

Leicestershire Police Authority

Internal Audit Annual Report

Year ended 31 March 2009

Draft

Presented at the Police Authority meeting of: 30th June 2009
Approved by: Chris Harris as Head of Internal Audit

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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. This report is prepared solely for the use of the Authority and senior management of Leicestershire Police Authority. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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1 Introduction

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Leicestershire Police Authority's assurance cycle and if used properly can be inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Authority and Audit Committee.

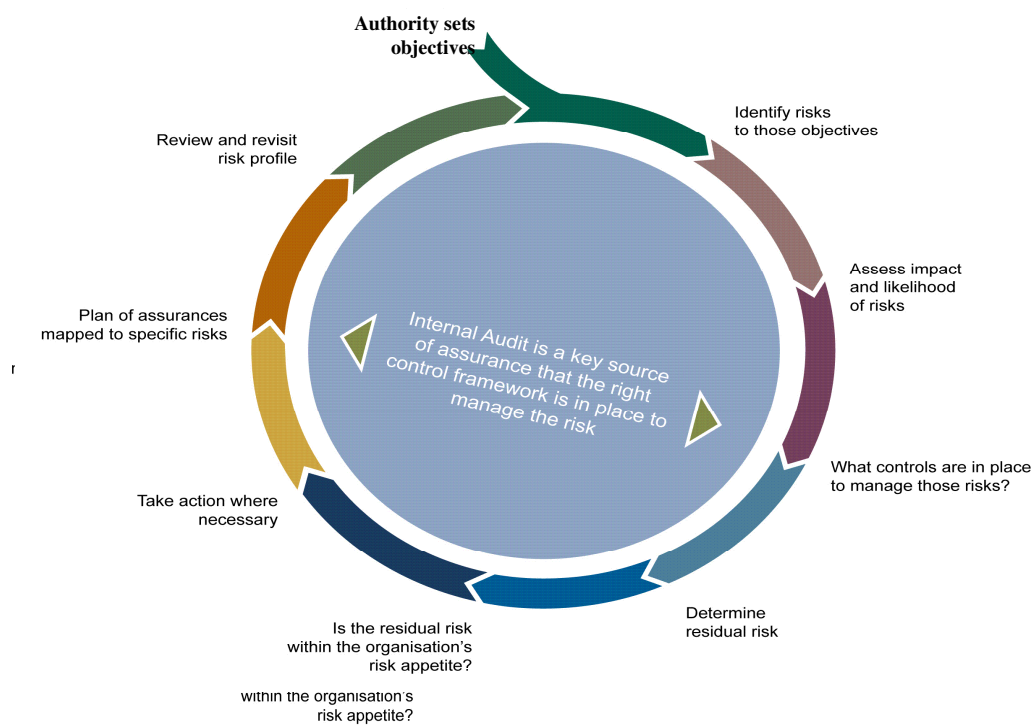


Exhibit A: The Assurance Cycle. © RSM Bentley Jennison

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.2 Governance Statement

Under Regulation 4[2] of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit [Amendment] [England] Regulations 2006, authorities are required to publish a statement on internal control. From 2007/08, authorities have had to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement.

As your internal audit provider, the assignment opinions that RSM Bentley Jennison provides the organisation during the year are part of the framework of assurances that assist the Authority prepare an informed governance statement.

2 Internal Audit Assurance for 2008/2009

2.1 Context










As the provider of the internal audit service to Leicestershire Police Authority we provide the Treasurer and the Authority through the Audit Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Treasurer and the Authority is a reasonable assurance that there are no major weaknesses in risk management, governance and 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. This report is prepared solely for the use of the Treasurer, the Authority and its senior management team. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

2.2 Internal Audit Assurance Statement

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Leicestershire Police Authority's arrangements.

For the 12 months ended 31 March 2009, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of arrangements for governance, risk management and control is as follows:

	Red	Amber	Green
Governance			
Risk Management			
Control			

2.3 Scope of the Internal Audit Opinion

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

- The results of all internal audits undertaken during the year ended 31 March 2009 (see Appendix A for a risk map of our internal audit assurances and Appendix B for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether fundamental or significant recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;

- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Authority.
- 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 the organisation; and
- What proportion of the organisation’s internal audit needs have been covered to date;

2.4 The Basis of the Opinion

In forming our opinion we have taken account of the key factors identified within audit reports. For all reviews undertaken during the year, where an opinion has been provided, we have been able to confirm substantial assurance.

Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

2.5 Governance Statement

The overall opinion may be used by the Authority in the preparation of the annual governance statement.

2.6 Conflicts of Interest

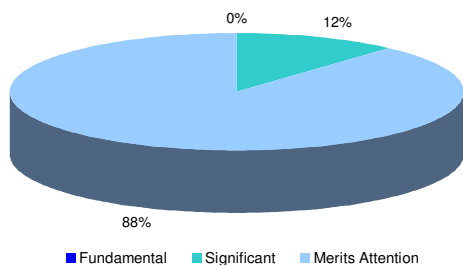
We have not undertaken any work or activity during 2008/09 that would lead us to declare any conflict of interests.

2.7 Benchmarking Data

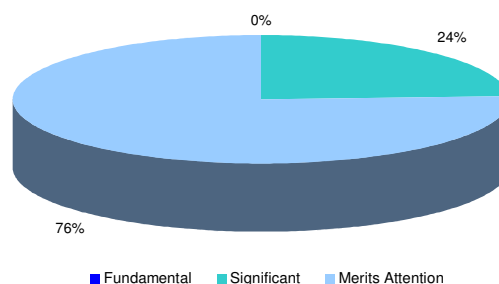
The tables below show the split of internal audit recommendations and opinions for Leicestershire Police Authority in 2008/09 and those made in 2007/08, which graphically displays both an improvement in assurance levels and a reduction in significant recommendations during 2008/09.

Comparison of the categories of internal audit recommendations made 2008/09 and 2007/08

Recommendations 2008/09



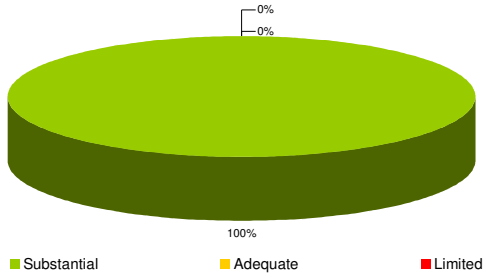
Recommendations 2007/08



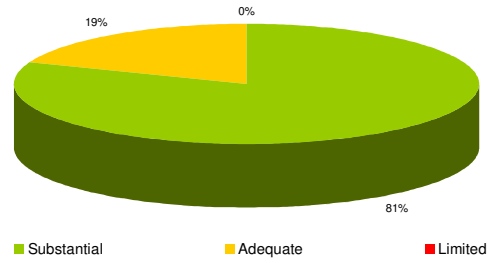
Comparison of assurance levels provided by internal audit in 2008/09 and 2007/08

For assurance assignments only




Assurance Levels 2008/09














Assurance Levels 2007/08




Appendix A: Internal Audit Assurance Map 2008/09

Risk Based Coverage				
Area	Rationale for coverage	Headline Findings	Assurance	
Governance	Strategic Audit Plan	<p>Our review identified that:</p> <ul style="list-style-type: none"> The procedures relating to Partnerships are not fully up to date and do not reflect the organisational requirements and statutory requirements. New partnerships do not hold appropriate Terms of Reference which have been agreed. The organisation does not critically appraise their current partnerships as to why the Authority is a member of these partnerships and how they help achieve organisational objectives. <p>In addition the following good practice was identified:</p> <ul style="list-style-type: none"> The Annual Governance Statement was reported to the Police Authority in June 2008, and the Statement of Internal Control for 2007/08 was approved by the Finance & General Purposes Committee (F&GP) in March 2008. There is a 3 year policing plan and Local Policing Objectives in place which were approved by the F&GP Committee. The Force demonstrates value for money through a number of ways. Overall Force Performance is reported upon on a regular basis. 	Substantial	
Covert Intelligence Payments	Strategic Audit Plan	<p>Our review identified the need for implementation of additional controls over CHIS payments through Finance departments as detailed below:</p> <ul style="list-style-type: none"> Ensure Finance do not accept amended forms without appropriate authorisation Finance should be required not to accept photocopied receipts for CHIS payments Introduce unique serial numbers for instalments until such time as adequate control is available through either PIMS or the Pegasus system. Enquire through system supplier if such a facility is available on Pegasus 	Substantial	
Recruitment	Strategic Audit Plan	<p>Our review confirmed that systems and procedures in place were satisfactory. A number of recommendations meriting attention were identified.</p>	Substantial	

Health and Safety	Strategic Audit Plan	Our review confirmed that systems and procedures in place were operating satisfactorily. Two minor issues were identified where recommendations meriting attention were made.	Substantial	
Police Property fund	Strategic Audit Plan	Our review confirmed that systems and procedures in place were operating satisfactorily. A number of recommendations were made which merit attention.	Substantial	
Divisional reviews	Strategic Audit Plan	Our review confirmed that systems and controls in place were considered generally satisfactory. The key finding from the review was that arrangements should be made to ensure that all purchase orders and invoices are appropriately authorised.	Substantial	
HR Training & Development	Strategic Audit Plan	Our review has confirmed that the controls implemented are well designed and applied throughout this area and we have made no recommendations to enhance control.	Substantial	
IT Healthcheck	Strategic Audit Plan	<p>Key issues identified with respect to the organisation's IT systems, include:</p> <ul style="list-style-type: none"> • Access was gained to the main server room in the Head Quarter's Communication Building with the standard contractor's fob issued at reception. On investigation, it was found that the Access Control System contains different user groups for different levels of access. However, an enquiry with Support Services Team and the Reception Desk uncovered no procedures for the allocation of contractor fobs. The Reception Desk staff and Security Officer were not aware that different colour fobs provided different levels of access across the site and this was found to be an area where procedures may need to be revised and security staff provided with refresher training. • There is a lack of a detailed inventory of software assets. The current procedure of managing software through active directory does not contain information regarding to how many licences have been purchased and when licences are due to expire; this makes it particularly difficult to determine whether the appropriate number of licences have been purchased for each piece of software. Whilst there is no central licensing information, unlicensed software may exist on the computer systems. This exposes the organisation to the risk of legal action for copyright infringement, or alternatively more licences purchased than required may have cost implications. • The current network settings for the audit policy deviate from those considered good practice. There is an increased risk that the current settings may not be recording sufficient information to detect and investigate a security or system event. Additionally, a review of the system event logs discovered that the events that were being logged were being overwritten within 3 - 6 days. In the event of an investigation it may not be possible to view data more than a few days old, as the 	No Opinion	

		audit event log data will not be available. Regular archiving of logs before their over write threshold, will increase the management information available to investigate any breach or anomalous events.		
Other Coverage				
Area	Rationale for coverage	Headline Findings	Assurance	
General Ledger	External Audit Reliance	The key findings from this review are as follows: That the controls implemented are well designed and applied throughout this area of the Authority's financial systems; there are no significant or fundamental recommendations	Substantial	
Fixed Assets	External Audit Reliance	The key findings from this review are as follows: That the controls implemented are well designed and applied throughout this area of the Authority's financial systems; there are no significant or fundamental recommendations	Substantial	
Cash, Bank and Treasury management	External Audit Reliance	The key findings from this review are as follows: That the controls implemented are well designed and applied throughout this area of the Authority's financial systems; there are no significant or fundamental recommendations	Substantial	
Budget setting and Control	External Audit Reliance	The key findings from this review are as follows: <ul style="list-style-type: none"> That the controls implemented are adequately designed and maintained throughout the Leicestershire Police Authority 	Substantial	
Creditors	External Audit Reliance	The key findings from this review are as follows: <ul style="list-style-type: none"> That the controls implemented are adequately designed and maintained throughout the Leicestershire Police Authority. 	Substantial	
Debtors	External Audit Reliance	The review confirmed that the controls implemented are well designed and applied throughout this area of the Authority's financial systems; there are no significant or fundamental recommendations	Substantial	
Payroll	External Audit Reliance	Our review confirmed that systems and procedures in place were operating satisfactorily. A number of recommendations were made which merit attention.	Substantial	

<p>Risk Maturity</p>	<p>Our internal audit methodology is linked to your risk management processes, and therefore the more risk mature the organisation, the more closely the organisation will be able to map internal audit assurance to specific risks, and to use this assurance to inform its risk profile and associated decisions.</p> <p>The thematic review is being performed across our client base in 2008/09 and we will use this to inform our annual opinion on risk management as well as to inform our audit plans for 2009/10 onwards.</p>	<p>We consider the Authority to be Risk Managed. We have made 3 'merits attention' recommendations, which will help towards embedding risk management arrangements across the organisation as a whole and contribute to the achievement of an increased level of risk maturity for the future.</p>	<p>Advisory</p>	
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Appendix B: Internal Audit Opinions and Recommendations 2008/09

Auditable Area	Planned Work (Days)	Actual Work (Days)	Assurance Level Given	Number of Recommendations made				
				Fundamental	Significant	Merits Attention	In Total	Agreed
Governance	5		Substantial	0	1	5	6	6
Covert Intelligence Payments	4		Substantial	0	1	1	2	2
Recruitment	4		Substantial	0	0	5	5	5
Health and Safety	5		Substantial	0	0	2	2	2
General Ledger	4		Substantial	0	0	0	0	0
Fixed Assets	4		Substantial	0	0	3	3	3
Cash, Bank & Treasury Management	4		Substantial	0	0	1	1	1
Budget Setting & Control	7		Substantial	0	0	0	0	0
Creditors	6		Substantial	0	0	2	2	2
Debtors	6		Substantial	0	0	0	0	0
HR - Absence Management - Follow Up	5		Good Progress	0	0	1	1	1
Risk Maturity	5		Risk Managed	0	0	3	3	3
Police Property Fund (DRAFT)	6		Substantial	0	0	5	5	Draft
Divisional Review	12		Substantial	0	1	3	4	4
Payroll (including Pensions)	11		Substantial	0	0	6	6	6
Grant verification	1		No Opinion					
HR Training & Development	5		Substantial	0	0	0	0	0
IT Healthcheck (DRAFT)	15		No Opinion	0	3	9	12	Draft
TOTAL RECOMMENDATIONS				0	6	46	52	

The definitions for the level of **assurance** that can be given are:

	Level	Effectiveness	Control Adequacy	Control Application
positive opinions	Substantial Assurance	Targets have been met or exceeded.	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Adequate Assurance	Targets have been closely missed or there are appropriate reasons as to why they have not been met	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
negative opinion	Limited Assurance	Targets have not been met and no reasons are given as to why.	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Recommendations made during the year have been categorised as follows:

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits Attention	Action advised to enhance control or improve operational efficiency.

Within our **risk maturity** reviews, we have gauged organisations' risk maturity on a scale from risk naïve to risk enabled:

