Police & Crime Commissioner for Lincolnshire & Lincolnshire Police

Joint Independent Audit Committee

Internal Audit Annual Report

Prepared by: Mazars LLP

Date: October 2021

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A1 Definitions of Assurance

Disclaimer
This report ("Report") was prepared by Mazars LLP at the request of The Office of the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of The Office of the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in this report for further information about responsibilities, limitations and confidentiality.

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01 Introduction

Mazars LLP are the appointed internal auditors to the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police. This report summarises the internal audit work undertaken by Mazars in 2020/21, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

Despite the restrictions imposed as a result of Covid-19, the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police retained a full scope internal audit service for 2020/21 which, based on the work we have undertaken, enabled us to provide the enclosed Annual Opinion on the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police arrangements for risk management, control and governance.

As a result of the government restrictions from March 2020, we were unable to conduct internal audit engagements on site. We therefore undertook visits during 2020/21 remotely. In some cases, this has impacted on the scope of work undertaken. Detail of this has been provided where applicable in Section 02.

The report should be considered confidential to the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police and not provided to any third party without prior written permission by Mazars.

Scope and purpose of internal audit

The purpose of internal audit is to provide the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police, through the Joint Independent Audit Committee (JIAC), with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving Police & Crime Commissioner for Lincolnshire & Lincolnshire Police's statutory objectives and strategic aims.

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.

Our work is conducted in accordance with Public Sector Internal Audit Standards (PSIAS).

The report summarises the internal audit activity and, therefore, does not include all matters which came to our attention during the year. Such matters have been included within our detailed reports to the JIAC during the course of the year.

Performance against the Internal Audit Plan

The Plan for 2020/21 was considered and approved by the JIAC on 10th June 2020. In total the Plan was for 146 days, including 14 days of Audit Management. There was also provision for 5 contingency days included in the Plan, should these days be required.

The impact of the Covid-19 lockdown(s) has posed several challenges to the internal audit process and the move to remote auditing has caused some initial delays in setting dates when the audits will be carried out. Both parties have worked hard to ensure the audits could be completed and Mazars have regularly communicated with the Force and OPCC, which has enabled us to make good progress against the plan to date.

However, in a number of instances changes have had to be made to the internal audit plan that was agreed for 2020/21 and this resulted in the audits of Partnerships and IT Audits not taking place during 2020/21. These audits have been deferred into the 2021/22 internal audit plan. Moreover, 3 of the 10 allocated Collaboration Audit days have also been deferred into the 2021/22 internal audit plan as only two of the three scheduled audits were able to take place.

The audit findings in respect of each of our finalised reviews, together with our recommendations for action and the management response, were set out in our detailed reports, which have been presented to the JIAC over the course of the year. In addition, we have presented a summary of our reports and progress against the Plan within our Progress Reports to each JIAC.

A summary of the reports we have issued is included in Appendix A1. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

Acknowledgements

We are grateful to all members of the JIAC, the OPCC Chief Executive, the Chief Officers of both the Force and the OPCC and other staff throughout Lincolnshire Police for the assistance provided to us during the year.

02 Audit Opinion

Scope of the Internal Audit Opinion

In giving our internal audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to Lincolnshire is a reasonable assurance that there are no major weaknesses in governance, risk management and internal control processes.

The matters raised in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken as part of the plan;
- Whether or not any 'Critical', 'Highly Important' or 'Significant' recommendations raised have not been accepted by Management and the consequent risks;
- The extent to which recommendations raised previously, and accepted, have been implemented;
- The effects of any material changes in Lincolnshire's objectives or activities;
- Matters arising from previous reports to Lincolnshire;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of Lincolnshire; and
- The proportion of Lincolnshire's internal audit needs have been covered to date.

Further detail on the definitions of our opinions raised in our reports can be found in Appendix A1.

Internal audit has not placed any reliance on third parties in order to assess the controls operated by OPCC for Lincolnshire & Lincolnshire Police. Our opinion solely relies on the work we have performed and the results of the controls testing we have undertaken.

Impact of COVID-19

During the year, we have consulted and informed management through regular liaison with the Force & OPCC CFO's and the Joint Independent Audit Committee (JIAC) about changes to the plan and internal audit reviews to take account of the impact of Covid-19 on the organisation and the changing risk landscape. There was an impact on our ability to conduct a number of audits in the Plan over the period, as highlighted above.

During 2020/21, the Covid-19 pandemic impacted on the provision of internal audit services as follows:

- Our fieldwork testing and interviews were conducted remotely, specifically via video conferencing, screen sharing and email, with no onsite testing completed due to national restrictions.
- Our interaction with management and attendance at JARAC has been via video conferencing, again due to national restriction; and
- Our ability to complete all audits in the original plan

The Force had to deal with a changing risk environment during 2020/21 as it dealt with the Covid-19 pandemic. Operationally it had to deal with availability of officers but through our observations at the JIAC the risks of not having enough officers available did not crystalise.

Audit communicated regularly during the pandemic to discus changing working environment and associated changes to control environments. It was agreed with management that the rest of the original plan remained aligned to current risks and through the scoping of each audit the control environment changes due to covid-19 were discussed and it was ensured these were covered during each audit.

Internal Audit Opinion

On the basis of our internal audit work, our opinion on the framework of governance, risk management, and control is **Moderate** in its overall adequacy and effectiveness. This opinions is provided on the basis that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk and management and control.

Certain weaknesses and exceptions were highlighted by our internal audit work, in particular limited assurance opinions during the period in respect of Archive Management, Payments (Contract Expenditure), Recruitment and Workforce Planning.

These matters have been discussed with management, to whom we have made recommendations, several of which are categorised as Priority 1 and Priority 2. All of these have been, or are in the process of being addressed, as detailed in our individual reports, and summarised in Section 04.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance

In respect of Corporate Governance, we have undertaken an audit of Governance as part of this years plan. The audit covered Corporate Governance Framework, policies and procedures, roles and responsibilities; and decision-making. A satisfactory opinion was provided and whilst some improvements could be made we did not find any wholesale issues with governance in this audit. Moreover, Governance is a consideration in all our audit engagements and we did not find any significant issues with governance across our audit plan.

Risk Management

Our opinion was informed by consideration of risk management aspects through our individual assignments including reporting within our 'risk management' thematic as well as observing reports and discussion around the Force's and OPCC's Risk Management including the Risk Register at each JIAC meeting with no significant issues arising.

During the course of delivering the 2020/21 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

Of the 12 audits undertaken in the year where 14 formal assurance level was provided, 6 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 4 audits received a limited level of assurance. This is an increase on previous years and given the issues that have arisen in particular the additional audit of a procurement issue and the reoccurring issue of recruitment this indicates that overall some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

We have made a total of 30 new recommendations during the year at the Force and OPCC, 5 recommendations were categorised as Priority 1, 7 as Priority 2 and 18 were Priority 3. A summary of the new Priority 1 and 2 recommendations from this year are included in Section 04 of this report.

03 Internal Audit Work Undertaken in 2020/21

Ref	Audit area	Assurance level	Recommendations				Accepted	Not Accepted
			F	S	H	Total		
01.20/21	General Ledger	Significant	-	-	3	3	3	-
02.20/21	Cash, Bank and Treasury Management	Significant	-	-	-	-		
03.20/21	Income & Debtors	Satisfactory	-	1	2	3	3	
04.20/21	Payments & Creditors	Significant / Limited	1	-	1	2	2	
05.20/21	Payroll	Significant	-	-	1	1	1	
06.20/21	Archives Management	Limited	1	2	1	4	4	-
07.20/21	Commissioning Follow Up	Satisfactory		1	-	1	-	1
08.20/21	Fleet	Satisfactory	-	-	1	1	1	-
09.20/21	Governance	Satisfactory	-	1	1	2	2	-
10.20/21	Procurement (G4S)	n/a	-	-	-	7*	7	
11.20/21	Recruitment Follow-Up	Limited	1	1	2	4	4	
12.20/21	VCOP Follow-Up	Satisfactory	-	1	1	2	2	
13.20/21	Workforce Planning	Significant / Limited	2	-	1	3	3	
	Total		**5**	**7**	**18**	**30***		**-**

04 Audits with Limited or Nil Assurance 2020/21

Audit area	Assurance level	Summary of Key Findings
Payments & Creditors (Contract Expenditure)	**Limited**	One Priority 1 Recommendation: The Force should investigate the six contracts reviewed by audit further, to determine why this has happened and identify any additional instances where this has occurred. The Force should also consider procurement training to all relevant staff. This should include guidance on the use of exceptions to the Contract and Procurement Regulations and the stages which need to be satisfied before the service delivery of the contract can begin.
Archives Management	**Limited**	One Priority 1 Recommendation: The Force should ensure that the contents of archived items received by the Archives team from the CJU are accurately recorded on Transearch. To ensure this, the Force should put in place an agreed process between the Archives team and the CJU for how this will be done. Furthermore, the Archives team should verify the contents of each archived item upon arrival at the Archives store, through reconciling the contents of the item with the record as per Transearch. This will enable Lincolnshire to monitor the contents of each archived item and effectively track the movements of records from each item.
Recruitment Follow Up	**Limited**	One Priority 1 Recommendation: The Force should develop a clear policy on the use of temporary contracts. This should include but not be limited to: - - Extensions to temporary contracts - Maximum length of temporary contracts - Process to be followed when end date of temporary contract is approaching The Force should review all staff on temporary contracts that are approaching their expiration date to ensure a clear and consistent approach is followed. The Force should ensure that, for any staff moving from temporary to permanent contracts, a fair and transparent recruitment process has been followed.

Audit area	Assurance level	Summary of Key Findings
Workforce Planning	**Limited**	One Priority 1 Recommendation: The Force should complete a mapping exercise and produce a centralised log of all key roles across the organisation, including non-leadership roles which are critical or specialised. Alongside this exercise, individuals who are able to assume these positions in a short / medium / long term capacity should be highlighted.

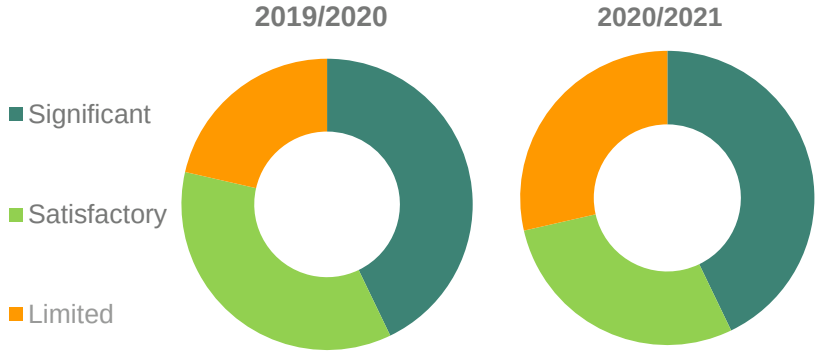
05 Internal Audit Plan 2020/21 vs Budget

Audit area	Planned days	Actual Days	Difference	Status
General Ledger	5	5	-	
Cash, Bank and Treasury Management	5	5	-	
Income & Debtors	5	5	-	
Payments & Creditors	5	6	1	Additional day to cover more in the scope
Payroll	5	5	-	
Archives Management	10	10	-	
Commissioning Follow Up	5	5		
Fleet	10	10	-	
Governance	10	10	-	
Partnerships	10	-	-10	Deferred into 21/22
Procurement (G4S)	-	1	1	Additional work request (5 days of Contingency used)
Recruitment Follow-Up	5	5	-	
VCOP Follow-Up	5	5	-	
Workforce Planning	10	10	-	
IT Governance	10	-	-10	Deferred into 21/22
IT Benefits Realisation	10	-	-10	Deferred into 21/22
Management	15	15	-	
Collaboration	10	7	-3	1 of the 3 audits not completed
Contingency	5	5		
Total	140	109	-31	

06 Benchmarking

This section compares the Assurance Levels (where given) and categorisation of recommendations made at Lincolnshire Police.

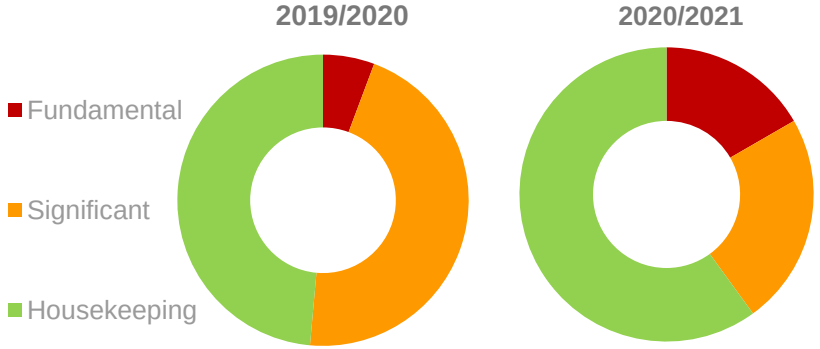
Comparison of Assurance Levels



Of the 12 audits undertaken in the year where a formal assurance level was provided (noted in two instances a split assurance was provided hence 14 assurance opinions), 6 received a significant level of assurance and 4 audits received a satisfactory level of assurance. However, 4 audits received a limited level of assurance.

In 2019/2020, one audit providing significant assurance was completed, six audits providing satisfactory and one deemed limited.

Comparison of Recommendation Gradings



The total number of recommendations made in 2020/21 was 30. This represents an decrease of 4 from the prior year (34). However, the number of Fundamental recommendations has increased from two in 2019/20 to five in 2020/21

Although, the number of Significant recommendations has decreased from 16 in 2019/20 to 7 in 2020/21

07 Performance of Internal Audit

We have provided some details below outlining our scorecard approach to our internal performance measures, which supports our overall annual opinion.

Compliance with Professional Standards

We employed a risk-based approach to determining the audit needs of the Force & OPFC at the start of the year and use a risk-based methodology in planning and conducting our audit assignments.

In fulfilling our role, we abide by the three mandatory elements set out by the Institute of Internal Auditors. Namely, the Code of Ethics, the Definition of Internal Auditing and the Standards for the Professional Practice of Internal Auditing.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the JIAC. We have received positive feedback on our work from the JIAC and staff involved in the audits.

Regular planned discussions on progress against the Audit Plan have taken place with the JIAC with Performance being an item within our progress reports presented at each meeting.

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by Managers and Partners;
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Issuance of technical guidance to inform staff and provide instruction regarding technical issues; and
- The maintenance of the firm's Internal Audit Manual.
- we can confirm that our internal audit work is undertaken in line with the IPPF and PSIAS. Under this there is a requirement for internal audit services to be subject to an independent External Quality Assessment every five years. Our most recent assessment took place over the summer of 2019. The review concluded that Mazars "conforms to the requirements of the International Professional Practices Framework for Internal Audit and the Public Sector Internal Audit Standards".

Appendices

A1 Definitions of Assurance

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Assurance Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	There is a sound system of internal control designed to achieve the Organisation's objectives. The control processes tested are being consistently applied.
Satisfactory	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	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	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.

Recommendation Gradings

To assist management in using our reports, we categorise our recommendations according to their level of priority, as follows:

Recommendation Level	Definition
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.

Annual Opinion Gradings

We use categories to classify our assurance over the processes we examine, and these are defined as follows:

Assurance level	Definition
Significant	The framework of governance, risk management and control is adequate and effective.
Moderate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Contact us

David Hoose
Partner, Mazars
David.Hoose@Mazars.co.uk

Mark Lunn
Manager, Mazars
Mark.Lunn@Mazars.co.uk

Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

We take responsibility to The Office of the Police & Crime Commissioner for Lincolnshire & Lincolnshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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