Police & Crime Commissioner for Lincolnshire & Lincolnshire Police

Joint Independent Audit Committee

Internal Audit Annual Report

Prepared by: Mazars LLP

Date: September 2022

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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 2021/22, the scope and outcome of work completed, and incorporates our annual statement on internal controls assurance.

Despite the ongoing and changing restrictions imposed as a result of Covid-19 during the year, the Police & Crime Commissioner for Derbyshire & Derbyshire Police retained a full scope internal audit service for 2021/22 which, based on the work we have undertaken, enabled us to provide the enclosed Annual Opinion on the Police & Crime Commissioner for Derbyshire & Derbyshire Police arrangements for risk management, control and governance.

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 2021/22 was considered and approved by the JIAC on 28th April 2021. In total the Plan was for 152 days, including 15 days of Audit Management. There was also provision for 8 contingency days included in the Plan, should these days be required.

There was a small knock on impact of the Covid-19 lockdown(s) that posed some challenges to the internal audit process and but the move to remote auditing has been well established between the Force & Mazars with both parties working hard to ensure the audits could be completed in a timely manner. Mazars have regularly communicated with the Force and OPCC, which has enabled us to make good progress in delivering the annual plan.

However, in a number of instances changes have had to be made to the internal audit plan that was agreed for 2021/22 and this resulted in the IT Information Management and Follow Up audits not taking place during 2021/22 in addition to the IT Governance and IT Benefits Realisation audits that were deferred into the 2021/22 plan from the previous year 2020/21 not taking place. These audits have been deferred into the 2021/22 internal audit plan. Moreover, 2 of the 8 collaboration audits were cancelled due to a change at the unit that was due to be audited, 3 were deferred into the 2022/23 internal audit plan and the planned audits at one unit (EMSOT) were also combined an differed into the 2022/23 audit plan due to the changes at that unit.

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 section 03 and appendix A1 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 planning of the 2021/22 year, we consulted and communicated with management through liaison with the Force & OPCC CFO's. As noted in section 01 there was some changes necessary to the 2021/22 plan but these were not due to Covid-19. We continued to deliver the audits remotely where possible to align with government restrictions that occurred throughout the year.

The Force had to deal with an evolving risk environment during 2021/22 as it dealt with the ongoing Covid-19 pandemic. We continued to observe that the associated risks were regularly reviewed and discussed through our attendance at JIAC.

It was agreed with management that the agreed 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.

Evolving Risks

It is noted that the organisation was preparing for a major change during 2021/22 as they prepared to move away from the G4S strategic alliance in April 2022. As part of the planning for each audit engagement the impacts were discussed and appropriately reviewed. However, it should be noted that due to changes in IT support at the Force, no IT internal audits have been conducted since 2019/20.

Internal Audit Opinion

It should be noted that no IT audits have been carried out for some time at Lincolnshire, as they have been deferred at the request of Lincolnshire, and as IT is a key part of internal control systems, the opinion provided by internal audit is limited to the framework of internal controls that we have observed and evaluated.

On the basis of our internal audit work and the limitation set out above, our opinion on the framework of governance, risk management, and control is **Significant** in its overall adequacy and effectiveness. This opinion is provided on the basis that the framework of governance, risk management and control is adequate and effective

Certain weaknesses and exceptions were highlighted by our internal audit work, in particular limited assurance opinions during the period in respect of Procurement. 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

Governance is a consideration in all our audit engagements and we did not find any significant issues with governance across our audit plan. There were a few recommendation's made in the year linked to governance in particular the audits of Wellbeing and Seized Property where management information could be improved upon. We did also note in two audits where policies and procedure documents required review and updates in a timely manner, as these support the control framework in place.

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 2021/22 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 9 audits undertaken in the year where a formal assurance level was provided, 3 received a significant level of assurance and 5 audits received a satisfactory level of assurance. However, 1 audit received a limited level of assurance. This is a decrease on previous years however the limited assurance in regards to Procurement is a re-occurrence of the assurance level assigned in 2020/21.

We have made a total of 18 new recommendations during the year at the Force and OPCC, 1 recommendations were categorised as Priority 1, 10 as Priority 2 and 7 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 2021/22

Ref	Audit area	Assurance level	Recommendations				Accepted	Not Accepted
			F	S	H	Total		
01.21/22	Core Financials	Significant	-	1	2	3	3	-
02.21/22	Medium Term Financial Planning	Significant	-	-	1	1	1	-
03.21/22	Complaints Management	Satisfactory	-	1	-	1	1	-
04.21/22	Future Services Programme	Significant	-	-	-	-	-	-
05.21/22	Procurement	Limited	1	1	-	2	2	-
06.21/22	Contract Management	Satisfactory	-	2	-	2	2	-
07.21/22	Seized Property	Satisfactory	-	2	2	4	4	-
08.21/22	Wellbeing	Satisfactory	-	1	1	2	2	-
09.21/22	Partnerships	Satisfactory	-	2	1	3	3	-
	Total		**1**	**10**	**7**	**18**	**18**	**-**

04 Audits with Limited or Nil Assurance 2021/22

Audit area	Assurance level	Summary of Key Findings
Procurement	**Limited**	One Priority 1 Recommendation: 1 - The Force to investigate these instances and determine the cause of the issue. The Force should also consider procurement training for all relevant staff, including guidance on the use of exceptions to the Contract Regulations and the stages required before the service delivery of a contract can begin. One Priority 2 Recommendation: 1 - The Force should ensure that this the Financial, Contract and Procurement Regulations are reviewed and updated, if necessary, as a matter of urgency.

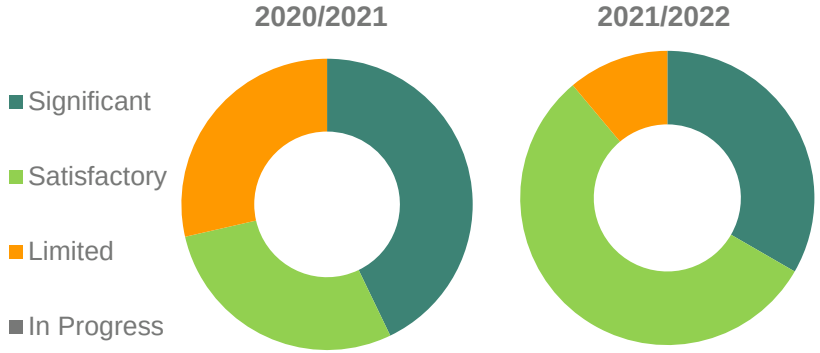
05 Internal Audit Plan 2021/22 vs Budget

Audit area	Planned days	Actual Days	Difference	Status
Core Financials	25	25	-	
Medium Term Financial Planning	10	10	-	
Complaints Management	10	10	-	
Future Services Programme	10	10	-	
Procurement	10	10	-	
Contract Management	8	8	-	
Seized Property	10	10	-	
Wellbeing	8	8	-	
Partnerships	10	10	-	
Follow Up Audits	5	-	-5	Deferred
IT: Information Management	10	-	-10	Deferred
Collaboration	13	4.5	-8.5	Carried forward to 22/23 IA Plan
Management	15	15		
Contingency	8	5	-3	Extra DAMS work. Extra Procurement work
Total	**152**	**125.5**	**-26.5**	

06 Benchmarking

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

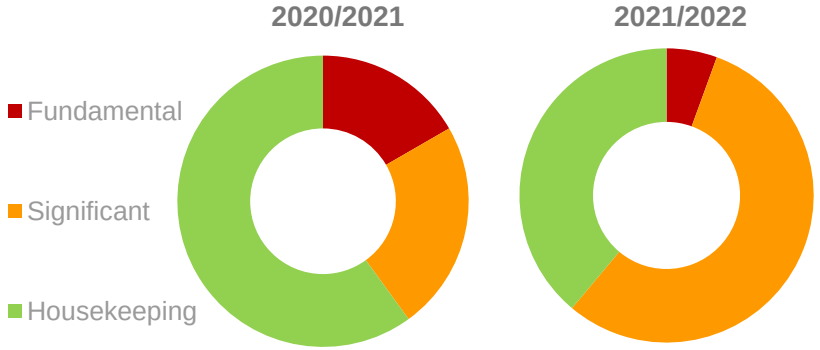
Comparison of Assurance Levels



Of the 9 audits undertaken in the year where a formal assurance level was provided, 3 received a significant level of assurance and 5 audits received a satisfactory level of assurance. However, 1 audit received a limited level of assurance.

In 2020/2021, six audits providing significant assurance were completed, four audits providing satisfactory and four deemed limited.

Comparison of Recommendation Gradings



The total number of recommendations made in 2021/22 was 18. This represents a decrease of 12 from the prior year (30), although less audits were completed in 2021/22. The number of Fundamental recommendations decreased from 5 in 2020/21 to 1 in 2021/22.

However, the number of Significant recommendations has also increased from 7 in 2020/21 to 10 in 2021/22.

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.

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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.

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