RSM Tenon
Connected for Success

Police and Crime Commissioner for Lincolnshire and Lincolnshire Police

Internal Audit Annual Report

Year ended 31 March 2013

Presented at the Audit Committee meeting of: 27 June 2013

Mark Jones
Head of Internal Audit

1 INTERNAL AUDIT OPINION

1.1 Context

As the provider of the internal audit service to Police and Crime Commissioner for Lincolnshire and Lincolnshire Police we are required to provide the Section 151 Officer and the Audit Committee 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 is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Police and Crime Commissioner (PCC) and the Chief Constable must have an internal audit service, and there must be an audit committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2012/2013 which saw the abolition of the Police Authority and the creation of the PCC.

As your internal audit provider, the assurance and advisory reviews that RSM Tenon provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare an informed annual governance statement.

1.2 Internal Audit Opinion 2012/13

For the 12 months ended 31 March 2013, based on the work we have undertaken, our opinion is that the Police and Crime Commissioner for Lincolnshire & Lincolnshire Police had adequate arrangements for governance, risk management and control.

Since November 2012, when the PCC took up office, we have completed reviews of risk management, some key financial controls and an IT audit, which have provided positive assurance with some areas for improvement. It is acknowledged that the Organisation is in a process of change and our recommendations, where applicable, are reflective of the changing environment.

1.3 The Basis of the Opinion

1.3.1 Governance

Early in 2012/13 we undertook an Advisory piece of work to look at the transitional arrangements in preparation for transferring from the Police Authority to the Police and Crime Commissioner. As the review was advisory we have not provided an opinion. However, we consider that, based on the project work and communication documentation provided to us adequate controls were in place and being applied to effectively manage the transition governance arrangements and mitigate the risks associated with the transition.

Furthermore an audit of G4S Governance Arrangements undertaken in September 2012 found that the governance arrangements within the G4S contract were robustly designed and being applied effectively through strong contract management.

Since the introduction of the Police and Crime Commissioner for Lincolnshire, we have not undertaken any reviews specifically focused on the new Governance arrangements, however this will be undertaken during the 2013/14 year.

1.3.2 Risk Management

We undertook a review during the year of the Risk Management arrangements in place for the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police.

We found that the Risk Management Strategy and Policy had been updated to reflect the change to the PCC and the new governance structures in place. The terms of reference for the Audit Committee had been drafted which included the responsibility for monitoring and review of risk management processes and a Risk Management Board had been established.

Systems were found to be in place for identifying, measuring and controlling risk across all areas of the organisation, including partnerships risk. In addition, risk specific assurances had been identified and were being included with the risk registers.

1.3.3 Control

Thirteen other assurance audit reports were issued, which comprised of eight Green, three Amber Green (IT Disaster Recovery Arrangements for Force Control Room Systems, Service Expectations - Restorative Justice and Asset Management) and one Amber Red Opinion (Benefits Realisation) and one Red Opinion (Business Continuity).

The key findings of Business Continuity review leading to this opinion were that continuity plans were not in place for all parts of the Force and at the time of the review no action plan had been produced to address this. Where business continuity plans existed there were no processes in place for reviewing, updating or testing these. Furthermore we considered the current "bottom up" approach for developing the organisations continuity plans to be ineffective and unduly resource intensive.

1.3.4 Acceptance of Recommendations

All except one medium priority recommendation were accepted by management during the year, in this exception we have accepted management's response.

1.3.5 Progress made with previous internal audit recommendations

Our follow up of the recommendations made in 2011/12, including those that were outstanding from previous years, showed that the organisation had made adequate progress in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number followed up	Of which:	
		Addressed	Not implemented or still in progress
High	5	3	2
Medium	18	9	9
Totals	**23**	**12**	**11**

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

2 OUR PERFORMANCE

2.1 Wider value-adding delivery

Below are just a few of the areas where we have provided added value services during the course of 2012/13:

- Client briefings throughout the year.
- Sharing of best practice through areas such as Governance through the Transition to the Police and Crime Commissioner.
- Working with the other members of the East Midland Collaboration to share knowledge and undertake joint reviews.

2.2 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to Police and Crime Commissioner for Lincolnshire and Lincolnshire Police are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *"the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner".*

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

2.3 Conflicts of Interest

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/13

Audit	Opinion	Actions Agreed (by priority)		
		High	Medium	Low
Audits to address specific risks				
MOPI - Management of Police Information *Failure to be compliant with the RRD (Review, Retention and Disposal) as per MOPI requirements.*	Green	0	0	0
Business Continuity *Lack of effective or non-existent Disaster Recovery and Business Continuity Plans.* *Lack of Business Continuity / Disaster Recovery Plans / Processes for Force.*	Red	2	4	2
Benefits Realisation *Failure to achieve maximum benefit from collaboration with other police forces and partner agencies.*	Amber / Red	2	1	0
Human Resources - Monitoring of Schedules & Workforce Planning *Failure of future resilience due to reducing workforce.*	Green	0	0	1
Governance - Transition Advisory review *Failure to maintain concentration/ focus on LPA priorities (Member / secretariat) in the lead up to the abolition of police authorities. (Authority)*	Advisory	0	0	1
IT Disaster Recovery Arrangements for Force Control Room Systems *Inability to recover systems and data within an acceptable recovery time following a disaster event.*	Amber / Green	0	3	1
Audits to address External Audit Reliance or to meet Regulatory Requirements				
Income and Debtors	Green	0	0	0
General Ledger	Green	0	0	2
Cash Banking & Treasury Management	Green	0	0	2
Risk Management	Green	0	1	2
Budgetary Control	Green	0	0	0
Payments, Creditors & Procurement	Green	0	1	4
Payroll and Pensions	Green	0	0	1
Asset Management	Amber / Green	0	1	1
Other Internal Audit Input				

RSM Tenon
Connected for Success

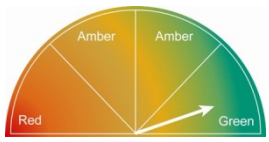
G4S Governance Arrangements	Green	0	0	0
Service Expectations - Restorative Justice	Amber / Green	0	2	3
Follow up of Previous Recommendations (Draft)	Adequate Progress	0	3	8
	Total	**4**	**16**	**28**

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

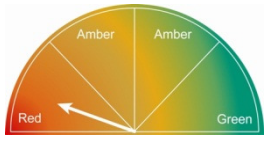
RSM Tenon
Connected for Success

APPENDIX B: KEY FINDINGS FROM INTERNAL AUDIT REVIEWS 2012/13

Assignment: MOPI - Management of Police Information	Opinion: Green	

Headline Findings:

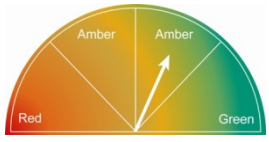
We found that the controls were designed adequately and were being applied effectively. No High or Medium recommendations arose from this audit.

Assignment: Business Continuity	Opinion: Red	

Headline Findings:

We identified areas for development with both the design and application of the control framework. We raised 2 High and 4 Medium priority recommendations to address the weaknesses identified below:

- Control of the Business Continuity Management process was with the BCM Board, and the Emergency Planning Officer was tasked with providing guidance to department representatives and reporting back on progress; however, we were not provided with any form of action plan being used to guide the process.
- It was reported to the BCM Board meeting on 23 February 2012 that the Business Impact Assessments (BIA) had completed. However, our testing identified that there were departments where the BIA had not been completed (e.g. Criminal Justice, Resource Management Unit, and IMU.)
- We were informed only one Business Continuity Plan had been completed as part of this process. A review of the completed plan found that in our view this contained significant omissions and some lack of foresight.
- BCM plans had not been prepared for most business areas.
- No testing of the BCM plans had been undertaken.
- There was no process in place to ensure that all plans were maintained up-to-date, in the event of an incident occurring, all staff may not be working from the current version of the plan, leading to confusion and incorrect decisions.

Assignment: Service Expectations - Restorative Justice	Opinion: Amber / Green	

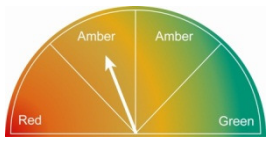
Headline Findings:

We Identified the following issues resulting in 2 Medium and 3 Low priority recommendations being raised:

- Within the guidance, other than stating what to do if the offender failed to complete a restorative resolution, there was no process in place for following up restorative resolutions to ensure they had been completed. For those in our sample we could not confirm from the records whether or not the resolution had been completed.
- Testing of a sample of 15 restorative justice cases found that in most cases the offence was appropriate

RSM Tenon
Connected for Success

for restorative justice. However, there was one case which involved cannabis, which according to guidance and FAQs was not eligible for restorative justice. Due to the method of validation, it was not clear if this case had been reviewed, and if so by whom. The use of a spreadsheet to notify cases for validation did not facilitate a feedback loop to allow for the verification that all cases have been validated as required.

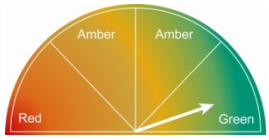
Assignment: Benefits Realisation	Opinion: Amber / Red	

Headline Findings:

The Controls in place were adequately designed and we have not made any recommendations in this area.

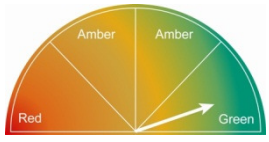
We identified two high and one medium priority recommendations relating to the following areas:

- We found differences between the costs/savings initially highlighted in the Major Crime and Forensics business cases and the costs/savings later presented and approved by EMPAJC as part of the regional budget paper 2012/13 but it was not clear whether those were reviewed and approved again at Police Authority level;
- There were significant differences arising between what the region estimates costs/savings for Lincolnshire Police Force were based on a business case and/or revised budget, and what the Force Finance Department then realises as costs/savings; it appeared this may have been due to potentially inaccurate figures being presented in the business plan.
- There was a requirement for the Authority / Force to ensure that the when a business case was approved for a new project, its own projected costs/savings for collaboration projects, which included internal savings and costs, were presented for approval along with the business case which shows the "region" predictions only. There was required to be a challenge by the Police Authority on the figures then presented by the Force (compared to those presented by the business case).

Assignment: G4S Governance Arrangements	Opinion: Green	

Headline Findings:

We found that the controls were designed adequately and were being applied effectively. No High or Medium priority recommendations were made in this audit.

Assignment: Human Resources - Monitoring of Schedules & Workforce Planning	Opinion: Green	

Headline Findings

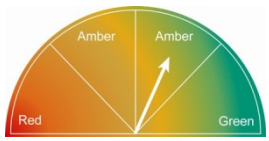
We found that the controls had been effectively designed and were being consistently applied with no high or medium priority recommendations being made.

RSM Tenon
Connected for Success

Assignment: Governance - Transition Advisory review	Opinion: Advisory	**ADVISORY**

Headline Findings:

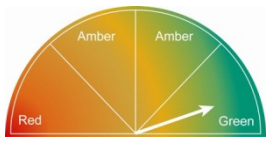
This review was undertaken as an advisory piece of work, therefore we did not provide an overall assurance opinion. However, we considered that, based on the project work and communication documentation provided to us, and based on our interviews and testing, that effective controls were in place and being applied to effectively manage the transition governance arrangements and mitigate the risks associated with the transition.

Assignment: IT Disaster Recovery Arrangements for Force Control Room Systems	Opinion: Amber / Green	

Headline Findings:

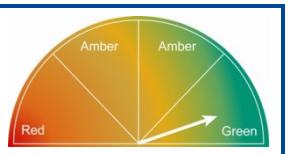
We found the design of the control framework required improvement and raised 3 Medium and 1 Low recommendation to address the following issues:

- The live and standby servers for the Command and Control system were located next to each other in the server room and were therefore subject to the same physical and environmental risks as the primary system.
- The IT provider Capita managed the backup process for the Command and Control system on behalf of Lincolnshire Police and G4S, however G4S could not confirm when the last testing of the standby system had taken place, the effectiveness of the testing and when the next scheduled tests were due to be undertaken.
- The generator that provided redundant power to the Control Room in the event of disruption to the main power supply was regularly serviced and tested, however the testing did not include “on-load” testing. Accordingly, there was little assurance that the generator would operate as expected and support the load required in an emergency situation.

Assignment: Income and Debtors	Opinion: Green	

Headline Findings:

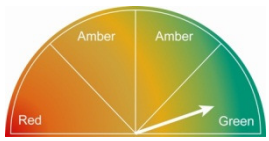
We found that the controls were designed adequately and were being applied effectively. We made no high or medium priority recommendations within this review.

Assignment: General Ledger	Opinion: Green	

Headline Findings:

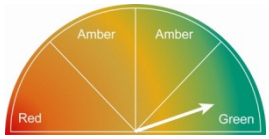
We found that the controls were designed adequately and were being applied effectively. We made no high or medium priority recommendations within this review.

RSM Tenon
Connected for Success

Assignment: Cash Banking & Treasury Management	Opinion: Green	

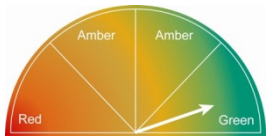
Headline Findings:

We found that the controls were designed adequately and were being applied effectively. We made no high or medium priority recommendations within this review.

Assignment: Risk Management	Opinion: Green	

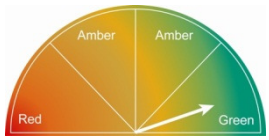
Headline Findings:

We found that the framework had been adequately designed and applied, however we identified an area which required further action in relation to the roll out of ORCHID, however, we understood that this was no longer going to be used by the Force and the current spreadsheets would continue,

Assignment: Budgetary Control	Opinion: Green	

Headline Findings:

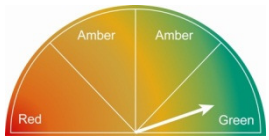
We found that the controls were designed adequately and were being applied effectively. We made no high or medium priority recommendations within this review.

Assignment: Payments, Creditors and Procurement	Opinion: Green	

Headline Findings:

We identified the following weakness which resulted in a Medium Priority recommendations being made:

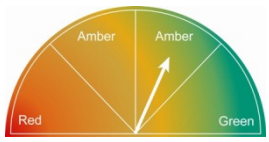
- Evidence of changes to supplier data was not always obtained and verified increasing the risk of inappropriate changes being made to the supplier database.

Assignment: Payroll and Pensions	Opinion: Green	

Headline Findings:

We found that the controls were designed adequately and were being applied effectively. We made no high or medium priority recommendations within this review.

RSM Tenon
Connected for Success

Assignment: Asset Management	Opinion: Amber Red	

Headline Findings:

We identified the following weakness which resulted in a Medium Priority recommendations being made:

- There had been no recent independent verification of the ICT inventory as required by the Financial Regulations.

Assignment: Follow Up (Draft)	Opinion: N/A	**ADEQUATE PROGRESS**

Headline Findings:

We followed up 23 recommendations of which 5 were high category and 18 were medium category. Testing confirmed that of the high recommendations 2 have been implemented, 2 were being implemented and 1 had been superseded. In relation to the 18 medium category recommendations testing confirmed that 7 had been implemented, 7 were being implemented, 2 had not been implemented and 2 had been supseded.

We made a total of 3 medium category and 8 low category recommendations to address outstanding issues.

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. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

© 2012 - 2013 RSM Tenon Limited

The term "partner" is a title for senior employees, none of whom provide any services on their own behalf.

RSM Tenon Limited is a subsidiary of RSM Tenon Group PLC. RSM Tenon Group PLC is an independent member of the RSM International network. The RSM International network is a network of independent accounting and consulting firms each of which practices in its own right. RSM International is the brand used by the network which is not itself a separate legal entity in any jurisdiction.

RSM Tenon Limited (No 4066924) is registered in England and Wales. Registered Office 66 Chiltern Street, London W1U 4GB. England

RSM Tenon
Connected for Success