

# **Police and Crime Commissioner for Lincolnshire and Lincolnshire Police**

## **Internal Audit Progress Report**

Independent Audit Committee meeting 28 March 2014

## Introduction

The internal audit plan for 2013/14 was approved by the Independent Audit Committee in March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

### Summary of Progress against the Internal Audit Plan 2013/14

Assignment <i>Reports considered today are shown in italics</i>	Fee (as per audit plan)	Status	Opinion	Actions Agreed (by priority)		
				High	Medium	Low
HR – Absence Management (1.13/14)	£2,200	FINAL	GREEN	0	0	4
VfM – Resource Management (2.13/14)	£3,975	FINAL	GREEN	0	0	2
Governance Framework (3.13/14)	£2,735	FINAL	GREEN	0	1	2
Medium Term Financial Planning (4.13/14)	£2,450	FINAL	GREEN	0	0	0
<b><i>Service Expectations - Strategic Policing Requirement (5.13/14)</i></b>	<b><i>£2,800</i></b>	<b><i>FINAL</i></b>	<b><i>AMBER / GREEN</i></b>	<b><i>0</i></b>	<b><i>2</i></b>	<b><i>4</i></b>
<b><i>G4S – Processing Income and Expenditure (6.13/14)</i></b>	<b><i>£3,200</i></b>	<b><i>FINAL</i></b>	<b><i>AMBER / RED</i></b>	<b><i>1</i></b>	<b><i>7</i></b>	<b><i>4</i></b>
<b><i>Collaboration - Governance &amp; Financial Framework (Joint 13/14)</i></b> <i>(completed as part of a joint review with the East Midlands with time contributed from each plan)</i>	<b><i>£1,700</i></b>	<b><i>FINAL</i></b>	<b><i>AMBER / RED</i></b>	<b><i>0</i></b>	<b><i>5</i></b>	<b><i>3</i></b>
<b>Risk Management (7.13/14)</b>	<b>£2,735</b>	<b>FINAL</b>	<b>Force – Amber / Green OPCC – Amber / Green</b>	<b>0</b>	<b>2</b>	<b>2</b>
Payroll (including Pensions and Expenses) (8.13/14)	£2,040	Draft Report Issued 31 Jan 2014				
Cash, Banking & Treasury Management (9.13/14)	£1,250	Draft Report Issued 31 Jan 2014 Revised Report 14 Feb 2014				
Follow Up	£1,330	Fieldwork Completed in QA				
Payments & Creditors	£1,450	Fieldwork Completed in QA				

Assignment <i>Reports considered today are shown in italics</i>	Fee (as per audit plan)	Status	Opinion	Actions Agreed (by priority)		
				High	Medium	Low
Income and Debtors	£1,150	Fieldwork Completed in QA				
T-Police Implementation	£3,035	Fieldwork Completed in QA				
Capital Accounting & Fixed Assets	£1,650	Fieldwork Completed in QA				
General Ledger	£1,100	Fieldwork Completed in QA				
IT Audit	£3,975	(24/03/14)				

## Other Matters

### Planning and Liaison:

We have held regular updates with the Chief Finance Officer (PCC) and also regular Anti-Fraud meetings with PSD, HR and Finance to discuss any emerging issues which could impact on the control environment. In addition, we have held meetings with management to discuss the audit plan for 2014/15 which is included as a separate agenda item.

The Audit Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Audit Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

### Internal Audit Plan 2013/14 - Change Control:

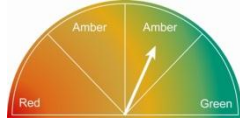
Action	Date	Agreed By
Review timings of T-Police Implementation due to delay in implementing system.	July 2013	CFO (OPCC & CC)
Review timings of Financial Reviews due to delay in implementing the T-Police system.	September 2013	CFO (OPCC & CC)
Revised dates now agreed for all reviews as per summary above.	November 2013	CFO (OPCC & CC)

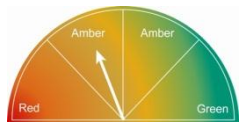
**Information and Briefings:** We have issued the following updates electronically since the last Audit Committee:

- Corporate Identity Fraud – January 2014
- LGE Update    LG eUpdate December 2013
- LGE Update    LG eUpdate January 2014

## Key Findings from Internal Audit Work (High and Medium Priority only)

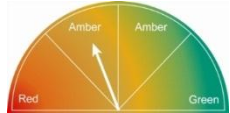
We have only included detail of those High and Medium priority recommendations made. Management have been provided with detail of the Low Priority Recommendations.

<b>Assignment: Service Expectations Strategic Policing Requirement Project (5.13/14)</b>		<b>Opinion: AMBER / GREEN</b> <b>H – 0</b> <b>M – 2</b> <b>L – 4</b>	
Recommendation	Management Response	Date	Responsible Officer
Rec 1.3 – Medium Ensure that the regional level cyber-crime policy and procedures are complete and approved in a timely manner and distributed to the relevant staff.	The Director of Intelligence is working closely with the region to ensure a workable policy is completed as soon as possible.	Nov 2013	D/Supt Wood
Rec 1.4 – Medium Ensure that the analysis of the threats and risks associated with cyber crime is undertaken in a timely manner and that following the results, are included in a cyber crime risk register.	Large Scale Cyber Crime Threat and Risk being determined by both the force and region. Risks will be considered as part of a STRA or the Departmental Risk Register.	Nov 2013	D/Supt Wood

<b>Assignment: G4S – Processing Income and Expenditure (6.13/14)</b>		<b>Opinion: AMBER / RED</b> <b>H – 1</b> <b>M – 7</b> <b>L – 4</b>	
Recommendation	Management Response	Date	Responsible Officer
Rec 1.1 – Medium G4S should develop the required creditor procedures as stated within the contract and ensure that these are issued to all relevant staff.	Guidance, and training if necessary, to be issued to all relevant staff.	31/01/14	Head of Finance – G4S
Rec 1.2a – Medium Purchase Orders should be raised for all invoices. In cases where an invoice is received without an order having been	It should be accepted that a number of invoices will not have order numbers (i.e. utilities). It needs to be agreed with Lincs Police	31/01/14	Head of Finance – G4S

placed on the system these should be reviewed to ascertain those that are 'acceptable' and those where an order should have been placed. In cases of the later Budget Managers should be required to 'justify' why an order was not raised in advance.	where it is acceptable for orders not to be issued. A process then needs to be introduced to enable information to be produced detailing where orders have not been raised, and should have been, and who is responsible for providing and auctioning this.		
<p>Rec 1.2b – High</p> <p>Ensure that ALL manual payments evidence that they have been authorised correctly. It would be useful to request authorising officers to record their name as well as their signature for ease of identification.</p>	Guidance, and training if necessary, to be issued to all relevant staff.	31/01/14	Head of Finance – G4S
<p>Rec 1.3a – Medium</p> <p>A list, or similar, should be made available to staff in general that at least provides a headline list of expenditure that is the responsibility of G4S and which is the Force's.</p>	Discussed at "Coding" Workshop held on 09/10/13. Roles and process for budget queries, including development of a guidance document for all those involved in coding of expenditure to refer to.	31/01/14	Head of Finance – G4S
<p>Rec 1.3b – Medium</p> <p>A report should be prepared by G4S detailing all contracts that have yet to be novated across and include the latest position in completing the work. The report should be submitted to Force and OPCC management and be updated on a regular basis.</p>	Recommendation agreed – Monthly update reports should be produced until all contracts novated. This should be presented to the Force CFO.	31/01/14	Head of Procurement – G4S
<p>Rec 1.4a – Medium</p> <p>Workshops to be run for requisitioning staff to provide guidance and training for them to assist when coding items on the finance system.</p>	Initial workshop held on 09/10/13. Upon completion of the guidance document a final workshop should be held to explain processes and procedures and how this information will be maintained moving forward. It was agreed at	31/01/14	Head of Finance – G4S

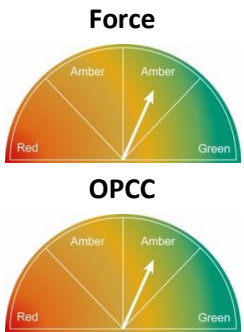
	the initial workshop this guidance would be developed and issued by end Nov 2013. This has not been achieved.		
<b>Rec 1.5a – Medium</b> An exercise should be undertaken to review the current list of account codes on NPPH and remove those where expenditure responsibility has been moved to G4S.	Agreed – This should be undertaken to coincide with the go live of T-Police.	01/04/14	Head of Finance – G4S
<b>Rec 1.5b – Medium</b> To minimise coding errors when the TPolice enhancement to the NPPH are implemented, use is made of the facility whereby account codes are assigned to cost centres.	Agreed.	01/04/14	Head of Finance – G4S

<b>Assignment: Collaboration – Governance and Financial Framework (East Midlands Joint Review 2013/14)</b>		<b>Opinion: Amber / Red</b> <b>H – 0</b> <b>M – 5</b> <b>L – 3</b>	
Action	Management Response	Date	Responsible Officer
<b>Recommendation 1 - Medium</b> The principles of collaborative activity should be reviewed to ensure that they remain appropriate, given the governance changes and funding cuts that have taken place within the sector, over the last few years. Ideally, there should be specific outcomes for collaborative activity, in order for the achievement of the unit to be transparent and for the regional Forces and Police and Crime Commissioners to clearly understand the benefits that have been received, by collaboration. As the forces across the region, as indeed nationally, have developed local policing plans, there should be something similar for the collaboration. The document (Corporate Plan) could be used to include the Vision, Values, Priorities (opportunity to link to the	Agreed. This is ongoing. Regional forces are individually considering and reviewing their position in regards to collaboration. A report is to be presented to the PCC Board on 18 <sup>th</sup> December 2013.	December 2013	Phil Whiteley

regional objectives set by Commissioners and any other objectives) and Delivery (sets out how reporting will take place, achievement of outcomes and effective actions).			
<b>Recommendation 2 – Medium</b> The same format should be used for each Business Case, clearly stating the author, to assist consistent scrutiny and challenge. The Business Plan should include specific objectives and priorities of the project. For each objective the following should be detailed; <ul style="list-style-type: none"> <li>• Details / Purpose (why / high risk on risk registers)</li> <li>• Cost improvements</li> <li>• Capital Funding</li> <li>• Key risks and management (taken from key risks)</li> <li>• Summary financial plan</li> <li>• Impact on Workforce</li> <li>• Summarised capacity plans</li> </ul> The Business Plan, sections e, f & g need to be completed by the individual forces, using a set definition for all costings and savings, to ensure there is consistent approach in reporting the comparative data. The data that is included should be robustly verified to provide assurance that the basis for the Business Plan or project is robust, to benefit all those involved in the collaboration.	Agreed.	March 2014	Phil Whiteley
<b>Recommendation 3 – Medium</b> The benefits that are included within the Business Plan should be Specific, Measurable, Achievable, Relevant and Timely. There should be specific measurable deliverables, with a target date to be able to ascertain if the benefit originally identified has been realised.	Agreed.	March 2014	Phil Whiteley
<b>Recommendation 4 – Medium</b> The actual costs that are recorded within the Business Case should be broken down to provide clarity and transparency. Furthermore, it would be useful to include a definition of the costs that are being collated, to ensure consistency and understanding across all the forces to provide assurances that each force is	Agreed.	March 2014	Phil Whiteley

<p>including the correct cost requirements. In addition, the costs that are included within the Business Plan should be robustly checked and confirmed. This check and confirmation should be documented as part of the process.</p> <p>Furthermore, as part of this consideration, it may be beneficial to review the funding formula that is used as part of the business case and confirm that it remains appropriate. Other forces utilise a formula that also considers the demand impact and this may be something that could be considered and reviewed, moving forward.</p>			
<p><b>Recommendation 6 - Low</b></p> <p>It is considered to be beneficial to establish an overarching collaboration agreement, with a specific governance reporting framework for the collaborative projects. Other forces that we work with, that collaborate, have devised an overarching agreement that enables the efficient sign off to collaborative projects.</p>	<p>Disagreed</p> <p>It is inappropriate at this time to have an overarching agreement given the fact that the number of forces involved will vary from collaboration to collaboration. This may be kept under review as collaboration matures.</p>	-	-
<p><b>Recommendation 7 – Medium</b></p> <p>It is an essential part of the project management process to complete a final closure report, ultimately a 12 month review. The report will provide assurances that the project has met its original objectives and continues to provide for an effective and efficient approach. Where this is not the case, the report provides the opportunity to highlight any issues and provides the option to reassess and realign operations (including officers in kind) accordingly.</p>	<p>Agreed</p> <p>The production of a final closure report is now built in within the current process and is specifically included within the 'Business as Usual' report, where applicable.</p>	Implemented.	Phil Whiteley



<b>Assignment: Risk Management (7.13/14)</b>		<b>Opinion: Force AMBER / GREEN OPCC AMBER / GREEN H – 0 M – 2 L – 2</b>	
Recommendation	Management Response	Date	Responsible Officer
<p><b>Rec 2 – Medium</b></p> <p><u>Force</u></p> <p>The Force should undertake a review of each mitigating control for key risk to identify if there are any material forms of measurable assurance that could be relied on to validate if the control is being effectively managed and operating correctly. There may be instances where no valid assurances are available for some controls.</p> <p>Details of the assurance or where there is none should be recorded on the risk register to identify if the required assurance can be obtained on the controls in place and management of the risk or if it is considered a gap which requires further assurance to be obtained. The outcomes of such reviews should be reported to the Risk Management Board and the Independent Audit Committee.</p>	<p>Any assurance implemented would have to be proportionate to the needs of Lincolnshire Police. It is proposed that an assurance framework is built into the risk register for risks scored 12 or 16, or where the initial score is 12 or 16 but the current score is low, as this means the controls are significantly reducing the risk level. This would allow for the mitigating controls to be assigned a red, amber or green status after each has been reviewed by the Risk, Policy, Review Officer. This status would be based on evidence provided by the control owners as to the effectiveness of each control. Red status would be no controls are effective, Amber some controls are effective and green all controls effective. When an acceptable level of effectiveness has been achieved the Risk, Policy, review Officer will present this to the risk to the Risk Management Board proposing that the risk score be reduced.</p>	<p>June 2014</p>	<p>Service Development Manager</p>

<p><b>Rec 4 - Medium</b></p> <p><u>Office of the Police and Crime Commissioner</u></p> <p>The OPCC should undertake a review of each mitigating control for key risk to identify if there are any material forms of measurable assurance that could be relied on to validate if the control is being effectively managed and operating correctly. There may be instances where no valid assurances are available for some controls.</p> <p>Details of the assurance or where there is none should be recorded on the risk register to identify if the required assurance can be obtained on the controls in place and management of the risk or if it is considered a gap which requires further assurance to be obtained. The outcomes of such reviews should be reported to the Risk Management Board and the Independent Audit Committee.</p>	<p>External assurances have been identified and recorded on the risk register for some years now. Gaps where no assurance can be obtained will be identified. A PCC Assurance Map will be developed and presented to the JIAC (this will be devised in line with the HM Treasury publication 'Assurance Frameworks' and other good practice.</p> <p>The risk register is reported to the JIAC on a quarterly basis.</p> <p>The JIAC member training session in March 2014 will include a workshop session on developing and monitoring an assurance framework.</p>	June 2014	RPO
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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. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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