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

Internal Audit Progress Report 2019/20

November 2019

Presented to the Joint Independent Audit Committee meeting of: 19th November 2019

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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 2020, which was considered and approved by the JIAC at its meeting on 16th April 2019.

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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 Since the last meeting of the JIAC we have issued two final reports in respect of the 2019/20 audit plan in respect of Budget Management and Victims Code and we have issued one draft report, this being in respect of and Counter Fraud. Further details are provided in Appendix A1.

Lincolnshire 2019/20 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Business Continuity	Final	Satisfactory		1		1
Recruitment Follow-up	Final	Limited	2	2	1	5
Budget Management	Final	Significant			2	2
Victims Code	Final	Limited		5		5
Counter Fraud	Draft					
		Total	**2**	**8**	**3**	**13**

2.2 In addition to the reports referred to in 2.1 above, we have now issued the final 2018/19 collaboration report, this being an additional piece of work to that in the original plan relating to Projected Underspends. Further details are provided in Appendix A1

2.3 Scheduled audits in quarter three include, Core Financial Systems – General Ledger and Payments & Creditors and Data Quality. Further details are provided in Appendix A2.

2.4 As reported in the previous progress report, with regards the collaboration audits that form part of the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar approach to 2018/19 will be taken whereby a number of 'themed' audits will be carried out across a sample of units. The proposed 'themed' audits are Performance Management, Business Continuity and Health & Safety and will be carried out between November 2019 and February 2020 with the terms of reference for all three audits now agreed.

03 Performance

3.1 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.	100% (5/5)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (4/4)
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% (12/12)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (3/3)

[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

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:

Collaboration: Projected Underspends 2018/19

Assurance Opinion	Limited

Recommendation Priorities	
Priority 1 (Fundamental)	1
Priority 2 (Significant)	1
Priority 3 (Housekeeping)	1

An audit was undertaken earlier in the year in respect of Strategic Financial Planning. That audit covered the development of financial plans, delivery of efficiency savings, budget management and monitoring, and budget shortfalls. This audit specifically focused on Projected Underspends across a sample of collaboration units agreed by the CFO's and should be read in conjunction with the earlier report. The selected units were East Midlands Operational Support Services (EMOpSS), East Midlands Criminal Justice Service (EMCJS) and East Midlands Special Operations Unit Major Crime Unit (EMSOU MC).

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

- Roles and responsibilities for budget monitoring and financial reporting within the unit are clearly stated.
- Clear timetables are in place for the production of financial performance reports.
- There are effective and robust budget management and monitoring procedures, including the forecasting of budget shortfalls.
- Variances to budget projections are recognised as part of the reporting process and adequate information is provided to explain underspends / overspends during the year.
- Amendments to collaboration budgets have appropriate and robust governance arrangements in place.
- The completion of budget monitoring reports are undertaken consistently with accurate forecasting to enable future positions to be considered.
- Reports on financial performance are submitted in a timely manner to the PCC's Board, including the relevant regional forces.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

Recommendation 1	A clearly defined virement process should be agreed for all in year amendments of collaboration budgets.
Finding	The base budgets for the collaboration units have a defined process in place, with approval given at the PCC Board on an annual basis. During 2018/19 the EMCJS Management Board agreed to carry out a budget virement to reallocate some central staffing costs back to the Forces, therefore reducing the

	overall budget by £127k and therefore this reduced the projected underspend during the 2018/19 financial year. As collaboration budgets are made up of contributions from the Forces that are part of the collaboration, a virement approval process should include authorisation from each Force so that there is a clear rationale behind the in-year adjustment and the impacts of the virement are clearly understood.
Response	Agreed
Timescale	Jon Peatling / 31 December 2019

We raised one significant (priority 2) recommendation where felt that the control environment could be improved. This is set out below:

Recommendation 2	The timing of PCC Board meetings should be considered in regard to period end financial reporting. The actual figures reported to the PCC Board should be clear on which period they relate to. It should be ensured that a finance report is presented for the PCC Board each quarter.
Finding	There is currently a lack of clear timetable in place for the budget monitoring reports that are provided to the quarterly PCC Board. It was noted that the timings of these meetings place pressure on the financial support for each collaboration unit being able to produce the relevant quarter end reports in order to provide the most up to date information. It was noted during audit testing of the figures provided to the PCC Board that for EMCJS it indicated the figures were for the end of August but they were in fact for the end of July. This should be clearly noted on the budget monitoring reports for clarity. It was noted that in January 2019, due to difficulties with agreeing the collaboration unit budgets, a verbal update on the budget position was provided rather than
Response	Agreed. In the year a more formal approach has been developed in relation to the work programme of all the regional meetings and the timing of budget monitoring reports should be reviewed to ensure they are 'lined up' to the most appropriate meeting. Agreed. It should be clearly stated which period the figures relate to. Agreed
Timescale	Jon Peatling / 31 December 2019

We also raised one priority 3 recommendation of a more housekeeping nature relating to the provision of quarterly finance reports to the PCC Board.

Management have confirmed that agreed actions will be completed by the end of December 2019.

Budget Management

Assurance Opinion	Significant

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

Our audit considered the following area objectives:

- 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 the 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.
- 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.
- The MTFP is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.
- 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.
- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFP.
- Budgets are loaded onto the MIS in a timely manner and are updated as the year progresses in line with budget change decisions.

We raised two priority 3 recommendation of a more housekeeping nature with regards to recording budget holder actions from meetings and formal training of budget holders Management confirmed that this will be completed by end of Sept 2019 and March 2020 respectively.

Victims Code

Assurance Opinion	Limited

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

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

- The roles and responsibilities to ensure compliance with the Victims Code are clearly defined and communicated to the relevant individuals.
- Policies and procedures have been put in place to support officers in complying with the Code. Such guidance should include, but not be limited to, guidance in respect of:
    - Needs assessments
    - Crime reporting work sheets
    - Referral mechanisms
    - Communications with the victim
    - Personal statements
    - Complaints procedures
    - Compliance with the Code
- The requirements as set out in the Code of Practice for Victims of Crime are being complied with by Lincolnshire Police.
- Relevant performance information is available, and provided to the appropriate forum, in respect of compliance with the Code and action plans put in place to address areas of improvement.
- Service user feedback is effectively utilised to inform and improve both police and wider partnership services on an ongoing basis.

We raised five significant (priority 2) recommendation where felt that the control environment could be improved. These are set out below:

Recommendation 1	Policies and procedures should be reviewed and, where necessary, updated. These policies and procedures should accurately reflect that of the Code of Practice and should be communicated to all relevant staff / officers. All updated policies and procedures should be held in a central location that can be accessed by all relevant staff.
Finding	Policies and procedures are in place in respect of each relevant element of dealing with victims of crime. However, in the case of the Force's policies and procedures, these had not all been updated in a timely manner, with some cases not having been updated since 2016. The OPCC documents were updated in full in October 2018, when the team move from the Force to the OPCC. Additionally, it was found that policies and procedures are not held in a central location that is easily accessible to all staff. They are held in various locations across the Force intranet. The above may have contributed to some of the issues raised in this report in regards to compliance with the Code.

Response	Agreed, however with the Ministry of Justice opening a consultation on 22nd July 2019 which is open until 11th September 2019, the completion of the updated policies and procedures will be made when the results of this consultation have been published. The review of the Lincolnshire Police policies and procedures has been tasked Detective Superintendent Mark Kirwan.
Timescale	Detective Superintendent Mark Kirwan, January 2020

Recommendation 2	Management should consider how the closure process should include a check on the five key entitlements to ensure compliance with the Code of Practice.
Finding	It was noted that the Ministry of Justice have developed five key entitlements that will be used to monitor compliance with the Code. At the time of the audit these had yet to be implemented in the Force monitoring process. From discussions with the Detective Superintendent it was felt that these key entitlements should be integrated at the end of the VCOP process and completed by the respective Sergeant in order to check that VCOP has been complied with.
Response	Agreed. These will be in place in all reported cases and the OPCC will be requesting quarterly compliance data, in line with the Ministry of Justice victim grant requirements. This is being incorporated into the electronic operation evaluation log (EOEL) that will shortly be rolled out. The process for quarterly compliance data to the OPCC has been agreed.
Timescale	Chief Superintendent Nicola Mayo, March 2020

Recommendation 3	A compulsory field within the 'Pronto' questionnaire should require the officer to record whether a Victim Personal Statement (VPS) has been offered. This should then be logged onto Niche to make it clear that a VPS has been offered in all cases.
Finding	As part of the victims code of practice it is required that in all cases the victim is offered the chance to give a victim personal statement. From a sample of ten cases that were tested, the following was noted: • In four cases a victim personal statement was held on Niche. • In five cases there was no evidence of a victim personal statement on Niche. Niche does not show whether a victim personal statement was offered and not taken by the victim, or not offered at all. • In one case it as recorded on Niche that a victim personal statement had not been offered.
Response	Agreed. PC Chapman of the tech futures team is establishing a predefined template on Niche, which will automatically take the victim to the VPS completion page
Timescale	Chief Superintendent Nicola Mayo, January 2020

Recommendation 4	The Force should consider how best to monitor performance against the Code. Once established, the Force should determine the most appropriate forum for the reporting of performance.

Finding	It was established during the audit that the Force have limited quantifiable indicators that enable them to monitor performance and to benchmark themselves against key areas of compliance with the Code of Practice.
Response	Agreed. Some of this will be monitored via the quarterly audit detailed above – liaison is required with the OPCC as to how we utilise the data from the audit.
Timescale	Chief Superintendent Nicola Mayo and Service Delivery Manager (OPCC), Immediate

Recommendation 5	The manner in which feedback is sought, reviewed and communicated should be reviewed.
Finding	Through discussions with the Victim Lincs Team Leader, it was found that there was an issue with regards to the relevance of the questions used in the surveying process by Leicestershire Police. The Force felt that the questionnaire could be updated so that feedback was more relevant. Additionally, it was noted that there is a need to formalise the manner in which service user feedback is being utilised to drive improvement due to the lack of a forum for these issues to be discussed
Response	Agreed. The OPCC, through discussions with the Head of Strategic Development, is progressing the introduction of the use of an automated victim satisfaction survey.
Timescale	Chief Superintendent Nicola Mayo, April 2020

Appendix A2 Internal Audit Plan 2019/20

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Core Assurance					
Cash, Bank & Treasury Management	Jan 2020			April 2020	Date of fieldwork agreed.
General Ledger	Nov 2019			Jan 2020	Date of fieldwork agreed.
Payments & Creditors	Nov 2019			Jan 2020	Date of fieldwork agreed.
Income & Debtors	Jan 2020			April 2020	Date of fieldwork agreed.
Payroll	Jan 2020			April 2020	Date of fieldwork agreed.
Budget Management	July 2019	Aug 2019	Aug 2019	Oct 2019	Final report issued
Strategic & Operational Risk					
Recruitment & Retention – Follow-up	June 2019	June 2019	June 2019	July 2019	Final report issued
Book on, Book off	Mar 2020			April 2020	Draft Terms of Reference circulated and Date of fieldwork agreed.
Counter Fraud	Sept 2019	Oct 2019		Jan 2020	Draft Report issued
Project Management	Feb 2020			April 2020	
Victims Code	July 2019	Sept 2019	Oct 2019	Nov 2019	Final Report Issued
Business Continuity	April 2019	May 2019	June 2019	July 2019	Final report issued

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Data Quality	Dec 2019			Jan 2020	Date of fieldwork agreed
Commissioning	Feb 2020			April 2020	
Collaboration					
Performance Management	Nov 2019			Jan 2020	
Business Continuity	Jan 2019			April 2020	
Health & Safety	Feb 2020			April 2020	

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.

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