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RSM Tenon

**DRAFT SUBJECT TO AUDITS BEING FINALISED AND COMPLETION OF PERIOD
END**

LINCONSHIRE POLICE

Internal Audit Interim Opinion 1 April 2012 – 21 November 2012

Presented to the Treasurer on: 13 November 2012

Approved by: Mark Jones as Head of Internal Audit

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1 INTRODUCTION

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Lincolnshire Police's assurance cycle and if used properly can help to inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Authority and the Audit, Risk and Governance Committee.

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.2 Governance Statement and Handover to PCCs

On the 22nd of November 2012 police authorities will cease to exist and the office of the Police and Crime Commissioner (PCC) comes into being.

The PCC (the Elected Local Policing Body) and the Chief Constable (Force Chief Officer) are each required to appoint internal auditors, both being required to maintain an effective internal audit of their affairs by the Accounts and Audit (England) Regulations 2011 and the Accounts and Audit (Wales) Regulations 2005.

To support the Authority's handover to the PCC and Chief Constable we have produced a position statement for the period of 1 April 2012 – 21 November 2012. This will assist the Audit, Risk and Governance Committee in demonstrating that they have fulfilled their responsibilities as well as highlighting any risk or control priorities that may need to be addressed in the early stages of the PCC. Further to this, it will provide the new PCC and Chief Constable with a summary of our work to feed into our Annual Head of Internal Audit Opinion and the PCC's and Chief Constable's Annual Governance Statements at year end.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led risk register. As such, it is one component that the PCC and Chief Constable can take into account in making their Annual Governance Statements.

2 THE HEAD OF INTERNAL AUDIT OPINION FOR THE PERIOD 1ST APRIL 2012 TO 21ST NOVEMBER 2012

2.1 Context

As the provider of the internal audit service to Lincolnshire Police we provide the Authority through the Audit, Risk and Governance Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Authority is a reasonable assurance that there are no major weaknesses in risk management, governance and 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. This report is prepared solely for the use of Authority and senior management of Lincolnshire Police and subsequently for the PCC and the Chief Constable. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

2.2 Internal Audit Assurance Statement

This part year Head of Internal Audit opinion is provided to Lincolnshire Police by RSM Tenon Limited.

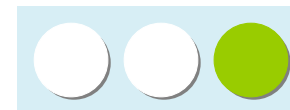
We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Lincolnshire Police's arrangements.

For the period 1 April 2012 – 21 November 2012, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Lincolnshire Police's arrangements for governance, risk management and control is as follows:

Red Amber Green

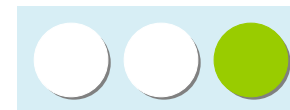
Governance

The Authority had adequate and effective governance processes.



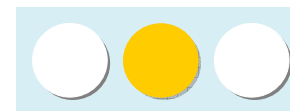
Risk Management

The Authority had adequate and effective risk management processes.



Control

The Authority had adequate and effective control arrangements in place; however, there were some areas where weaknesses were identified that require improvements. We have issued one Red assurance opinion in the area of Business Continuity, one Amber-Red, one Amber-Green and three Green assurance opinions in respect of the assurance work undertaken during 2012. Further details on these can be found in Appendix A of our report.



2.3 Scope of the Internal Audit opinion

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

- The results of all internal audits undertaken during the period 1 April 2012 – 21 November 2012 (see Appendix A for a map of our internal audit assurances and Appendix B for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether high or medium recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Audit, Risk and Governance Committee and/or Authority;
- 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 the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

2.4 The Basis of the Opinion

Governance

As part of this year's Governance review we looked at the planning and preparation for the transitional arrangements to the Police and Crime Commissioner.

This was an advisory review and as such we did not provide a formal opinion. The review resulted in one 'Low' recommendation being raised.

We have given a green traffic light opinion in this area.

Risk Management

We have not undertaken any specific work on Risk Management / Maturity during the period. During our previous review we looked at the risk management processes in place including the maintenance of risk registers, monitoring of risks and controls, completing actions to further mitigate risks, and embedding risk management within the organisation. Taking account of the issues identified, we concluded that the Authority could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective. The review resulted in two 'Medium' recommendations being raised and accepted by management. We have also observed the discussion of risk management issues at the Audit, Risk and Governance Committee.

We have given a green traffic light opinion in this area.

Control

We undertook six assurance reviews, of which all except one have resulted in positive assurance opinions. The exception is in the area of Business Continuity, which was given a Red opinion (negative opinion). Of the remaining, three were a Green opinion, one Amber / Green and one Amber / Red. Further details on these reviews can be found in Appendix A and B.

We have given an Amber traffic light for our opinion of the control environment.

Acceptance of Recommendations

All of the recommendations made during the period were accepted by management.

2.5 The Annual Governance Statement

The overall opinion may be used by the Authority with regards any handover or governance documents it prepares for the PCC, and by the PCC and Chief Constable in the preparation of the annual governance statement for 2012/13. We will provide a full year opinion at the end of 2012/13 to further support this.

2.6 Conflicts of Interest

We have not undertaken any work or activity during the period under review that would lead us to declare any conflict of interests.

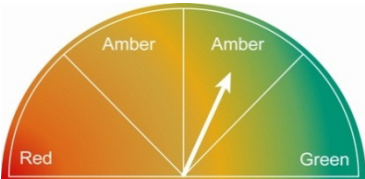
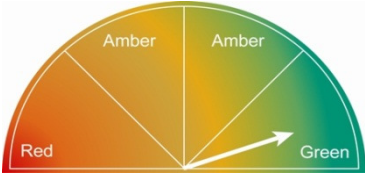
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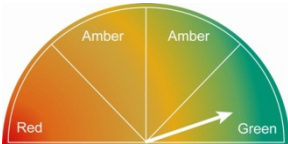
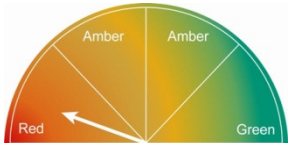
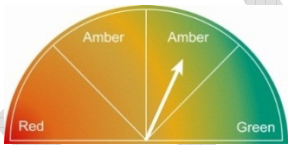
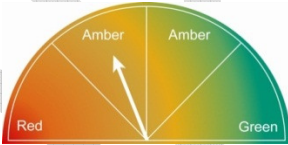
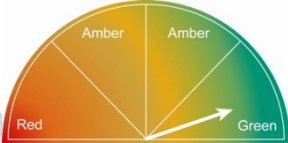
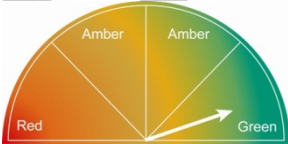
APPENDIX A: INTERNAL AUDIT ASSURANCE MAP 2012 (1 APRIL 2012 – 21 NOVEMBER 2012)

Risk Based Coverage		
Risk(s)	Headline Findings	Assurance
Management of Police Information (MOPI) Failure to be compliant with the RRD (Review, Retention and Disposal) as per MOPI requirements.	<p>Our audit concluded that the Authority could take substantial assurance that the controls upon which the Authority relies to manage this risk were suitably designed, consistently applied and effective.</p> <p>We confirmed that the control framework had been adequately designed and is being applied effectively. As a result no recommendations were made.</p>	
Business Continuity Lack of Business Continuity / Disaster Recovery Plans / Processes for Force (Authority). Lack of effective or non-existent Disaster Recovery and Business Continuity Plans (Force).	<p>Our review of Business Continuity concluded that the Authority could not take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needed to be taken to ensure this risk is managed.</p> <p>During the course of the audit, the areas reviewed which gave rise to the highest level of risk, were:</p> <p>Design of control framework</p> <ul style="list-style-type: none"> Effective Business Continuity Plans were not in place for all parts of the Force. We were not provided with any form of action plan being used to guide the process or coordinating the preparation of business impact analysis and business continuity plans. No testing of the business continuity plans had been undertaken and no specific plans for doing this had been made. There was no formal process in place to ensure that all copies of business continuity plans were maintained up-to-date. <p>Application of and compliance with control framework</p> <ul style="list-style-type: none"> A definitive list of business areas had not been documented as part of the Force Business Continuity Management Strategic Plan. It was not clear if all business areas had completed a Business Impact Analysis, and for those that had been completed, there was no evidence of them being independently reviewed and challenged. The process of developing around 30 small department business continuity plans rather than a central plan was considered to be wasteful of resources, with there being duplication of effort on part of plans that could be completed generically. The creation of a central plan 	

	from the business areas plans would itself be a time consuming exercise.	
Benefits Realisation Failure to achieve maximum benefit from collaboration with other police forces and partner agencies.	<p>Our review of Benefits Realisation concluded that the Authority could take some assurance that the controls upon which the organisation relies to manage this risk were suitably designed, consistently applied and effective, action needed to be taken to ensure this risk is managed.</p> <p>We confirmed that the control framework had been adequately designed. We identified areas of non-compliance in the application of the control framework. These were detailed below:</p> <ul style="list-style-type: none"> ▪ We found differences between the costs/savings initially highlighted in the Major Crime and Forensics business cases and the costs/savings later presented and approved by EMPAJC as part of the regional budget paper 2012/13 but it was not clear whether those were also reviewed and approved again at Police Authority level; ▪ There were significant differences arising between what the region estimates costs/savings for Lincolnshire Police Force were based on, either the business case and/or revised budget, and what the Force Finance Department then realised as costs/savings; it appeared this may be due to potentially inaccurate figures being presented in the business plan. ▪ There was a requirement for the Authority / Force to ensure that the when a business case was approved for a new project, its own projected costs/savings for collaboration projects, which include internal savings and costs, are presented for approval along with the business case which shows the "region" predictions only. There was required to be a challenge by the Police Authority on the figures then presented by the Force (compared to those presented by the business case). 	
HR – Monitoring of Schedules and Workforce Planning <i>Failure of future resilience due to reducing workforce.</i>	<p>Our audit concluded that the Authority could take substantial assurance that the controls upon which the Authority relies to manage this risk were suitably designed, consistently applied and effective.</p> <p>We confirmed that the control framework had been adequately designed and is being applied effectively.</p> <p>Performance / management reports were produced and submitted to the Transitional Management Board monthly and the Performance and Delivery Board quarterly. Information on performance of G4S in respect of Human Resources indicated that there were no issues with the service being received by Lincolnshire Police.</p>	

Other Coverage		
Area	Headline Findings	Assurance
Service Expectations – Restorative Justice	<p>Our audit concluded that the Authority could take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, could increase the likelihood of the risk materialising.</p> <p>Design of control framework</p> <ul style="list-style-type: none"> Within the current guidance, other than stating what to do if the offender fails to complete a restorative resolution, there was no process in place for following up restorative resolutions to ensure they have been completed. <p>Application of and compliance with control framework</p> <ul style="list-style-type: none"> The use of a spreadsheet to notify cases for validation did not facilitate a feedback loop to allow for the verification that all cases had been validated as required. 	
G4S Governance Arrangements	<p>Our audit concluded that the Authority could take substantial assurance that the controls upon which the Authority relies to manage this risk were suitably designed, consistently applied and effective.</p> <p>We confirmed that the control framework had been adequately designed and is being applied effectively. As a result no recommendations were made.</p>	
Governance – Transition Advisory Review	<p>This review was undertaken as an advisory review, as such no formal opinion has been provided.</p> <p>We found that Lincolnshire Police Authority had a Police Reform Project Management Plan. This was helping the Authority to manage the transition period and put the structure in place ready for the elections of the PCC. Since our review in 2011/12, Lincolnshire Police Authority had completed the majority of its planned activities and requirements to be ready for the 22 November 2012. There are Highlight Reports regularly presented to the Transition Board with regards to the progress against the Project Plan.</p>	ADVISORY

APPENDIX B: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS (1 APRIL 2012 – 21 NOVEMBER 2012)

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Management of Police Information (MOPI)		0	0	0	0	0
Business Continuity		2	4	2	8	8
Service Expectations – Restorative Justice		0	2	3	5	5
Benefits Realisation		2	1	0	3	3
G4S Governance Arrangements		0	0	0	0	0
HR – Monitoring of Schedules and Workforce Planning		0	0	1	1	1

Auditable Area	Assurance Level Given	Number of Recommendations made				
		High	Medium	Low	In Total	Agreed
Governance – Transition Advisory Review	ADVISORY	0	0	1	1	TBC
Total		4	7	7	18	17 (1 TBC)