



Office of the Police & Crime Commissioner for Lincolnshire and Lincolnshire  
Police

Internal Audit Progress Report 2017/18

October 2017

Presented to the Joint Independent Audit Committee meeting of: 31<sup>st</sup> October 2017

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## 01 Introduction

- 1.1 The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the Operational Plan for the year ended 31<sup>st</sup> March 2018 which was considered and approved by the JIAC at its meeting on 5<sup>th</sup> April 2017.
- 1.2 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.
- 1.3 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 organisations' 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 Forces' overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 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.
- 1.5 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.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Summary of internal audit work to date

- 2.1 We have issued four final reports in respect of the 2017/18 plan since the last progress report to the JIAC, these being in respect of the G4S Contract, Fleet Management, ICT Budgetary Control and Budgetary Control. We have also issued a draft report in respect of JIAC Effectiveness where we await a response and the final report will be issued shortly. Further details are provided in Appendix 1.

Lincolnshire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Online Banking	Final	Significant			3	3
G4S Contract	Final	Satisfactory		1	1	2
Fleet Management	Final	Significant			3	3
ICT Business Continuity	Final	Significant		1	2	3
JIAC Effectiveness	Draft					
Budgetary Control	Final	Significant			1	1
<b>Total</b>			<b>-</b>	<b>2</b>	<b>10</b>	<b>12</b>

- 2.2 Fieldwork in respect of the Road Safety Partnership is currently in progress, as is work in respect of the LED Lighting Contract which was an additional request to the agreed Internal Audit Plan. We are also in the process of agreeing the scope and / or timing of further audits that will be carried out over the coming months. These include Code of Governance, T-Police and Apprentice Levy. The audit of Firearms Licensing has been deferred to January on management's request to enable new processes to become established. Further details are provided within Appendix A2.
- 2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. Four of the audits will adopt a similar scope to that of the 2016/17 audits and will look at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope will also include value for money considerations and arrangements for managing risk. The four areas of collaboration that will form the focus of these initial reviews are:
- EMCHRS Learning & Development
  - EMCHRS Occupational Health

- EMSOU Forensic Services
- Criminal Justice (EMCJS)

The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and will review the arrangements in place across the region to manage cash and property seizures.

- 2.4 At the time of writing, we have issued two final reports, these being in respect of EMCHRS Learning & Development and EMSOU Forensic Services. Further details are provided in Appendix 1.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development	Final	Satisfactory	-	2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
Total			-	2	6	8

<sup>1</sup> Denotes those collaborative arrangements which Lincolnshire are a part of.

## 03 Performance

3.1 The following table details the Internal Audit Service performance for the year ending 31<sup>st</sup> March 2018 measured against the key performance indicators that were set out within Audit Charter.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	Achieved
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (6/6)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (5/5)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A <sup>1</sup>
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A <sup>1</sup>
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (14/14)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (2/2)

<sup>1</sup> Previous audit recommendations are followed up through the review of the Implementation Progress Report that is presented at each JIAC by the DCC. Additionally, those audits that are carried out on an annual basis include a follow-up of previous recommendations.

## Appendix A1 – Summary of Reports 2017/18

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 relating to the 2017/18 Internal Audit Plan:

### G4S Contract

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	1
Priority 3 (Housekeeping)	1

Our audit considered the following area objectives:

- There are effective partnership governance arrangements in place between the Force, OPCC and G4S for the delivery of services.
- The partnership arrangement with G4S is underpinned by clearly documented objectives / outcomes set by the Force / OPCC.
- There is a comprehensive and approved contract and supporting schedules / documentation with G4S in place which is aligned with strategic and medium / long term objectives of the OPCC and Force.
- The roles, responsibilities and decision-making protocols are agreed, documented and fully understood.
- There is an effective performance management framework in place that is underpinned by clear and agreed performance measures.
- Comprehensive and timely management information is provided to the Force / OPCC to enable it to monitor performance of G4S.
- Effective risk management arrangements are in place that support the delivery of service objectives.
- Non-delivery of the service is flagged at the earliest opportunity and actions put in place to address the issues. There are clear escalation procedures in place for dealing with non-performance.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

Recommendation 1	All super KPIs, KPIs and PIs should be systematically validated on a rolling basis to ensure the information reported by G4S is accurate.  Any discrepancies should be investigated and resolved.
Response	A performance Matrix has been implemented to ensure the correct periodic validation process takes place.  Due to the capacity within the CPT this has not been fully completed within the financial year. 2016/17. However all SKPIs and KPIs will be checked on a rolling basis at least once annually going forward.

	Due to the resource impact, it is not deemed necessary to include the PIs as they are not considered to be significant risk.
Timescale / Responsibility	Immediate Finance Scrutiny and Performance Officer / CP Manager

We also raised one priority 3 recommendation of a more housekeeping nature. This was in respect of clarifying the required time frame for the provision of performance reports and formally agreeing this between the Force and G4S. Management confirmed that this will be actioned by September 2017.

### ICT Business Continuity

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

Our audit considered the following area objectives:

- IT Business Continuity Plan and any relevant policies and procedures – including content, approval and application / compliance.
- Identification and assessment of core IT systems and prioritisation / importance to the Force.
- Assignment of responsibilities for dealing with IT disasters / continuity issues and communication of respective roles and responsibilities of individuals.
- Testing, review and updating of the IT Business Continuity Plan.
- Stand-by IT services and arrangements, including periodic testing to ensure that they are effective, workable and current.
- IT back-ups – including frequency, adequacy, testing and secure storage.
- Monitoring and reporting of incidents / near misses.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

Recommendation 1	The Business Impact Analysis should be re-performed and updated and once this has been performed, the results should be shared with the key stakeholders in the Force and approval sought for the implementation of the results into the ICT Business Continuity Plan.
Response	Agreed.
Timescale / Responsibility	ICT Director and CPT ICT Contract Manager April 2018

We also raised two priority 3 recommendations of a more housekeeping nature. These were in respect of business continuity training and the Backup policy. Management confirmed that this will be actioned by April 2018.

## Fleet Management

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

Our audit considered the following area objectives:

- There is a comprehensive and approved Fleet Management Strategy in place which is aligned with the strategic and medium / long term objectives of the OPCC and Force.
- Delivery of the Fleet Management Strategy is supported by an agreed implementation plan and there are robust monitoring arrangements in place.
- An effective maintenance programme is in place that supports the objective that fleet vehicles are available when and where required.
- The maintenance programme is supported by an effective schedule of inspections and services.
- The Force utilises a robust fleet management system upon which a complete and up to date record of vehicles is maintained.
- Procurement arrangements in respect of the Force's vehicle fleet demonstrate the principles of best value.
- Budget control processes ensure that actual spend is in accordance with the approved budget.
- Management information is available to enable effective monitoring of performance against the Fleet Management Strategy and delivery the maintenance programme.

We raised three priority 3 recommendations of a housekeeping nature. These were in respect of the following:

- The Fleet Strategy should be reviewed and updated to ensure it is aligned to the new police plan.
- The Fleet Management Team should prepare the delivery plan for 2017/18 to ensure that the Fleet Strategy will be successfully implemented and ensure they have a process in place to report on progress against the plan, with consideration taken to aligning this to existing performance indicators.
- Fleet Management should ensure that only one measurement of distance is able to be recorded to ensure data quality can be maintained.

Management confirmed that these recommendations will be actioned by September and December 2017.

## Budget Control and Medium Term Financial Planning

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

Our audit considered the following area objectives:

### Development and sign-off of financial plans.

- An effective and informed medium term financial plan (MTFP) is in place to ensure that a comprehensive review of the OPCC and Force's financial position for the current and future years is undertaken and reviewed on a regular basis.
- The MTFP and financial planning process is aligned with key strategies and priorities of the OPCC and Force.
- Responsibility for creation, review and sign off of MTFP is defined and controls are in place to ensure these responsibilities are discharged effectively.
- Appropriate assumptions are made as part of the planning process.

### Delivery of Efficiency Savings

- Efficiency savings are incorporated into the MTFP and these savings are monitored on a regular basis.
- Procedures and guidance are available to support the effective delivery of the savings programme, including the methodology / rationale for calculating and justifying the proposed savings.
- Responsibilities for the delivery of individual savings targets are agreed and understood.
- There is a rigorous process for challenging the proposed savings targets, including their subsequent approval.
- Processes exist to enable management to highlight potential failure to deliver efficiency savings and action taken accordingly.

### Budget Management and Monitoring

- MTFP is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.

### Budget Shortfall/ variances to budget projections

- Budget shortfalls/ variances to budget projections are recognised as part of the MTFP process.
- Shortfalls and variances are monitored and the MTFP updated accordingly as these occur through the financial year, with future impact on deliver of the overall plan assessed.
- There are sound controls over the use of budget virements, which are in line with the Force Financial Regulations.

### Management Information

- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFP.

We raised just the one priority 3 recommendations of a housekeeping nature. This was in respect of the 2018/19 budget setting requiring budget holder acceptance of their responsibilities and agreeing their accountability for the budget. Management confirmed that this would be actioned in accordance with the budgeting timetable.

### EMCHRS – Learning & Development

Assurance Opinion	Satisfactory
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Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	3

The East Midlands Collaborative Human Resources Service – Learning and Development (EMCHRS-L&D) unit is a four force collaboration between Derbyshire, Leicestershire, Northamptonshire and Nottinghamshire Police. Our audit considered the risks relating to the following areas under review:

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised two significant (priority 2) recommendations where felt that the control environment could be improved. These related to the following:

- EMCHRS L&D should agree Terms of Reference for the Senior Management Team to clearly state their roles and responsibilities. These should include, but not be limited to:
  - Purpose
  - Scope
  - Membership
  - Decision making authority
  - Reporting Requirements
  - Frequency of meetings
  - Review

- The unit should ensure that external contractors have a valid contact and that a process is put in place to ensure that contracts are renewed in a timely manner.

We also raised three priority 3 recommendations of a more housekeeping nature. These were in respect of policies and procedures, review of strategy and risks management.

Management have confirmed that agreed actions have either been implemented or will be actioned by the end of November 2017.

### East Midlands Special Operations Unit (EMSOU) – Forensic Services

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

The East Midlands Specials Operations Unit – Forensic Services (EMSOU-FS) unit is a five force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a five Force collaboration in March 2014 when the five forces agreed to progress with a regional approach to forensic services.

EMSOU-FS aims to provide a quality assured forensic science and investigation service to the police forces of Derbyshire, Lincolnshire, Nottinghamshire, Leicestershire and Northamptonshire, with the strategic objective of supporting the efficient and effective investigation of crimes and incidents by these Forces in accordance with their statutory and common law responsibilities.

The Unit provides various forensic services, such as:

- Fingerprint Bureau;
- Forensic Analytical Services Team;
- Forensic Case Management;
- Crime Scene Investigation and Digital Forensic

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and

- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised three priority 3 recommendations of a housekeeping nature. These were in respect of the following:

- The updated Section 22 agreement should be circulated and signed off by the five PCC's and CC's in a timely manner to ensure a clear agreement is established.

EMSOU-FS should agree Terms of Reference for the Managers Network. Operations and Centre groups. This should ensure they are aligned to the governance structure of the unit and that there is no duplication in the issues discussed at the governance groups across the unit.

- The overdue reviews should be carried out and the unit should consider putting a process in place to ensure that annual reviews of policies and procedures are undertaken in a timely manner.
- The Unit should consider putting a Risk Management Policy in place to formally document their existing system for managing risk.

Management confirmed that these recommendations will be actioned by April 2018.

## Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
<b>Core Assurance</b>					
Budgetary Control	Sept 2017	Sept 2017	Oct 2017	Oct 2017	Final report issued.
Cash, Bank & Treasury Management	Jan 2018			April 2018	Scope & date agreed.
General Ledger	Jan 2018			April 2018	Scope & date agreed.
Payments & Creditors	Jan 2018			April 2018	Scope & date agreed.
Income & Debtors	Jan 2018			April 2018	Scope & date agreed.
Payroll	Jan 2018			April 2018	Scope & date agreed.
Audit Committee Effectiveness	Sept 2017	Oct 2017		Oct 2017	Draft report issued.
Code of Governance	Nov 2017			Jan 2018	Currently agreeing scope & date.
<b>Strategic &amp; Operational Risk</b>					
Online Banking	May 2017	May 2017	May 2017	July 2017	Final report issued.
Road Safety Partnership	Aug 2017			Oct 2017	Work in progress.
G4S Contract Management	July 2017	July 2017	August 2017	Oct 2017	Final report issued.
Fleet Management	July 2017	July 2017	August 2017	Oct 2017	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Firearms Licensing	Dec 2017			Jan 2018	Management request to defer to Q4 is currently with acting JIAC Chair for a decision.
ICT / Business Continuity	Sept 2017	Sept 2017		Oct 2017	Draft report issued.
HR – Apprentice Levy	Dec 2017			Jan 2018	Currently agreeing scope; dates agreed.
T-Police	Nov 2017			Jan 2018	Scope & date agreed.
Learning & Development	Feb 2018			April 2018	
Benefit Realisation	Feb 2018			April 2018	
<b>Other</b>					
LED Lighting Contract		Oct 2017			Additional request; draft report issued.
<b>Collaboration</b>					
EMCHRS Learning & Development	Aug 2017	Aug 2017	Sept 2017	Oct 2017	Lead force is Nottinghamshire. Four force, excludes Lincolnshire. Final report issued.
EMCHRS Occupational Health	Oct 2017			Jan 2018	Lead force is Leicestershire. Five force. Work in progress.
EMSOU Forensic Services	Sept 2017	Oct 2017	Oct 2017	Jan 2018	Lead force is Derbyshire. Five force. Final report issued.
Criminal Justice (EMCJS)	Dec 2017			April 2018	Lead force is Lincolnshire. Four force, excludes Derbyshire.
POCA	Jan 2018			April 2018	Lead force is Nottinghamshire. Five force.

## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix A4 - Contact Details

### Contact Details

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## A5 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

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