

Police and Crime Commissioner for Lincolnshire and Lincolnshire Police

Internal Audit Progress Report

Joint Independent Audit Committee meeting: 9 June 2015

Introduction

The internal audit plan for 2014/15 was approved by the Joint Independent Audit Committee in March 2104. 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 2014/15

Assignment <i>Reports considered today are shown in bold italics</i>	Fee (as per audit plan)	Responsible Officer	Fieldwork	Status	Opinion	Actions Agreed (by priority)		
						High	Medium	Low
T-Police Implementation (1.14/15)	Carry forward from 2013/14 £3,975	Julie Flint	May 2014	FINAL (Sept 14 AC)	AMBER / RED	0	4	1
Governance - Decision making process & integrity (2.14/15)	£2,900	Julie Flint / Ginny Mason / John King	May 2014	FINAL (Sept 14 AC)	GREEN	0	0	2
Fleet Management (3.14/15)	£2,880	Gail Bradshaw	July 2014	FINAL (Nov 14 AC)	AMBER / RED	1	4	2
Service Expectations – POCA (4.14/15)	£3,275	ACC Roach	July 2014	FINAL (Sept 14 AC)	RED	1	2	0
G4S Niche Service Provision (5.14/15)	£5,933 (Additional Review)	Commissioned by Julie Flint	October 2014	FINAL (Nov 14 AC)	SUBSTANTIAL ASSURANCE	0	0	0
Service Expectations – Firearms Asset Management (6.14/15)	£2,150	ACC Roach	October 2014	FINAL (APR 15 AC)	AMBER / GREEN	1	0	3
Financial Management including Budget Management and Procurement (7.14/15)	£3,600	Julie Flint / Tony Tomlinson / Gail Bradshaw	Sept 2014	FINAL (APR 15 AC)	AMBER / GREEN	0	2	3
Data Returns – HMIC VFM Profiles (8.14/15)	£2,880	Tony Tomlinson	November 2014	FINAL (APR 15 AC)	Police Objective Analysis (POA) – GREEN	0	3	0
					Home Office Annual Data Return (ADR 502) – AMBER RED			

Data Security (9.14/15)	£4,240	Nancie Shackleton	November 2014	FINAL (APR 15 AC)	GREEN	0	1	2
Asset Management (10.14/15)	£1,560	Tony Tomlinson	January 2015	FINAL (JUN 15 AC)	GREEN	0	1	0
General Ledger (11.14/15)	£1,250	Tony Tomlinson	February 2015	FINAL (JUN 15 AC)	AMBER / GREEN	0	2	1
ICT Change Management (12.14/15)	£4,260	Nancie Shackleton / Tony Tomlinson / Julie Flint	December 2014	FINAL (APR 15 AC)	AMBER / GREEN	0	2	0
Cash, Banking & Treasury Management (13.14/15)	£1,250	Tony Tomlinson	January 2015	FINAL (JUN 15 AC)	AMBER / GREEN	0	3	1
Delivery of the Police and Crime Plan (14.14/15)	£4,260	Julie Flint	February 2015	FINAL (JUN 15 AC)	GREEN	0	0	2
Risk Management (15.14/15)	£2,900	DCC Roach / Ginny Mason	March 2015	FINAL (APRIL 15 AC)	OPCC – GREEN	0	2	1
					FORCE – AMBER / GREEN			
Payroll (including Pensions and Expenses) (17.14/15)	£2,200	Tony Tomlinson	March 2015	FINAL (JUN 15 AC)	GREEN	0	0	0
Follow Up (19.14/15)	£1,400	Julie Flint / Tony Tomlinson	February / March 2015	DRAFT – 23 APRIL 15				
Payments & Creditors (16.14/15)	£1,250	Tony Tomlinson	March 2015	FINAL (JUN 15 AC)	AMBER / GREEN	1	0	4
Income & Debtors (18.14/15)	£1,250	Tony Tomlinson	March 2015	FINAL (JUN 15 AC)	GREEN	0	0	0
Joint East Midlands Audit Reports								
Collaboration - – EMOpsSS (Joint review)	£2,200 (to be completed as part of a joint review with the East Midlands)	Julie Flint / Tony Tomlinson	March 2015	FINAL (JUN 15 AC)	AMBER / GREEN	0	3	3
Collaboration – Innovation Fund (Joint Review)		Julie Flint / Tony Tomlinson	March 2015	DRAFT – 24 April 15				

Other Matters

Planning and Liaison:

We have held regular updates with the Chief Finance Officer (OPCC) and also regular Anti-Fraud meetings with PSD, HR, Finance and OPCC to discuss any emerging issues which could impact on the control environment.

The Joint Independent Audit Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Joint Independent 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 2014/15 - Change Control:

- As reported previously, we were requested by management to delay the start of the Firearms Asset Management. We swapped the timing of this with the Proceeds of Crime Act review to ensure continued delivery of audits throughout the year, this has now been finalised.
- As reported previously, following discussion at the East Midlands Joint Chief Finance Officers meeting it was agreed that we would undertake an additional review of G4S Niche Service Provision to be able to provide assurance to the region on the arrangements in place.

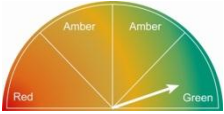
Information and Briefings: We have issued the following updates electronically since the last Joint Independent Audit Committee:

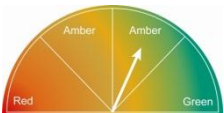
Local Government News Briefing – April 2015

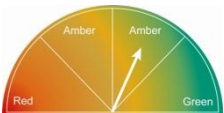
Local Government News Briefing – May 2015


Emergency Services News Briefing – April 2015


Key Findings from Internal Audit Work

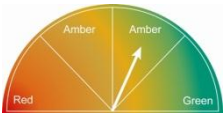
Asset Management (10.14/15)	Opinion: H – 0 M – 1 L – 0	
<p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> • The Financial Regulations detail the fixed asset responsibilities and are available to all staff involved in the management of the fixed assets; • A Capital Programme is set annually and this is subject to approval by the Police and Crime Commissioner (PCC). The Capital Programme includes all the capital expenditure on acquisition or improvement of fixed assets that have a long term value; • Progress made with the Capital Programme is reported monthly and for all Capital Expenditure projects a RAG status assessment is made on the “finance” and on the “delivery” of the capital projects. A traffic light system is used – green, amber and red; • A criteria has been established to determine whether new fixed assets should be capitalised or treated as inventory; • An Asset Management Policy is in place and is also documented in the notes to the Annual Accounts; • An Asset Register is maintained by Finance which records details concerning the asset and the basis of depreciation; and • The Reporting Manager maintains the Asset Register and in his absence this is done by the Senior Management Accountant or the Management Accountant. <p>We have made one ‘medium’ recommendation in relation to the application and compliance of the control framework. This is in relation to the following area:</p> <ul style="list-style-type: none"> • For ICT equipment an annual reconciliation could not be undertaken for the year 2013/14 as an ICT Register was not in place. An ICT Asset Register has now been put into place and an annual reconciliation should be carried out of the Asset Register's. 		

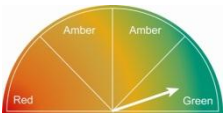
General Ledger (11.14/15)	Opinion: H – 0 M – 2 L – 1	
<p>Design of control framework</p> <p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> Financial, Contract and Procurement Regulations detail the financial management requirements and responsibilities. These were updated in August 2014 Procedure guides and policies are maintained for managing the general ledger and these are readily available to staff with general ledger responsibilities. Training is provided to staff with general ledger responsibilities and this is documented on the T-Police Access Request form completed for IT. An ICT Business Continuity Management Plan is in place which details how systems are backed up and how they are maintained for disaster recovery. Since the implementation of T-Police, a new Chart of Accounts has been introduced and approved by the Chief Finance Officer. The Force maintains a month end timetable which lists the tasks to be completed at the end of each month. A detailed trial balance is produced every month and reviewed as part of the month end timetable we confirmed that the review had taken place for the month of November 2014 and was documented. <p>Application of and compliance with control framework</p> <p>Our review has identified the following areas where there is application of and compliance with the control framework:</p> <ul style="list-style-type: none"> Balances from the year end 2013/14 had been accurately brought forward to 2014/15. A suspense account is in place; however it is not used frequently. We reviewed the five months period prior to the audit date and confirmed that bank reconciliations had been consistently produced and independently reviewed. <p>We have made two ‘medium’ and one ‘low’ priority recommendations in relation to the application and compliance of the control framework. The medium relate to the following:</p> <ul style="list-style-type: none"> We reviewed a sample of 25 journals and found that in 16 instances there was none or insufficient supporting documentation held on file. (Medium). For the three months period prior to the audit taking place we reviewed a sample of five control account reconciliations and noted that an independent review of these reconciliations did not consistently take place (Medium). 		


Cash, Banking & Treasury Management (13.14/15)	Opinion: H – 0 M – 3 L – 1	
<p>Prior to our review an issue was identified with the banking of a cheque whereby this had been transferred from the OPCC to finance, but not banked. During our review we found that the controls in Finance over cheques received from internal departments has recently been enhanced by an introduction of a receipting system, however, we found that further guidance was required for staff to ensure all staff are aware of the process to be followed and records to be kept to avoid future issues occurring.</p> <p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> Financial Regulations are in place and includes the Cash Banking and Treasury Management responsibilities. The Financial Regulations were last subject to review in August 2014. The Financial Regulations are made available to all the relevant staff on the Finance Server; Policies and procedures are in place for Cash, Banking and Treasury Management. These documents are available to all the appropriate staff on the Finance server; Financial risks have been identified and are recorded on the “Assessment of Financial Risks”; Access to the cash book module is restricted to authorised staff only. Access to T-Police is password protected and passwords are required to be changed on every 60 days; Sequentially numbered receipt books are used for income received. Replacement receipt books are securely stored with access restricted to authorised staff only; The public are able to make payments at the Force’s Police Stations and also at the Police HQ. Payments are accepted in the form of cash or cheque; A locked cupboard in an alarmed room is used to store the cash tin and the banking. There is also a safe and the key to the safe is held in this locked cupboard; An insurance policy is in place which covers the cash contents of the safe for theft or destruction, up to a specified value; and The Treasury Management Strategy Statement (Minimum Revenue Position Policy Statement and Annual Investment Strategy) 2014/15 was approved by the Police and Crime Commissioner in February 2014. <p>We have made three medium and one low priority recommendations in relation to the application and compliance of the control framework. These are in relation to the following areas:</p> <ul style="list-style-type: none"> We reviewed a sample of eight receipt books issued between April 2013 and October 2014 and our review identified that receipts books are not always issued in sequential order (this has occurred in three instances). A log is not maintained of the receipt books in stock and the receipt books issued; A bank mandate is in place, however, the mandate is dated 2012 and includes a signatory who left employment with the organisation in 2014; and Treasury Management investments and movements of funds are subject to approval and authorisation, however it was noted that the date the CHAPS payment form was authorised was not recorded in 11 out of the 15 cases, meaning we were unable to determine if authorisation had been obtained before payment. Our review identified that cheques can be received by any department within Lincolnshire Police. If the envelope is addressed to the department or the individual the cheque will go directly to them and it is their responsibility then to pass this onto finance. The controls in Finance over cheques received from internal departments has recently been enhanced by an introduction of a receipting system, however there is a risk that departments may be unaware of the process in dealing with cheques received by their departments. 		

Delivery of the Police and Crime Plan (14.14/15)	Opinion: H – 0 M – 0 L – 2	
<p>Design of control framework</p> <p>Our review established that the control framework in place in relation to Delivery of the Police and Crime Plan is well designed, in particular:</p> <ul style="list-style-type: none"> • In accordance with the requirements of the Police Reform and Social Responsibility Act 2011 Chapter 3 Functions of elected local policing bodies; the Office of the Police and Crime Commissioner for Lincolnshire Police has produced and published a Police and Crime Plan April 2013 - March 2017 covering the term of office for the Commissioner. • At the meeting on the 7th February 2013 the Police and Crime Panel voted unanimously to accept the Police and Crime Plan for 2013-17. • There is a planning cycle in place which is utilised to capture and set out the key processes in formulating, developing and refreshing the Police and Crime Plan. This planning cycle captures key processes including: stakeholder engagement; target setting; and planning days. • The Operational Policing Delivery Plan April 2014 - March 2017 has been developed and published. This Policing Delivery Plan describes how the Force will support the Police and Crime Commissioner (PCC) in delivering the Police and Crime Plan objectives. • The Police and Crime Plan provides information about the Commissioner's governance framework. The framework enables the Commissioner to hold the Chief Constable to account in terms of delivering an effective and efficient policing. Performance is measured through a set of Super Key Performance Indicators (SKPIs) further supported by a number of Key Performance Indicators (KPIs) Performance and progress against the strategic objectives set out in the Plan are reviewed on a quarterly basis through the Performance Governance meeting. • The Office of the Police and Crime Commissioner receives the Force performance data on a monthly basis and can call into question any result or request further information on the figures being reported. • The risk register is linked to the strategic objectives documented with the Police and Crime Plan. • Every year a Strategic Assessment is undertaken of crime and disorder in Lincolnshire by the Police and Community Safety Partner Agencies and this leads to recommendations as to what crime and disorder problems should be adopted as priorities. • Each Crime and Disorder area has a Lead Officer who has ownership for the delivery of strategic priorities. These priorities are developed into delivery plan. The delivery plan outlines key tasks, responsibility and starts and end target dates. • On an annual basis the PCC produces and publishes an Annual Report outlining progress towards achievement of the objectives within the plan. • A 1,000 Volunteer Challenge Project Board was introduced to deliver the project with the overall aim to increase the current level of policing volunteers to 1,000 people within Lincolnshire. Clear terms of reference were documented for the Board. Progress against the implementation project is reported by the Volunteer Coordinator. • Lincolnshire Police Volunteer Strategy & Plan 2013-16 was produced alongside the project plan. <p>Application of and compliance with control framework</p> <p>Testing identified that the overall controls were well applied.</p>		

Payroll (17.14/15)	Opinion: H – 0 M – 0 L – 0	
<p>Design of control framework</p> <p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> Financial, Contract and Procurement Regulations (Financial Regulations) are in place to provide guidance on the payments of salaries, wages and pensions (including expenses), to staff and officers of the Force and the Office of the PCC. The Financial Regulations were reviewed in 2014 and were approved by the Police and Crime Commissioner (PCC) in August 2014 and are made available on the PCC's website. Formal agreement is in place between G4S and Mouchel for provision of payroll services, which determines the roles and requirements of each party, plus the expected service levels and monetary information. In addition the key dates of the processing cycle are included. Adequate access restrictions to the payroll system are in place. Mouchel set up and amend access to the payroll system through user profiles as advised to them by the Financial Services Manager (G4S). Testing the access rights of the five members of staff who are provided with access to the system did not identify any issues. A processing timetable is in place. This outlines the timescales which must be adhered to, to ensure timely processing of the payroll each month and highlights the deadlines for the input of data across the year. An authorised payroll signatory listing is maintained by the Finance Department. This list is subject to regular review and is available to appropriate staff. <p>Application of and compliance with control framework</p> <p>No areas were identified to draw to your attention</p>		

Payments & Creditors (16.14/15)	Opinion: H – 1 M – 0 L – 4	
<p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> Financial, Contract and Procurement Regulations (Financial Regulations) are in place to provide guidance. The Financial Regulations were reviewed and approved by the Police and Crime Commissioner in August 2014. The Financial Regulations sets out the delegated authority limits for G4S and Police and Crime Commissioner/ Chief Constable staff. Policies and procedural documentation to provide guidance to finance staff are in place covering the purchasing and creditor payment functions. The purchase order system is automated within t-Police. All authorisers are defined on the system by their role. Access to the finance system / accounts payable ledger / purchase order system is restricted to authorised staff. Access rights are routinely reviewed. The t-Police system is backed up each night and a daily snap shot of the server is taken at a set time each day. Each daily backup is currently held for seven days. The Income Processing Procedures define a tolerance level for the value of discrepancies between purchase order and invoice amounts. This is currently set at £10. Any variances over this amount are required to be authorised by the budget holder. Sample testing of 20 invoices confirmed that where appropriate the variances had been dealt with appropriately. <p>We have made one 'high' and two 'low' recommendations in relation to the application and compliance of the control framework. The high in relation to the following area:</p> <ul style="list-style-type: none"> Access to the BACS system is via the smart card and is password controlled. It was however, noted that this smart card and the password is made available to three designated members of the Exchequer Services Team who process and transmit the BACS payments. There is a risk that in the event of misuse, for example fraud, the organisation may not be able to identify the perpetrator of the misuse where smartcards and passwords are shared. (High) 		

Income and Debtors (18.14/15)	Opinion: H – 0 M – 0 L – 0	
<p>Design of control framework</p> <p>Our review has identified the following areas where controls have been adequately designed:</p> <ul style="list-style-type: none"> Financial, Contract and Procurement Regulations (Financial Regulations) are in place to provide guidance. The Financial Regulations were reviewed and approved by the Police and Crime Commissioner in August 2014. The Financial Regulations sets out the delegated authority limits for G4S and the Police and Crime Commissioner/ Chief Constable staff. Policies and procedural documentation to provide guidance to finance staff are in place covering the income and debtors and credit control functions. Access to the finance system / accounts receivable ledger is restricted to authorised staff. T-Police is backed up each night and a daily snap shot of the server is taken at a set time each day. Each daily backup is currently held for seven days. The Commercial Partnership Team Transactional Management Board (TMB) meets monthly and reviews the Performance Review Report. A meeting is not held by the TMB at every third month as the performance report is reported to and reviewed by the PCC's Performance and Delivery Board. <p>Application of and compliance with control framework</p> <p>No areas were identified to draw to your attention</p>		

Assignment: Collaboration – EMOpSS (Joint review)	Opinion: H - 0 M - 3 L - 3	
<p>Design & Application of control framework</p> <p>In developing the EMOpSS Business Case the Senior Leadership Team have facilitated dozens of road shows, workshops and ‘task and finish’ groups comprising of professional leads and subject experts from all forces in the East Midlands Region (including Derbyshire).</p> <p>A full review of the Force Strategic Threat and Risk Assessments (STRA) for Armed Policing, Roads, Dogs and Public Order was also undertaken and single four force collaborative version created for EMOpSS.</p> <p>This involved consultation with the College of Policing, a review of the SPR / NPR, review of critical reports including Cumbria (Derek Bird) and consultation with HMIC Lead Officers. The respective STRAs are the foundation upon which the proposals herein are built.</p> <p>An external consultant – Process Evolution were also commissioned to help understand the data, specifically around resource implications and demand.</p> <p>The Business Case has been appropriately approved and any updates have been appropriately presented and approved by the relevant Boards.</p> <p>We have made four medium priority and four low priority recommendations in relation to the design of the control framework. The medium recommendations refer to;</p> <ul style="list-style-type: none"> • Exploring other potential savings and incorporating these within the overall planned savings. Currently, the Business Case only includes those savings around Staff Costs, but by the very nature of the project there will be other savings around such elements of Transport and Uniform and Capital savings (Capital Costs or savings are not currently included) • Linked to the identification of savings, they need to be split between cashable and non-cashable. This will provide transparency around the proposed savings and manage expectations within the individual forces in terms of their actual cashable value and delivery. • Monitoring of the achievement of the overall benefits (not just financial) of EMOpSS (both collectively and individually) clearly links into the development of the Assurance Framework for each Collaboration. The performance measures should be agreed and reported within the Assurance Framework, thus providing assurances that the overall objectives and the purpose of the Collaboration are being achieved. • Given the current levels of collaboration and the intentions to increase collaboration further, we would encourage the Regional Forces to review the oversight and monitoring arrangements in place to ensure that Forces remain comfortable with how collaborative projects are being monitored and managed, or whether there are any benefits in expanding the existing Regional Team to provide this current significant demand. 		

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The matters raised in this report are only those which came to our attention during the course of our review 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. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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