><br> • Four instances across two candidates where the interview panel forms did not include the names of the interviewer, and as such we could not verify that each panel member had completed a form. <br><br> • From review of all the interview panel forms used, we noted various templates had been used with only some requiring the panel members name to be included. <br><br> • One instance where the Policy and Compliance Officer had been listed on an interview panel on E-Recruitment, but we were informed that this was incorrect, and that they had in fact not been a part of the panel for that vacancy. <br><br> Risk: The OPCC's recruitment process is not fair and transparent; <br><br> Reputational damage to the OPCC. |
| Response | OPCC Recruitment Policy, Guidance and templates to be produced and implemented. <br><br> Mandatory fields have been generated and implemented as per Resourcing Partner 1/12/22. |
| Responsibility / Timescale | 31/3/23 <br><br> OPCC Policy and Compliance Officer |

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|---|---|
| **Recommendation 2 (Priority 2)** | The OPCC should formally document their approach to recruitment, including all deviations from the Force procedures and agreed SLA with the SHRSC. |
| **Finding** | The Force, as part of the SLA with the SHRSC, follow a process of post authorisation, wherein potential vacancies are uploaded onto the E-Recruitment portal by the hiring manager. These are then sent to HR and are presented to the Post Authorisation group for approval. |
| | We were informed by the Policy and Compliance Officer that the OPCC have agreed with the SHRSC that the formal post authorisation followed by the Force that this is not required. |
| | As such, the vacancy is uploaded by the OPCC, which then contacts SHRSC to bypass the posting stage in E-Recruitment. |
| | Whilst we reviewed emails between the OPCC and SHRSC approving the waiving of vacancy control stage, this agreement has not been formally documented, nor has the SLA been amended to reflect this process. |
| | Risk: The processes followed by the OPCC with regards to recruitment are not consistent with the documented approach, leading to inconsistent treatment of recruitments |
| **Response** | OPCC specific Recruitment Policy, guidance and templates to be produced and implemented. |
| **Responsibility / Timescale** | 31/3/23 |
| | OPCC Policy and Compliance Officer |

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|---|---|
| **Recommendation 3 (Priority 2)** | The OPCC should ensure that candidates cannot be processed through E-Recruitment unless all mandatory essential criteria field are filled with 'met'. In exceptional circumstances where they are not 'met', sufficient supporting evidence to explain the selection of the candidate should be retained |
| **Finding** | Each vacancy created by the OPCC includes essential criteria for the respective role. These are competencies directly related to the job and form the principal assessment metric for shortlisting. Within E-Recruitment, each essential criteria is included and has a corresponding box wherein the OPCC can input 'met' or 'not met'. Where all criteria are not met, they should not be advanced to the next stage of the recruitment process unless extenuating circumstances exist, and these should be input into the system. |
| | Our testing found there was one instance when a candidate had been processed through to the interview stage with only seven of the eight essential criteria for the role being 'met', and one listed as 'not met'. |
| | We were informed by the Resourcing Partner that this was a result of an admin error, and that the candidate had in fact met the criteria. This was further supported by email evidence from the hiring manager. |

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| | |
|---|---|
| | Nevertheless, we note that it is possible for candidates to be processed through the shortlisting stage without all essential criteria being met, or where they are not met and extenuating circumstances being entered. |
| | Risk: Candidates can be processed without essential criteria being required, resulting in unsuitable recruitments being made. |
| Response | There will be a warning message however it is still possible to progress to interview if one essential is "not met". The rational for this is that each vacancy is unique and is based on the number of applicants and post. etc. |
| | HRSC will be looking at whether a warning message can appear if one of the essential criteria is not met and ensure a rational is uploaded |
| Responsibility / Timescale | 31/1/ 23 |
| | Resourcing Partner |

| | |
|---|---|
| Recommendation 4 (Priority 3) | The OPCC should ensure that decision dates input on E-Recruitment match the supporting evidence. Reviews at the end of the recruitment process should be conducted to ensure that evidence and decision dates reconcile. |
| Finding | All recruitments require a medical to be completed, wherein the fitness of a candidate is assessed against the requirements of the role. These are then uploaded onto E-Recruitment, and update email is produced automatically and sent to the candidate notifying them that the medical check has been completed, and the outcome. |
| | From review of our sample of 10 recruitments, we noted one instance where the medical form for vacancy 4071 had been completed on 10/12/2021 but included on E-recruitment with a decision date of 10/10/2021. As such, there is in place no control in place to prevent candidates being processed without pre-employment check evidence being uploaded, and no control to reconcile the date input on E-recruitment to that included on the evidence. |
| | However, we note that no recruitment had been processed to offer without a medical assessment having been completed. |
| | Risk: An inaccurate audit trail is maintained, limiting the OPCC's ability to demonstrate transparency and fairness. |
| Response | Additional due diligence and spot checks to carried out on a regular basis to avoid any human errors in date transfers |
| Responsibility / Timescale | Immediately and ongoing |
| | Resourcing Partner |

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## Core Financials

| Overall Assurance Opinion | Significant |
|---|---|

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

Based upon the scope and objectives of the review outlined within Appendix A1 of this report we have provided a summary of the results of this audit, categorised into each area of the review undertaken. As these are reviewed on a cyclical basis audit have provided the previous Core Financial audit findings to show a comparison.

| Key control area | December 2021 | | December 2022 | |
|---|---|---|---|---|
| | Assessment | Level of issue | Assessment | Level of issue |
| **General Ledger** | | | | |
| Journals | Control effective | No issues noted | Control effective | No issues noted |
| Management Accounts | Control effective | No issues noted | Control effective | No issues noted |
| Reconciliations | Control effective | No issues noted | Control effective, except for | (Housekeeping) |
| **Cash, Bank & Treasury Management** | | | | |
| Receipts of Cash & Cheques | Control effective | No issues noted | Control effective, except for | (Housekeeping) |
| Cash Flow | Control effective | No issues noted | Control effective | No issues noted |
| Investments | Control effective | No issues noted | Control effective | No issues noted |
| Borrowing | Control effective | No issues noted | Control effective | No issues noted |
| **Payments & Creditors** | | | | |
| New Suppliers | Control effective | No issues noted | Control effective | No issues noted |
| Supplier Amendments | Control effective | No issues noted | Control effective | No issues noted |
| Payments | Control effective | No issues noted | Control effective, except for | (Housekeeping) |

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| Key control area | December 2021 | | December 2022 | |
|---|---|---|---|---|
| | Assessment | Level of issue | Assessment | Level of issue |
| Goods / Service Receipts | Control effective | No issues noted | Control effective | No issues noted |
| BACS Processing | Control effective | No issues noted | Control effective | No issues noted |
| **Income & Debtors** | | | | |
| New Debtors | Control effective | No issues noted | Control effective | No issues noted |
| Invoices Raised | Control effective | No issues noted | Control effective | No issues noted |
| Other Income Streams | Control effective | No issues noted | Control effective | No issues noted |
| Credit Notes | Control effective | No issues noted | Control effective | No issues noted |
| Debt Management | Control effective, except for | **(Significant)** | Control effective | No issues noted |
| Write Offs | Control effective | No issues noted | Control effective | No issues noted |
| **Other (Cross Cutting Themes)** | | | | |
| Policies, Procedures & Guidance | Control effective | No issues noted | Control effective | No issues noted |
| System Access | Control effective, except for | **(Housekeeping)** | Control effective | No issues noted |
| Fraud Prevention | Control effective | No issues noted | Control effective | No issues noted |

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

- Accounting transactions are incorrectly recorded in the accounts.

- Management is not aware of performance issues due to lack of detailed management accounts.

- Missing transactions are not identified due to reconciliations not being completed.

- Missing transactions are not identified due to reconciliations not being completed.

- Receipted monies are not accurately recorded.

- Treasury and other financial decisions are not made based on available cash due to lack of monitoring.

- Investments made do not constitute good value for money.

- Borrowing undertaken does not constitute good value for money.

- New suppliers can be paid without review and verification.

- Supplier details can be amended without review and verification.

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- Payments are made without authorisation and not in a timely manner.

- Payments are made for goods and/or services prior to their receipt.

- BACS payments are incorrectly processed.

-  New debtors can be invoiced without review or verification.

- Invoices are raised incorrectly and/or inappropriately.

- Non-invoiced income is not recorded accurately.

- Credit notes are raised incorrectly and/or inappropriately.

- Income past due is not subject to appropriate debt management actions.

- Recoverable debts are written off inappropriately.

- Inconsistent approaches are taken to financial activities.

- Systems can be inappropriately accessed.

- Fraudulent activity is not prevented or identified

The objectives of our audit were to evaluate the adequacy and effectiveness of the Core Financials processes with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Core Financials process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We have raised three priority 3 recommendations. The full details of each recommendation and the management response to these are detailed below:

| Recommendation 1 (Priority 3) | Leicestershire should ensure all non-PO invoices are paid by their due date and in a timely manner, following authorisation. |
|---|---|
| Finding | Observation: For purchases of goods and services that fall outside of regular purchases, non-PO invoices are raised and appropriately approved by the budget holder prior to payment. The Force have a target payment date of 21 days from the invoice date to pay the supplier but in instances where this cannot be met the supplier terms on the invoice are used to pay suppliers. Payments are made once the appropriate authorisation is obtained with evidence attached to the system.<br><br>We reviewed a sample of 10 non-PO invoices covering a period between April 2022 and August 2022 to ensure payments had occurred by the Agresso defined due date and/or the supplier deadline. We noted:<br><br>• Three instances where the payment date was after the Agresso due date and after the payment terms of the supplier with differences being, respectively, 12 days, three days and three months.<br><br>• For two instances it was noted that delays in acquiring necessary approval led to the delays in payments, whilst for the one other instance it was noted that late processing of the non-PO invoice resulted in late payment. |

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|---|---|
| | Risk: Non-PO invoices are not paid in a timely manner. |
| Response | The Team will be reminded of the need to ensure that invoices are processed in a timely manner, to avoid undue delays. |
| Responsibility / Timescale | Financial Services Manager - 31st March 2023. |

| | |
|---|---|
| Recommendation 2 (Priority 3) | Leicestershire should ensure that feeder system reconciliations of payroll are performed in a timely manner. |
| Finding | Observation: Leicestershire perform feeder system reconciliations every month for payroll. A copy of the Performance File is solely used for the purpose of reconciliations to ensure all feeder accounts tie correctly into the General Ledger. We established with management that it is good practice to complete reconciliations by the end of week two after month end and for those to be reviewed as part of closedown procedures. |
| | We reviewed a sample of two months (May-22 and July-22) to ensure bank reconciliations (payroll related) had been accurately and timely performed and appropriately reviewed. Reconciliations reviewed included a range of net salary payments, including Officer's, Staff and Pension payments at the Force as well as OPCC Staff. |
| | We noted 10/12 reconciliations had been prepared, and subsequently reviewed, between three and four weeks later than the target date. |
| | Management advised that pressure on management to ensure preparation of final accounts around then resulted in the observed delay. Resources were heavily weighted to the preparation of the final accounts due to the need to prioritise. |
| | Risk: Feeder system reconciliations are not performed in a timely manner, as such missing transactions may not be identified and dealt with appropriately. |
| Response | The Department strives to ensure the timely reconciliation of the control accounts. However, during the course of the year there are times where we are managing a number of priorities with limited resources and it is not therefore always possible. |
| Responsibility / Timescale | Senior Accountant<br><br>2023/24 Financial Year |

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|---|---|
| **Recommendation 3 (Priority 3)** | Leicestershire should ensure that all paying-in vouchers are clearly double signed, this is to ensure appropriate review of all receipted monies |
| **Finding** | Observation: Physical cash and cheques coming into the Force are counted and recorded by two separate members of staff, ensuring segregation of duties is in place. Banked cash and cheques are recorded on the Force's cashflow spreadsheet, which is updated daily. |
| | We selected a sample of five banking deposit transactions, to agree from the paying-in voucher to the cashflow spreadsheet and bank statement and confirm whether segregation of duties was adequately present, and found: |
| | - In one case where the paying-in voucher was not clearly signed by two members of staff. |
| | Risk: Receipted monies are not accurately recorded and potentially misappropriated |
| **Response** | The Team will be reminded of the need to ensure that the 'Paying -In' vouchers are signed by 2 members of the Team. |
| **Responsibility / Timescale** | Financial Services Manager |
| | 31st March 2023 |

**Payroll**

| Overall Assurance Opinion | Significant |
|---|---|

| 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:

- New employees appropriately vetted new joiners are completely, accurately, validly and timely added to the payroll at the rates of remuneration per the contracts of employment.

- Employees taking leave of the organisation's employment are completely, accurately, validly and timely removed from the payroll and outstanding commitments to both parties to the contract of employment are accurately and validly made to prevent complications arising after the termination of the employment

- Variations and adjustments to the payroll are reviewed and scrutinised prior to payment.

- Deductions, both statutory (PAYE & Pension) and voluntarily made (requests), are completely, accurately, validly and timely made in line with the contracts of employment and legislative requirements

- Expenses Payments to staff are accurately, validly and paid in a timely manner

- Overtime Payments to staff are accurately, validly and paid in a timely manner

- Procedures and policies in place and have been communicated to all relevant staff.

- Systems and data are adequately protected to reduce the risk of them being open to abuse.

- Audit will perform all tests with fraud prevention in mind but specific areas to be further considered:

- Comparison of employee bank details and supplier details

- System processing outside of expected working hours

- Payroll information is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making in line with management requirements

We have raised one priority 2 recommendation and two priority 3 recommendations. The full details of each recommendation and the management response to these are detailed below:

| Recommendation 1 (Priority 3) | The Force should remind individuals regularly of the significance of obtaining receipts for all expenses to be claimed and in ensuring that the claim amount equals the receipts total. |
|---|---|
| Finding | Observation: Leicestershire process expenses claims through their claims management system and audit noted that expenses should be supported by receipts for the full value of the claim. <br><br> Through sample testing audit noted the following: |

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|---|---|
| | • Leicestershire – One instance where the receipts retained (£8.70) did not agree with the total expenses claimed (£11.20).<br><br>Risk: Incorrect expenses are paid.<br><br>Expenses payments made by the Force are not for bona fide claims |
| Response | It is accepted that in some circumstances it is not always possible for officers / staff to obtain receipts and in these situations, we would use our discretion.<br><br>The team will be reminded to check that receipts are attached for claims processed on CMS (outside of express authorization) and if not available to record a comment.<br><br>The guidelines for uploading the receipts on CMS will be reissued on Latest News as a reminder for all officers / staff |
| Responsibility / Timescale | Financial Services Manager<br><br>28/02/2023 |

| | |
|---|---|
| Recommendation 2 (Priority 3) | The Force should ensure that checks are performed confirming authorisation of paper overtime claim forms. |
| Finding | Observation: Leicestershire generally process overtime claims electronically through their claims management system, however, do have paper contingency forms in place for use as required. Audit noted that overtime claims should be supported by signed overtime claim forms (electronic and paper) from the certifying personnel.<br><br>Through sample testing audit noted the following:<br><br>• Leicestershire – One instance where a paper overtime claim form had been used which had not been signed by the authorising officer.<br><br>Risk: Overtime payments made are not for bona fide claims |
| Response | All paper overtime forms will be checked to ensure that these have been appropriately authorised, prior to processing. |
| Responsibility / Timescale | Financial Services Manager<br><br>30.03.2023 |

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| Recommendation 3 (Priority 2) | The Force should implement regular and routine checks of employee bank details and supplier details. |

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| Finding | We were informed by the Head of Finance at Leicestershire that comparisons of employee bank details and supplier details is not routinely checked.

Whilst, audit carried out this test and found no duplicates this is a key control in ensuring the prevention of bank mandate fraud across payroll and supplier payments.

Therefore, the Force should ensure that there is a preventative control for the detection of matching bank details between suppliers and payroll.

It is noted that this may not be possible due to systems restrictions, therefore a detective control would be required to be regularly carried out to ensure instances are flagged.

Risk: Fraudulent activity is not identified or prevented in timely fashion |
| Response | A quarterly check will be introduced to compare the bank details of employees and suppliers as set out in the recommendation |
| Responsibility / Timescale | Payroll Services Manager / Senior Accountant.

30/06/2023 |

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## Firearms Licensing

| Overall Assurance Opinion | Limited |
|---|---|

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

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

- Inconsistent approaches to firearms licensing within the Force.

- The Force is operating firearms licensing outside of statutory guidance and legislation.

- Payments are not received or are accounted for incorrectly.

- Renewals are not monitored and reapplications are missed.

- Officers have access to out-of-date information which impedes the performance of their duties.

- Licenses are not revoked where required under legislation and / or statutory guidance.

- Home / security inspections are not carried out or are carried out inconsistently.

- Senior management are unable to monitor performance regarding the administration of the firearms licensing process.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Firearms Licensing processes with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Firearms Licensing process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We have raised one priority 1 recommendation, one priority 2 recommendation and one priority 3 recommendations. The full details of each recommendation and the management response to these are detailed below:

| | |
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| Recommendation 1 (Priority 1) | The Force should ensure that:<br><br>- The risk assessments process is reviewed to include clearer and more consistent criteria.<br><br>- A risk assessment and management procedure is produced.<br><br>- FEOs receive further training on undertaking risk assessments and the importance of fully documenting why a particular risk rating was provided.<br><br>The cases identified in the recommendation should be re-assessed. |
| Finding | Observation: During the course of assessing an application or renewal, Firearms Enquiry Officers (FEOs) complete an enquiry form, which includes a risk assessment rating the applicant as low, medium or high risk. Upon completion of |

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the FEO checks, the Firearms Licensing Manager (FLM) signs off to provide approval.

The criteria for low risk includes no previous convictions, no intelligence reports received, no incidents in relation to breach of conditions, no medical conditions declared excluding minor conditions, and firearms on NFLMS matching the application form.

Audit carried out sample testing on completed risk assessments and found:

In one case an applicant didn't declare their prior depression and the GP also reported stress at work and in a relationship in recent years and was determined by the FEO to be low risk, whereas in a separate case the applicant had declared their prior depression and had not suffered from any recent episodes yet was determined to be medium risk.

In a separate case, the applicant had a history of domestic violence within the last five years from intelligence reports and had made a false declaration, however, was also determined to be medium risk despite the criteria for high risk including 'domestic abuse'.

The FEO risk assessment additionally contained no comments as an explanation.

It is acknowledged that these cases can be complex, particularly where there are no convictions. However, we found that the criteria for risk assessments are not necessarily applied consistently.

Risk: Risk assessments are not consistent leading to risk indicators being missed and licenses being provided to inappropriate applicants.

**Response**

1.     The risk assessment process I recognise is a crucial aspect of the firearms licensing procedure. This process I have commenced reviewing, gathering examples nationally to consider best practise. Examples that I have collated to date show that there is no consistent practice nationally and I have evidenced this to the National Portfolio lead. Because of the Keyham report (Plymouth) it is anticipated that further guidance will be issued nationally. The review of Leicestershire's process has been added to the Departments delivery plan that will be reviewed regularly with ACC Streets.

2.     The risk procedure provide by Mazars, was deemed as National best practise in 2015. I have accepted this Leicestershire's Risk Management procedure, with minor amendments to reflect our force policy and updated statutory guidance
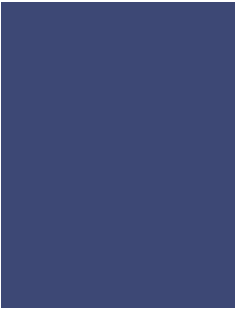
3.     FEO training, all have been circulated the risk procedure and will meet on the 19th April to discuss. In addition, the force risk advisor is being invited to advise on the importance of risk management.

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| | |
|---|---|
| | 4. The cases identified have been reassessed and amended. |
| Responsibility / Timescale | 1. One month, Firearms manager. A new assessment proposal has been submitted to review by ACC Streets

2. Completed. But this will be continually reviewed by monthly as part of the delivery plan. Firearms manager

3. 19th April Firearms manager. (dependent on availability of the Force Risk assessor)

4. Completed. Firearms Manager |
| Recommendation 2 (Priority 2) | The Force should ensure that:

•Enquiry forms are fully completed.

•Background checks are undertaken for the cases identified in the recommendation.

•Staff should receive additional training / communication around the importance of undertaking background checks and noting these as completed on enquiry forms. |
| Finding | Observation: When processing license variations and changes to address, Firearms Enquiry Officers (FEOs) complete an enquiry form upon receiving notification from the license holder. The enquiry form details which checks have been carried out, such as background checks on the PNC system and whether an appropriate reason has been provided in the case of variations. The enquiry form is then submitted to the Firearms Licensing Manager (FLM) who provides approval or refusal.

Audit carried out testing on and we found that in some circumstances, the enquiry forms did not note whether background checks had been undertaken on the PNC system:

2/15 variations / changes in address - the enquiry form did not note whether background checks had been undertaken on PNC / Niche.

During discussions with management we were informed that certain staff members had been neglecting to carry these checks out, and that they have already been spoken to regarding this.

Risk: Insufficient background checks leading to unsuitable persons holding firearms licenses. |
| Response | Two staff members had already been identified by the Deputy manager as not fully completing the enquiry documents. The Firearms manager and deputy manager have met to discuss these findings to ensure they both review all forms in detail to ensure that these checks are completed in all cases. All staff have been advised |

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| | on the importance of fulfilling these checks and the two staff individually spoken to following their return to work after long term illness. |
| | The two cases identified in the audit have been checked. |
| **Responsibility / Timescale** | Complete |
| | Firearms Manager |
| **Recommendation 3 (Priority 3)** | The Force should implement and reporting on additional KPIs such as: |
| | • Percentage of renewals completed prior to expiry. |
| | • Volumes of changes in circumstances / variations. |
| | • FEO visits per month. |
| | • Average turnaround times.. |
| **Finding** | Observation: In order for underperformance to be identified and rectified in a timely manner, key performance indicators (KPIs) should be set for the operational performance of firearms licensing and monitored on a regular basis. |
| | The Force gathers performance information on metrics related to the volumes of licenses issued, renewed and revoked, outstanding applications and online vs paper applications. These are discussed at quarterly Firearms Licensing Meeting. However, asides from this, no other performance information is formally reported. |
| | Until February 2022, average times to grant / renew licenses from receipt to issue were monitored. However, due to additional time being given to applicants to produce GP letters due to a focus on Covid-19 vaccinations the Force stopped reporting on this metric. |
| | Best practice identified at other Forces includes a number of set performance indicators which targets for each, reported on a monthly or quarterly basis to the relevant committee or senior management team. |
| | Risk: Where performance indicators are not in place to monitor against, there is a risk that under performance is not identified and remedied in a timely manner |
| **Response** | We accept the regular monitoring of KPI's is fundamental in recording the performance of the department to identify early potential risk to the public and the force reputation. Information suggested for collation would be abstracted from the National Firearms Licensing Management System (NFLMS), this data base is a legacy database and due for renewal in 2024. To extend its life management information has been reduced. Percentage of renewals prior to expiry information is not available. However, all our applications are processed prior to expiry. The exception would be those applicants where we have allowed a further 8  week |

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| | extension whilst awaiting a GP letter. As an alternative a manual record could be created for recording how many people are awaiting GP letters or finalisation. |
|---|---|
| | Volumes of changes in circumstances. This has commenced. |
| | FEO visits, this is already produced. |
| | Average turnaround we have commenced this with figures from January 2023 |
| Responsibility / Timescale | Complete other than the percentage of renewals prior to expiry. |
| | Nationally the data required is how many permits are issued by the Firearms licensing Team as an enquiry has not been completed prior to expiry. In line with Home office Guidance February 2023 we do not issue permits and all enquiries whilst I have been in post are completed prior to expiry. |

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## Payroll Provider

| Overall Assurance Opinion | Satisfactory |
|---|---|

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

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

- Unauthorised access to the system takes place.

- Data is incorrectly or maliciously amended within the system.

- Pay runs are not completed on time.

- Lack of clarity on responsibilities.

- Unauthorised pay run processing takes places.

- Errors in the pay run are not identified and actioned.

- BACS files.

- Incorrect payments are made to third parties.

- Incorrect payments are made to HMRC.

- Inaccurate payroll processing takes place.

The objectives of our audit were to evaluate the adequacy and effectiveness of the Payroll Provider systems with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the Payroll Provider process that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

We raised two Priority 2 recommendations and one Priority 3 recommendation; the details are set out below:

| Recommendation 1 (Priority 2) | The Force should confirm that the exception identified has been vetted. The Force should ensure they receive confirmation of vetting from MHR prior to adding MHR users to the system. |
|---|---|
| Finding | Observation: MHR users working with Force data on the MHR system iTrent are required to have appropriate police vetting. MHR organise this vetting for its staff and upon receiving confirmation their HR system is updated. They then request for the Force to add the user to the system. |
| | However, historically they have not provided the confirmation of vetting to the Force. |
| | To confirm MHR staff had appropriate vetting we requested evidence from MHR that vetting had been undertaken for a sample of 20 MHR system users. This |

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| | provided confirmation of vetting for 19/20 of the sample from HR. The exception was due to the user in question being a consultant outside of the MHR Managed Services department, which required personal consent to share with audit. Therefore, this was unable to be provided at the time of audit completion.<br><br>We were also provided with correspondence between the Force and MHR confirming that an unvetted MHR staff member signed off the Force payroll in January 2022. The correspondence indicates that MHR are undertaking a review of processes to prevent future reoccurrences.<br><br>Risk: MHR users have access to the Force's system without vetting leading to unauthorised amendments being made. |
| Response | All MHR users are verified to the vetting list provided before access to iTrent is granted. The one user identified would have been vetted. |
| Responsibility / Timescale | Payroll Manager |

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| Recommendation 2 (Priority 2) | The Force should engage with MHR in order to confirm exactly what system roles and permissions are required for MHR roles.<br><br>The Force should then review the current users' level of access and ensure it is aligned with their role. |
| Finding | Based upon review of the SLA between the Force and MHR, it is the responsibility of the Force to 'create and maintain user and security profiles'.<br><br>User profiles in iTrent are assigned a role by the Force which defines what the user has access to view and action within the system.<br><br>Upon review of a sample of five MHR system users, we found that all had the 'sys admin' or 'sys admin electric' user role. The job roles of the sample selected were as follows:<br><br>• Senior Payroll Analyst<br><br>• Operational Delivery Analyst<br><br>• Configuration Consultant<br><br>During discussions with the Force, we were informed that the system admin role is set up by the Force as they believed payroll staff are required to have access to all areas of the system to process payroll. However, through discussions with MHR it was unclear if this was the case. Therefore clarity should be sought to ensure the right level of access is provided for each user role. |

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| | Risk: System users within iTrent do not have appropriate access permissions commensurate with the individual's job role. |
| Response | iTrent is a complex system with approx. 6,000 screens/functions available therefore to create a bespoke user profile for MHR would take many hours for both MHR & the Force to configure & is not feasible. |
| Responsibility / Timescale | Payroll Manager |

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|---|---|
| Recommendation 3 (Priority 3) | The Force should monitor MHR system user activity on a regular basis. Where potentially inactive users are identified during system monitoring, the Force should liaise with MHR to confirm if the access is still required. |
| Finding | MHR users on the Force's payroll data should only be authorised and current members of staff. During discussions with MHR it was noted that the process of informing the Force of staff leavers in order for them to be removed from the system is a manual process and reliant on the employee's manager raising a request to Managed Services who then email the Force to remove the user.<br><br>We requested evidence from MHR that a sample of 20 MHR system users were current members of staff and in all cases the staff members were identified as current on the MHR email system, however, activity logs were not provided.<br><br>We were also provided with correspondence between the Force and MHR confirming that a MHR staff member who left the organisation had access to iTrent for a month prior to the Force noticing this and receiving confirmation from MHR, at which point the Force then removed the user's system access.<br><br>Based upon review of the SLA between the Force and MHR, the Force has responsibility for the majority of system administration and data management related actions including the maintenance of iTrent and creation and maintenance of user profiles. During discussions with the Force it was stated that system monitoring takes place, and bespoke audit reports can be produced covering payroll inputs, however these do not include areas such as system admin changes. We requested a report to review during the audit, however, this was not provided.<br><br>Risk: The Force are not informed of MHR leavers in a timely manner leading to MHR users having unauthorised access to the system. |
| Response | A list of current MHR users with access to the Forces data is sent for verification to Managed Services at MHR every quarter. |
| Responsibility / Timescale | Payroll Manager |

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## A4 Collaboration Audit Plan 22/23 Progress

| Audit area | Forces | Status |
|---|---|---|
| EMSOT Closedown | Leics, Lincs, Northants | Draft Report Issued |
| EMSLDH Governance | Derby, Leics, Northants, Notts | Final Report Issued. |
| EMSOU - Business Continuity | Five Force | Final Report Issued. |
| EMSOU Risk Management | Five Forces | Final Report Issued. |
| Collaboration Performance Management | Five Forces | Draft Report Issued |
| Digital Currency | Five Forces | Draft Report Issued |

# A5  Statement of Responsibility

We take responsibility to Leicestershire Police and the Office of the Police and 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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