



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

Internal Audit Annual Report 2017/18

June 2018

This report has been prepared on the basis of the limitations set out on page 13.

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01 Introduction

Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police during the 2017/18 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Independent Audit Committee (JIAC), with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.

Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

02 Head of Internal Audit Opinion

Opinions

From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31st March 2018, we can provide the following opinions:



Basis of the Opinion

Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a robust control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

Corporate Governance

As part of the 2017/8 Internal Audit plan we undertook an audit of the Code of Governance. The specific areas that formed part of this review included: governance framework, governance statements, policies and procedures, roles and responsibilities, decision making and complaints handling. We provided a satisfactory assurance opinion and concluded that there is a basically sound system of internal control, although we highlighted some areas where improvements to the control environment could be made.

In addition, during 2017/18 we undertook a review of the effectiveness of the Joint Independent Audit Committee (JIAC). The audit used the five good practice principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012', covering the role of the audit committee; membership, independence, objectivity and understanding; skills; scope of work; and communications. We engaged with the Chair and other members of the JIAC during the review, with aim being to identify areas where arrangements could be strengthened. As part of the review we utilised CIPFA's self-assessment tool which provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police. JIAC members were required to independently complete the self-assessment and then a session was held with members to analyse further their responses.

Through the delivery of the internal audit plan, our review of the JIAC's effectiveness and attendance at JIAC meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police has been effective for the year ended 31st March 2018.

Risk Management

In previous years we have undertaken audits of the controls and processes in place in respect of risk management. The specific areas that formed part of these reviews included: policies and procedures; risk registers; risk mitigation; reporting arrangements and follow up of previous recommendations. We provided a significant assurance opinion and concluded that overall risk management within the Force and OPCC is deemed effective and, with the exception of a few housekeeping issue, controls processes tested were being consistently applied. It was evident throughout the audit that risk management is well embedded at a strategic level and responsible staff had the required knowledge, experience and expertise to ensure good systems of internal control.

During the course of delivering the 2017/18 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

As illustrated in the tables below, we have noted that Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2017/18 year, 15 (88.2%) internal audits were rated either 'significant' or 'satisfactory', whilst two (11.8%) internal audits were given 'limited assurance'. In addition, of the four collaborative audits covering the East Midlands policing region, all were rated at least 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2017/18, split between those specific to Lincolnshire and those undertaken as part of East Midlands regional collaborative audits. More details of the audit opinions and the priority of recommendations for all 2017/18 Internal Audit assignments is provided in Appendix A1 – Audit Opinions and Recommendations. In addition, further analysis of those areas where systems improvement are required are set out in Appendix A2 – Audit Projects with Limited and Nil Assurance 2017/18.

Lincolnshire Only

Assurance Gradings	2017/18	
Significant	6	35.3%
Satisfactory	9	52.9%
Limited	2	11.8%
Nil	0	0%
Sub-Total	17	
No opinion	1	
Total	18	

Collaboration Audits

Assurance Gradings	2017/18	
Significant	2	40%
Satisfactory	3	60%
Limited	0	0%
Nil	0	0%
Total	5	

Issues relevant to Annual Governance Statement

The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement. As part of this responsibility, we have highlighted any limited or nil assurance reports within Appendix A2.

Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.

03 Performance

The following table details the Internal Audit Service performance for the year to date 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% (18/18)
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.

Quality and Conformance with the Public Sector Internal Audit Standards

In addition to the firm's overall policy and procedures, our internal audit manual and working papers are designed to ensure compliance with the Firm's quality requirements. Furthermore, our internal audit manual and approach are based on professional internal auditing standards issued by the Global Institute of Internal Auditors, as well as sector specific codes such as the Public Sector Internal Audit Standards.

Our methodology and work has been subject to review as part of our internal Quality Assurance Reviews undertaken by our Standards and Risk Management team as well as external scrutiny by the likes of external auditors, as well as other regulatory bodies. No adverse comments have been raised around our compliance with professional standards or our work not being able to be relied upon.

Appendix A1 - Audit Opinions and Recommendations 2017/18

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 ¹	Final	N/A		2	10	12
Budgetary Control	Final	Significant			1	1
Road Safety Partnership	Final	Limited	1	2	2	5
Apprentice Levy	Final	Satisfactory		5		5
T-Police	Final	Satisfactory		4		4
Cash, Bank & Treasury Management	Final	Satisfactory		1	1	2
General Ledger	Final	Significant			1	1
Payments & Creditors	Final	Satisfactory		2		2
Income & Debtors	Final	Significant			1	1

Lincolnshire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Payroll	Final	Satisfactory		1	2	3
Learning & Development	Final	Limited	1	3	2	6
Firearms Licensing	Final	Satisfactory		2	2	4
Code of Governance	Final	Satisfactory		3	2	5
Benefit Realisation	Final	Satisfactory		1		1
Total			2	28	33	63

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 Occupational Health ¹	Final	Significant			3	3
Criminal Justice (EMCJS) ¹	Final	Satisfactory		1	2	3
POCA ¹	Final	Satisfactory			4	4
Total			-	3	15	18

¹ Denotes those collaborative arrangements which Lincolnshire are a part of.

Appendix A2 - Audit Projects with Limited and Nil Assurance 2017/18

Project	Grading	Summary of Key Findings
Road Safety Partnership	Limited	<p>We raised one priority 1 recommendation, two priority 2 recommendations and two priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • 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. (Priority 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. • 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.
Learning & Development	Limited	<p>We raised one priority 1 recommendation, three priority 2 recommendations and two priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • Management information regarding the number of officers whose mandatory training is not up to date should be produced on a regular basis. 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. (Priority 1) • The correct process for requesting training should be confirmed and re-communicated across the Force. 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.

		<ul style="list-style-type: none">• 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. Consideration should be given to adding training information to the recruitment pack to ensure that this information is readily available.• 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. Discussions should be held with other forces to ensure that information regarding officer training is communicated in a timely manner.
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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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Appendix 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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