



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

Internal Audit Progress Report 2017/18

April 2018

Presented to the Joint Independent Audit Committee meeting of: 19th April 2018

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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 31st March 2018 which was considered and approved by the JIAC at its meeting on 5th 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 12 final reports in respect of the 2017/18 plan since the last progress report to the JIAC. These are highlighted in italics in the table below. 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
<i>JIAC Effectiveness¹</i>	Final	N/A		2	10	12
Budgetary Control	Final	Significant			1	1
<i>Road Safety Partnership</i>	Final	Limited	1	2	2	5
<i>Apprentice Levy</i>	Final	Satisfactory		5		5
<i>T-Police</i>	Final	Satisfactory		4		4
<i>Cash, Bank & Treasury Management</i>	Final	Satisfactory		1	1	2
<i>General Ledger</i>	Final	Significant			1	1
<i>Payments & Creditors</i>	Final	Satisfactory		2		2
<i>Income & Debtors</i>	Final	Significant			1	1

Lincolnshire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
<i>Payroll</i>	Final	Satisfactory		1	2	3
<i>Learning & Development</i>	Final	Limited	1	3	2	6
<i>Firearms Licensing</i>	Final	Satisfactory		2	2	4
Code of Governance	Draft					
<i>Benefit Realisation</i>	Final	Satisfactory		1		1
Total			2	25	31	58

¹ Audit Committee Effectiveness – this audit aimed to assess the JIAC against best practice, such as the principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012'. The objective of the audit was therefore to provide an action plan of areas to consider for driving best practice and not to provide an opinion on the adequacy and effectiveness of controls.

- 2.2 All work in respect of the Lincolnshire plan has been completed, with one report (Code of Governance) currently in draft awaiting management's response. Further details are provided within Appendix A2.
- 2.3 As previously reported, 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 adopted a similar scope to that of the 2016/17 audits and looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. The four areas of collaboration that formed 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 aimed at reviewing the arrangements in place across the region to manage cash and property seizures.

2.4 Since the last progress report to the JIAC, we have issued two final reports, in respect of EMCHRS Occupational Health and Criminal Justice (EMCJS). Fieldwork in respect of POCA has been completed and the draft report will be issued shortly. 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 ¹	Final	Significant			3	3
EMCHRS Occupation Health ¹	Final	Significant			3	3
Criminal Justice (EMCJS) ¹	Final	Satisfactory		1	2	3
Total			-	3	11	14

¹ 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 31st 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.	94.4% (17/18)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (17/17)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A ¹
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A ¹
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (18/18)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (10/10)

¹ 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:

Audit Committee Effectiveness

Assurance Opinion	N/A
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	10

The audit looked to provide assurance that there is an effective audit and scrutiny function in place to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance process, as set out in best practice guidance such as that published by CIPFA and the National Audit Office (NAO).

Using the five good practice principles set out in the NAO's good practice guide 'The Audit Committee Self-Assessment Checklist, 2012', and applying them to the Joint Independent Audit Committee (JIAC), the audit objectives are to provide assurance over:

- *Principle 1: The Role of the Audit Committee* – Does the Audit Committee effectively support the Board and the Accounting Officer by reviewing the completeness of assurances to satisfy their needs, and by reviewing the reliability and integrity of these assurances?
- *Principle 2: Membership, Independence, Objectivity and Understanding* – Is the Audit Committee suitably independent and objective, and does each member have a good understanding of the objectives, priorities and risks of the organisation, and of their role on the Audit Committee?
- *Principle 3: Skills* – Does the Audit Committee contain or have at its disposal an appropriate mix of skills to perform its functions well?
- *Principle 4: Scope of Work* – Is the scope of the Audit Committee suitably defined, and does it encompass all the assurance needs of the Board and Accounting Officer?
- *Principle 5: Communication* – Does the Committee engage effectively with Financial and Performance Reporting issues, and with the work of internal and external audit? And does the Audit Committee communicate effectively with the Accounting Officer, the Board, and other stakeholders?

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

Recommendation 1	<p>Actions identified following this review of the JIAC's effectiveness should be agreed and monitored at subsequent meetings via a standalone action plan.</p> <p>The JIAC work plan should include a regular review of its own effectiveness (possibly as part of the annual review of its ToR).</p> <p>As part of the JIAC's review of its own effectiveness, consideration should be given to securing feedback from other (ie non- members) contributors to the JIAC, in particular the PCC and CC, as to its effectiveness.</p>
Response	<p>a) An action plan arising from the agreed audit responses will be compiled and monitored at subsequent JIAC meetings.</p> <p>b) A procedure document will be drafted to set out how the ToR is delivered including the process for an annual review of effectiveness. This will be an evolving document.</p> <p>c) An annual request for feedback will be made to the PCC and CC by the Chair during the Q4 post meeting discussion. This will also be included in the procedure document.</p>
Timescale / Responsibility	<p>a) DCFO / First review at January 2018 JIAC meeting</p> <p>b) DCFO / First Draft End March 2018</p> <p>c) JIAC Chair / Q4 of every financial year.</p>

Recommendation 2	<p>Communication arrangements should be reviewed to ensure that members are aware of any delays in the publication of minutes.</p> <p>Consideration should be given to issuing the actions from the meetings prior to the issue for the full minutes.</p>
Response	<p>This will be set out in the procedure document.</p>
Timescale / Responsibility	<p>DCFO / First Draft of Procedure Document End March 2018</p>

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

- JIAC annual report
- Audit Committee chairs forum
- JIAC Terms of Reference
- Access to the JIAC Terms of Reference
- JIAC attendees
- Officer input to the JIAC
- Risk Management
- Professional Standards
- Member induction training
- Ongoing Member training / briefings

It was confirmed that agreed actions will be implemented by April 2018.

Road Safety Partnership

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

Our audit considered the following area objectives:

Governance

- The OPCC has assurance that there are appropriate governance arrangements in place that underpin the work of the LRSP.
- The OPCC's roles and responsibilities are clearly defined.
- The OPCC has assurance that the LRSP has appropriate protocols in place, including decision making, risk management, dispute resolution and termination arrangements.

Contribution

- Service Level Agreements are in place that define the level of financial contributions that the OPCC will make to the Partnership.
- The OPCC uses its resources effectively in its engagement with the Partnership.
- The OPCC ensures LRSP strategies and objectives are aligned to the Police and Crime Plan.

Management & Monitoring

- The outcomes of the LRSP are mapped against the police and crime objectives.
- The OPCC regularly reviews LRSP arrangements to ensure they remain relevant and effective.
- The LRSP performance data is received by the OPCC on a regular basis and this is reviewed in line with the OPCC objectives.
- The LRSP outcomes are monitored against its objectives to ensure they are being achieved.
- The OPCC gain assurance that the financial costs of the LRSP are being managed appropriately.

We raised one priority 1 recommendation where we believe there is a fundamental control weakness. This relates to the following:

Recommendation 1	The OPCC should request that the Partnership provide clear financial information. This should include the actual income and expenditure incurred to date and comparison against a profiled budget. Moreover, it should also include a year-end forecast so potential under and/or over spends are clearly reported.
Finding	The finances of the Partnership are the responsibility of the County Council and they record relevant income and expenditure for the Partnership from their finance system. However, police expenditure forms part of the Partnership's budget and therefore financial information from both the police and the council has to be collated to show an income and expenditure statement for the Partnership.

	<p>This is completed by the Senior Manager at the Partnership and then this is presented to the Strategic Board alongside the budget to show the financial position.</p> <p>Audit reviewed the last two Financial Updates provided to the Board (March and June 2017) and found a number of issues:</p> <ul style="list-style-type: none"> • The 'to date' dates that were stated for the income and expenditure position did not align to the date they were reported; • For the 2016/17 year end position the template included 'predicted' year-end figures; • The wording on the financial updates lacked clarity, as some income is predicted as opposed to being actual due to timing issues but this is not clearly stated in the Financial Update; • One of the Police expenditure figures' was understated by £10k; • The updates do not include a forecasted year end position to indicate any potential under or over spends; • The differences between the actual income and expenditure and the budgeted income and expenditure is not clearly stated.
Response	<p>Agreed, this needs to be rectified so the OPCC fully understands the financial position of the partnership and should receive assurance of the finances are being appropriately managed. The OPCC will liaise with the Partnership to ensure appropriate financial reports are prepared and delivered.</p> <p>The OPCC will liaise with the Partnership straight away with the aim to having a clear and set process in place for financial reporting by the year end.</p>
Timescale / Responsibility	Chief Executive OPCC / 31 st March 2018

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

Recommendation 1	The OPCC should seek assurance that Partnership risks are being appropriately managed. This should include having Risk Management on the agenda at each Board meeting and updates provided on any changes to the risks within the Partnership's register.
Response	<p>Agreed.</p> <p>The OPCC will liaise with the Partnership to ensure best practice approach is adopted and the terms of reference and partnership standard are up to date and then reviewed regularly with a view to having this in place by start of new financial year.</p>
Timescale / Responsibility	Chief Executive OPCC / 31 st March 2018

Recommendation 2	The OPCC should liaise with the LRSP Strategic Board to ensure that effective short to medium term plans are put in place to ensure the Partnership can be appropriately monitored and to clearly show how they intend to deliver the long term strategy.
Response	Agreed that there should be short to medium term plans to ensure the Partnership has focus and it is able to review its objectives against these regularly. The OPCC will liaise with the Partnership to ensure from 2018/19 onwards there are appropriate business plans in place.
Timescale / Responsibility	Chief Executive OPCC / 31 st March 2018

Additionally, we raised two priority 3 recommendations of a more housekeeping nature. These were in respect of governance and performance reporting. Management confirmed that this will be actioned by the end of March 2018.

Apprentice Levy

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	5
Priority 3 (Housekeeping)	-

Our audit considered the following area objectives:

- Policies and procedures are in place to support the administration of apprenticeships in general and the levy in particular.
- Such policies and procedures have been communicated to relevant staff by, for example, training and briefings.
- Payments into the levy are in accordance with the legislation and are fully accounted for.
- The force have in place an approved professional qualifications regime that is aligned with the criteria for managing the levy, for example, accredited courses and approved trainers.
- The above ensures that levy funding is maximised and that funding is not lost after 24 months.
- Arrangements for managing the levy account are robust and support the delivery of the apprenticeship programme.
- Apprenticeship levy funds are used for the purpose intended and in accordance with legislation.
- Management / performance information is available to support the apprenticeship programme and the effective use of the levy.

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

Recommendation 1	The Chief Officer Group should ensure that plans are in place to finalise its strategic position on the Apprenticeship Levy by March 2018.
Response	Agreed
Timescale / Responsibility	March 2018 / ACO

Recommendation 2	The Chief Officer Group should ensure that when it finalises its strategic direction on the Apprenticeship Levy, it sets out how the funds will be utilised.
Response	Agreed
Timescale / Responsibility	March 2018 / ACO

Recommendation 3	The Chief Officer Group should ensure that as part of agreeing its strategic direction on the Apprenticeship Levy, it sets out how this will support the Policing Education & Qualifications Framework.
Response	Agreed
Timescale / Responsibility	March 2018 / ACO

Recommendation 4	Staff members with access to the Apprenticeship Levy account should have unique username and password credentials. There should be system reminders in place which require staff to change their password on a periodic basis.
Response	Agreed
Timescale / Responsibility	January 2018 / ACO

Recommendation 5	The Apprenticeship Levy should be included as a regular agenda item at Chief Officer Group meetings.
Response	Agreed
Timescale / Responsibility	Ongoing / ACO

T-Police

Assurance Opinion	Satisfactory
Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	-

Our audit considered the following area objectives:

- The strategic aims underpinning the use of T-Police are understood, documented and are linked to the overall aims of the Force.
- An appropriate programme governance structure is put in place and that all roles and responsibilities are defined and individuals allocated to them. This includes those of the OPCC, Force, G4S and systems provider. An appropriate programme internal assurance structure is put in place and all reporting lines are defined. The change authority is defined including programme/project tolerances.
- A programme brief is developed to include the programme's vision/objectives/ scope, its desired outcomes and the benefits to be realised. The programme is responsive to changing corporate objectives and priorities and, if applicable, that benefits/outcomes/outputs are re-identified and allocated as necessary.
- The programme objectives are aligned with corporate strategic objectives, have been translated into identifiable benefits and allocated to projects to ensure responsibility and accountability for delivery.
- The benefits are clearly defined so as to enable measurement and that they are brought forward onto a benefits realisation plan and benefits tracker to ensure their realisations are monitored and, if applicable, that corrective management action can be taken to bring the programme/projects back on track. The programme is responsive to changing corporate objectives and priorities and, if applicable, that benefits/outcomes/outputs are redefined and brought forward onto the benefits realisation place and benefits tracker as necessary.
- The programmes internal resourcing requirements have been identified, sourced and committed.
- Risks and issues are identified, recorded, reported on and managed.
- Appropriate programme/project event and time driven controls have been devised. Project/programme progress is monitored, reported on and, if applicable, corrective management action can be taken to bring the programme/projects back on track.

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

Recommendation 1	The T-Police Board should ensure that regular meetings are held in accordance with their ToR. Furthermore, the Board should consider agreeing a more realistic schedule of meetings which is aligned with the requirements of effectively delivering the T-Police system.
Response	The terms of reference will be reviewed and will take into account this recommendation.
Timescale / Responsibility	31 st January 2018 / Commercial Partnership Manager and G4S Service Delivery Director

Recommendation 2	A further review of the completion status of Partially Completed and Not Completed deliverables should be undertaken. The results should be compiled in a report and presented to the T-Police Board for discussion. An action plan should be established determining what action will be taken to complete implementation or close the deliverable to prevent further resources being allocated to their completion.
Response	It is already planned for the Partially Completed and Not Completed deliverables to be presented at the next T-Police Board in January 2018 for decisions to be made as to what needs progressing (or not) and a timescale for these to be achieved.
Timescale / Responsibility	31 st January 2018 / Commercial Partnership Manager and G4S Service Delivery Director

Recommendation 3	The T-Police Board should review the deliverable completion status with a focus on deliverables that are open to interpretation on whether they have been completed.
Response	It is already planned for the Partially Completed and Not Completed deliverables to be presented at the next T-Police Board in January 2018 for decisions to be made as to what needs progressing (or not) and a timescale for these to be achieved.
Timescale / Responsibility	31 st January 2018 / Commercial Partnership Manager and G4S Service Delivery Director

Recommendation 4	The risk register should be included as an agenda item at each T-Police Board meeting. Where risk profiles change, the risk register should be updated to reflect this.
Response	Risk register will be reviewed and updated for discussion at T-Police in January 2018
Timescale / Responsibility	31 st January 2018 / Commercial Partnership Manager and G4S Service Delivery Director

Cash, Bank & Treasury Management

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

Our audit considered the following area objectives:

- Policies and procedures are in place and clearly state the procedures to be followed for receipting of payments and banking and reconciliation of those payments;
- All transactions received are recorded accurately, completely and in a timely manner, and are posted and reconciled to the appropriate accounts;
- All monies received are held securely and banked in a secure, accurate and timely manner;
- Procedures and controls are in place to process returns, unpaid or post-dated cheques in a timely manner;
- Cash flow information is accurately, completely, validly and timely produced and secured to allow for effective monitoring of decision making in line with the Investment Strategy and strategic requirements;
- Available funds are completely, accurately, validly and timely placed with fund managers or financial institutions and funds are safeguarded in line with the Investment Strategy and strategic requirements;
- Cost effective loans are completely, accurately, validly and timely received from fund managers or financial institutions in line with the Investment Strategy and strategic requirements; and
- It is clear who signatories are and the list is up to date, both internally and on the bank mandate.

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 Force should ensure that any signatories to the bank account are removed as soon as they leave the employment of the Force or the G4S Finance Team. The user on the Sunguard Portal should be removed from the system.
Response	It is agreed that best practice is to remove any employee as soon as they leave, in future it will not wait for the replacement to commence before taking this action. The paperwork for the Banks has been completed and sent in order to remove the signatory. The Sungard portal has also been updated, i.e. the leaver removed.
Timescale / Responsibility	Immediate / Force Accountant

We also raised a priority 3 recommendation of a housekeeping nature in respect of ensuring the correct version of the Financial, Contract and Procurement Regulations are available on the OPCC website. Management confirmed that these recommendations will be actioned by March 2018.

General Ledger

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

Our audit considered the following area objectives:

- Procedures and policies are in place to support the effective administration of the function and are communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse;
- Accounting transactions and manual adjustments, for example journals, are completely, accurately, validly and timely allocated, supported by relevant documentation and recorded in the accounts;
- Financial and Performance Management Reporting - general ledger information is completely, accurately, validly and timely produced and secured to allow for effective monitoring of the current financial position, decision making and reporting;
- Feeder system reconciliations are undertaken within a timely manner of month end, with any balancing items investigated to ensure the integrity, reliability and accuracy of the main accounting system; and
- Identification of areas where controls are or are not adequately designed, and testing of their application/compliance.

We raised one priority 3 recommendation of a housekeeping nature in respect of completion of General Ledger reconciliations. Management confirmed that this recommendation will be actioned by February 2018.

Payments & Creditors

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

Our audit considered the following area objectives:

- Procedures and policies support the creditor payment process and have been communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse, particularly following changes in the P2P process;
- New and amended vendor details can only be processed by authorised officers and these are subject to a secondary check;
- Goods and services are adequately receipted and supported by adequate documentation in respect of the new P2P process particularly;
- Payments are made following the receipt of a valid supplier invoice and payments made agree to the supplier invoice, as per the new P2P process;
- There are effective controls in place for the approval of non-purchase order invoices;
- Urgent payments are only made for bona fide expenditure after proper approval;
- There are effective procedures in place with regards the use and administration of corporate credit cards, including a leavers process;
- The payments system is regularly reconciled with the general ledger;
- There are effective processes in place for the administration of tax and liaison with HMRC;

- Appropriate segregation of duties in the processing of the BACS file;
- The process for reviewing the items on the 'due for payment but not yet approved' list;
- Performance against the target payment policy is monitored and under-performance addressed where necessary; and
- Previously identified weaknesses have been addressed.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These related to the following:

Recommendation 1	The Finance team should review the historic invoices marked as on hold on the system and work with Capgemini to remove these from the system. A regular review of all on hold invoices should be carried out to ensure invoices are being processed in a timely manner.
Response	We will tighten up our controls around the weekly review of the on-hold report. This will involve looking into the reasons as to why invoices remain on hold and resolving issues if possible. We will also work with Capgemini to tidy the report – removing invoices which are no longer to be paid.
Timescale / Responsibility	Exchequer Services Manager – March 2018

Recommendation 2	The Force should update their procedures to ensure the IR35 check on new suppliers is in line with their responsibilities. Moreover, once this has been updated, this should be clearly communicated to the key staff involved in administering new suppliers.
Response	We will revise the procedures to incorporate the IR35 check for all new suppliers. The revised procedure will be issued to all staff involved in the process.
Timescale / Responsibility	Exchequer Services Manager – March 2018

Income & Debtors

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

Our audit considered the following area objectives:

- Procedures and policies support the income and debtor process and have been communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse;
- Additions, deletions and amendments to debtor standing data are completely, accurately and validly processed in a timely manner;
- Invoices are completely, accurately, validly and timely raised and recorded in the accounts in respect of fees and charges for goods / services delivered and other income streams;
- Invoices are completely, accurately and validly raised in line with management and regulatory requirements;
- Fees, charges and other income streams are completely, accurately, validly and timely collected, allocated and recorded in the accounts in line with management and regulatory requirements;
- Credit notes or refunds for incorrectly raised debts and/or overpayments are completely, accurately and validly paid, allocated and recorded in the accounts in a timely manner;
- All appropriate action to recover overdue fees and charges is taken in a timely manner and only uneconomic and irrecoverable outstanding amounts are validly written off;
- Debtor control account reconciliations are undertaken within a timely manner of month end, with any balancing items investigated to ensure the integrity, reliability and accuracy of the Debtors system.

We raised one priority 3 recommendation of a housekeeping nature in respect of debt write-offs. Management confirmed that this recommendation will be actioned by March 2018.

Payroll

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

Our audit considered the following area objectives:

- Procedures and policies are in place to support the effective administration of the function and are communicated to all relevant staff;
- Reliability, integrity, confidentiality and security of the payroll system and employee records are maintained through the reliable operation of the system and its interface to the main accounting systems;
- 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 leaving 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 completely, accurately and validly made to prevent complications arising after the termination of the employment;
- Variations and adjustments to the payroll are completely, accurately and validly processed in a timely manner;

- Deductions, both statutory and voluntarily made, are completely, accurately, validly and timely made in line with the contracts of employment and legislative requirements;
- Payments to staff, including officer mileage claims and statutory and other agencies, are completely, accurately, validly and timely made in line with the contracts of employment and legislative requirements;
- Payroll information is completely, accurately, validly and timely produced and secured to allow for effective monitoring and decision making in line with management and legislative requirements; and
- Payroll control account reconciliations are undertaken within a timely manner of month end, with any balancing items investigated to ensure the integrity, reliability and accuracy of the Payroll system.

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 Force should review the approach to retaining receipts to ensure that it can substantiate any VAT re-claims that it submits.
Response	The VAT on mileage claims is being reviewed and a recommendation will be made to the Force Chief Officer Group to either apply the mandatory receipt rule or not to claim the VAT on mileage. This is also part of the self-authorisation introduction mentioned in 4.1 above.
Timescale / Responsibility	Force CFO / July 2018

We also raised two priority 3 recommendations of a housekeeping nature. These related to expense limits and payroll policies and procedures. Management confirmed that these recommendations will be actioned by August 2018.

Learning & Development

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

Our audit considered the following area objectives:

- The Force have clear and documented procedures for the determination and recording of officer training needs and these are applied consistently across departments.
- Departmental training provision is aligned with the corporate appraisal and performance management processes.
- There are clear and coordinated training plans which are aligned with available funding and which are consistently applied at a departmental level.

- Delivery of training is aligned with the strategic and service objectives and is focused on areas of priority / need.
- The Force's corporate system (T-Police) is effectively used to record and manage training provision and provides timely and accurate management information with regards training provision and requirements.
- There is clarity in the respective roles of the Force and G4S with regards the provision of training and this is underpinned by robust contractual and monitoring arrangements.
- There are robust processes in place for the requisition and management of training, covering both internal and external delivery.
- Where training is provided externally, for example, through contractual arrangements with G4S, there are effective processes in place for ensuring performance and quality.
- The contract with G4S contains defined and measurable performance measures against which delivery can be measured.
- Issues in respect of training delivery are recorded and promptly addressed.
- Regular monitoring information is produced to inform the Force on the effectiveness of training provision, including consideration of value for money.

We raised one priority 1 recommendation where we believe there is a fundamental control weakness. This relates to the following:

Recommendation 1	<p>Management information regarding the number of officers whose mandatory training is not up to date should be produced on a regular basis.</p> <p>This should be reviewed by the L&D Team to identify priorities from training courses, and should be provided to the Force to ensure they are aware of the current training levels. This should form part of the monthly contract meetings between the CPT and L&D.</p>
Finding	<p>We reviewed the T-Police data for Police Safety Training (PST) and First Aid, which are two of the mandatory training courses for all officers. For PST, we identified that 462 officers' required refresher training due to their original training having expired by the 24th January 2018. Of these cases, 167 were noted as being booked on a course, with the latest of these booked courses being the 27th March 2018.</p> <p>We reviewed the data further to identify that 102 officers have had their PST out of date for over one year, although 12 of these are booked to attend a course before the end of March 2018. Of the remaining 90, we noted that:</p> <ul style="list-style-type: none"> • 43 of these individuals were on either adjusted duties, a career break, maternity/adoption leave, or recuperative leave. We provided this list to the L&D team who provided some comments for individuals who were on long term sick, had just returned from a career break, some were specials, etc. • In some cases the individual had completed a course at another of the East Midlands forces and T-Police had not been updated. • In some cases, we were informed that the individuals had completed their PST training as part of their firearms training, and so additional training was not required, although this could not be confirmed in T-Police. <p>We were also provided with the most recent monitoring spreadsheet for first aid, which was from December 2017. This spreadsheet identified 206 officers whose first aid</p>

	training was out of date. Of these cases, 92 had been out of date for longer than a year.
Response	Agreed. This information should be provided to the Force Senior Management Teams on a monthly basis; and copied to the CPT Contract Manager
Timescale / Responsibility	By 31 st March 2018 / L&D Manager

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

Recommendation 1	<p>The correct process for requesting training should be confirmed and re-communicated across the Force.</p> <p>As requests for courses are processed through emails, the L&D Team should ensure that their email inbox is reviewed on a regular basis to ensure that no requests are missed.</p>
Response	<p>Process to be reviewed / agreed and then re-communicated force wide,</p> <p>The recommendation in relation to reviewing the L&D Inbox is not required as the L&D Team do ensure this is reviewed on a regular basis.</p>
Timescale / Responsibility	By 31 March 2018 / L&D Managers

Recommendation 2	<p>When officers transfer to Lincolnshire, HR should provide the L&D Team with all relevant training information. Where information is not known about a transferee, their training should be considered expired.</p> <p>Consideration should be given to adding training information to the recruitment pack to ensure that this information is readily available.</p>
Response	<p>Training information is currently passed from HR to the L&D team when an officer transfers. A process map/guidance will be created for the L&D team to ensure the process is clear in terms of what is to be uploaded.</p> <p>It is not known what the 'recruitment pack' is, however this information is sought from the transferring officer and their force.</p> <p>It is already assumed training has expired if supporting information is not received.</p>
Timescale / Responsibility	By 30 April 2018 / L&D Managers

Recommendation 3	<p>The L&D team should actively introduce monitoring of officers who are working in collaborative units to ensure that their training needs are still met.</p> <p>Discussions should be held with other forces to ensure that information regarding officer training is communicated in a timely manner.</p>
Response	<p>It is agreed that this process needs to be considered.</p> <p>Training appears to be recorded with the training delivery site which is not always Lincolnshire Police. The training information may not always be centralised due to the use of other recording systems.</p> <p>This will be advanced further with the other East Midlands Forces.</p>
Timescale / Responsibility	By 30 May 2018 / L&D Managers

Additionally, we raised two priority 3 recommendations of a more housekeeping nature. These were in respect of links between T-Police and Crown, and the review of satisfaction surveys. Management confirmed that this will be actioned by the end of April 2018.

Firearms Licensing

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

Our audit considered the following area objectives:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- There is an ineffective governance structure in place allowing for sufficient scrutiny of firearms licencing and ensuring that the relevant colleagues are kept up-to-date with legislation and best practise changes.
- Applications and renewals are not suitably vetted as part of the approval process leading to inappropriate issuing of licenses.
- Applications and renewals are not authorised in accordance with the approved firearms licensing process leading to inappropriate issuing of licenses.
- Payments are not received in accordance with the agreed rates and are not properly accounted for leading to a financial loss to the force.
- Clear procedures are not in place in respect of the revoking of licences leading to inappropriate revocations.

- There is not an agreed process for home / security inspections with regards the holding of firearms leading to unsafe securing of firearms.
- Performance information is not available and / or is not reviewed resulting in ineffective administration of the firearms licensing process.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These related to the following:

Recommendation 1	The Force should review the medical form procedure and seek approval from the appropriate forum.
Response	<p>The Home Office guidance relating to provision of medical reports has been subject to much internal discussion culminating in this decision being made.</p> <p>A new policy has been drafted and agreed in principle by the DCC. It will be submitted for formal adoption by the Chief Officer Group (COG) week commencing 19th March 2018.</p> <p>Having the policy adopted by the Chief Officer Group will be where it is approved. As the policy runs counter to national guidance, other forums may have agreed with it but cannot formally approve it.</p>
Timescale / Responsibility	Force Firearms Licensing Manager / end March 2018

Recommendation 2	Key performance indicators for the operational performance of firearms licensing should be set and monitored against on a regular basis. Financial penalties should be agreed by the Force and G4S, should G4S underperform on targets. Performance indicators should include, but should not be limited to, the turnaround time for both grants and renewals of firearm and shotgun licenses.
Response	<p>A suite of 8 indicators have been agreed and 5 will be live in April 2018, with the further 3 being developed with the aim of baselining commencing April 2018.</p> <p>Abatement points as included for in the Service Delivery Agreement with G4S have been allocated which will enable potential financial penalties to be awarded in the event of performance failure.</p>
Timescale / Responsibility	CP Manager / G4S Service Delivery Manager (April 2018)

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of procedure documents and the process for license revocation. Management confirmed that these recommendations will be actioned by June 2018.

Benefit Realisation

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

Our audit considered the following area objectives:

Governance Arrangements

- Governance arrangements are adequate to ensure that clearly defined roles and responsibilities, decision making processes, risk management and performance management arrangements exist in respect of Benefits Realisation.
- There is effective oversight and reporting arrangements involving the relevant governance forums.

Performance Management

- Benefits realisation objectives are clearly defined, with effective targets/ performance measures quantified in line with required outcomes.
- An effective and consistent approach to performance management is undertaken across all projects.

Project Modelling

- There is a transparent and consistent approach to project modelling and this demonstrates effective links to the overarching Benefits Realisation objectives.
- Guidance and training is available to address any inconsistencies in this area alongside regular support for Project Officers/ Business Leads.

Communication and Reporting Processes

- Regular communication takes place with all stakeholders across the Benefits Realisation programme to ensure that requirements are communicated, any issues are highlighted at an early stage and links to dependencies are identified.

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	<p>The lessons learned process should be split into two parts. The first part should consider the management of the project, the governance processes, and how the Project Manager/Board dealt with any arising issues. The second part should consider the final implementation and handover of the project, as well as any service delivery impacts from the project.</p> <p>Lessons learned logs should be reviewed by the Change Board after completion to identify any key process changes which they may want to reflect in the Change Manual.</p>
Response	<p>Agreed that this is an area for improvement. Current lessons learned that are captured are not accessible to new projects and programmes to allow issues not to be repeated or best practice to become embedded. Not all lessons learned will need to be reviewed at the Change Board however. As the Strategic Board, I would expect the Change Board to hear lessons learned by exception so that they can be actioned and affect future projects and programmes, but</p>

	change practitioners (Project Managers, Project Support, Business Leads) should be able to access a central database where lessons learned are captured in their entirety. This will allow subject specific searches and better analysis of low level, but consistent problems that require improvement. It is suggested that a IT based solution may be appropriate, and the Continuous Improvement Unit will scope the creation of a Wiki or Sharepoint as a suitable product.
Timescale / Responsibility	Continuous Improvement Manager / September 2018

EMCHRS – Occupational Health

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

The EMCHRS Occupational Health unit is a five force collaboration between Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a five Force collaboration during 2012/13 when each force agreed to progress with a regional approach to occupational health.

The Occupational Health Unit aims to support each regional force through the delivery of a number of services including:

- Medical requirements for recruits;
- Health Screening / Health Surveillance;
- Occupational Vaccinations;
- Professional Support; and
- Incident Support – post incidents, follow up, advice and guidance.

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 terms of reference for the SLT and Client Liaison Group should be updated to ensure consistency in the governance structure. These should include, but not be limited to:
 - Purpose
 - Scope
 - Membership
 - Decision making authority
 - Reporting Requirements
 - Frequency of meetings
 - Review
- The Unit should review and update the Risk Management Policy to ensure it matches their current needs and approach to managing risks.
- The Unit should review the performance data included within the performance pack that is presented to the Board each quarter

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

East Midlands Criminal Justice Service (EMCJS)

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

The East Midlands Criminal Justice Service (EMCJS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a four Force collaboration in April 2015 when each force agreed to progress with a regional approach to criminal justice.

The Criminal Justice Unit aims to support each regional force through the delivery of a number of services, including:

- Custody Function – provision of trained custody sergeants and civilian detention officers to maintain custody for detainees;
- Custody Audit Compliance – EMCJS undertake its own compliance regime;
- File Administration – EMCJS will provide a service for file receipt and file transfers between investigators and the CPS;
- Warrant Management; and
- Secretariat support for the East Midlands Criminal Justice Board.

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

Recommendation 1	The Unit should ensure that business plans are signed off in a timely manner prior to the start of the period they are intended to cover. The Unit should adopt a three year plan in addition to its annual plan to ensure that it complies with the Section 22 agreement and that relevant planning into the future is considered.
Response	<p>The delay in approving last years business plan was due to the SMB meetings being cancelled / re-arranged. The unit is ahead of schedule in its 2018/19 planning and will be presented to the SMB prior to the start of the next meeting.</p> <p>The nature of EMCJS means that the unit are dependent on a wide range of organisations across the Criminal Justice System and as such much of the future work is outside of our control and this makes three year planning a difficult task. This will be tabled for discussion at the next Strategic Management Board meeting, to decide what approach should be adopted moving forward.</p>
Timescale / Responsibility	Head of EMCJS / 30 th April 2018

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of terms of reference for governance forums and the review and update of policies and procedures.

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
Core Assurance					
Budgetary Control	Sept 2017	Sept 2017	Oct 2017	Oct 2017	Final report issued.
Cash, Bank & Treasury Management	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
General Ledger	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
Payments & Creditors	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
Income & Debtors	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
Payroll	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
Audit Committee Effectiveness	Sept 2017	Oct 2017	Dec 2017	Oct 2017	Final report issued.
Code of Governance	March 2017	Mar 2018		April 2018	Draft report issued.
Strategic & Operational Risk					
Online Banking	May 2017	May 2017	May 2017	July 2017	Final report issued.
Road Safety Partnership	Aug 2017	Nov 2017	Nov 2017	Jan 2018	Final report issued.
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.
Firearms Licensing	Feb 2018	Feb 2018	Mar 2018	April 2018	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
ICT / Business Continuity	Sept 2017	Sept 2017	Oct 2017	Oct 2017	Final report issued.
HR – Apprentice Levy	Dec 2017	Nov 2017	Dec 2017	Jan 2018	Final report issued.
T-Police	Nov 2017	Nov 2017	Dec 2017	Jan 2018	Final report issued.
Learning & Development	Jan 2018	Feb 2018	Mar 2018	April 2018	Final report issued.
Benefit Realisation	Jan 2018	Mar 2018	Mar 2018	April 2018	Final report issued.
Collaboration					
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	Nov 2017	Nov 2017	Jan 2018	Lead force is Leicestershire. Five force. Final report issued.
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	Jan 2018	Jan 2018	April 2018	Lead force is Lincolnshire. Four force, excludes Derbyshire. Final report issued.
POCA	Jan 2018			April 2018	Lead force is Nottinghamshire. Five force. F/w completed; being reviewed.

Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
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.	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.
Limited Assurance:	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.
No Assurance	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
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 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.

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.

The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

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