

Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police

Annual Internal Audit Report - Year ended 31 March 2015

Presented at the Joint Independent Audit
Committee meeting of:

9 June 2015

Baker Tilly Risk Advisory Services LLP

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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.

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1 Introduction

As the provider of the internal audit service to Lincolnshire Police we are required to provide the Section 151 Officers and the Joint Audit Committee, an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements.

In line with the Financial Management Code of Practice published by the Home Office, both the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC) must have an internal audit service, and there must be an Audit Committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2014/15.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare informed annual governance statements.

In giving our opinion it should be noted that assurance can never be absolute. The opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the organisation. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2 The Head of Internal Audit Opinions

Police and Crime Commissioner for Lincolnshire

For the 12 months ended 31 March 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's assurance framework, risk management, internal control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2015 Police and Crime Commissioner for Lincolnshire has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives

Chief Constable for Lincolnshire

For the 12 months ended 31 March 2015, based on the work we have undertaken, our opinion below details the adequacy and effectiveness of your organisation's assurance framework, risk management, internal control and governance.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2015 Chief Constable for Lincolnshire has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

2.1 The basis of our opinion

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Governance

Our review of Governance focused on the decision making and was provided with a Green (substantial assurance) opinion.

We concluded that the governance arrangements in place for both the OPCC and the Force were adequate and effective.



Risk Management

OPCC

Our audit of Risk Management within the OPCC included a review of the Risk Register update, review, monitoring and reporting. This review was provided with a Green (substantial assurance) opinion.

Force

Our audit of Risk Management within the Force included a review of the Risk Register update, review, monitoring and reporting. Key recommendations related to departmental risk registers. This review was provided with an Amber / Green (reasonable assurance) opinion.

We concluded that the risk management arrangements in place for both the OPCC and the Force were adequate and effective.



Control

We undertook eighteen assurance reports, all except one were provided positive opinions. This included seven Green (substantial) assurances, six Amber / Green (reasonable) assurances, three Amber / Red (some) assurance and one Red (can not take) assurance opinions. The Amber Red Opinions were in the areas of t-Police Systems Review, Fleet Management and Data Returns – HMIC VFM Profiles (Home Office Annual Data Return (ADR 502)). The Red opinion was in the area of Service Expectations POCA.

In addition, we undertook two reviews within the East Midlands Collaboration: East Midlands Operational Support Service (EMOpSS) was provided with an Amber Green (reasonable assurance) opinion and Collaboration: Innovation Fund was provided with a Red (cannot take assurance) opinion as we found there was not a consistent, transparent and overarching governance framework in place to provide oversight and effective management of the Innovation Funds.

We concluded that the controls arrangements in place for both the OPCC and the Force were adequate and effective.



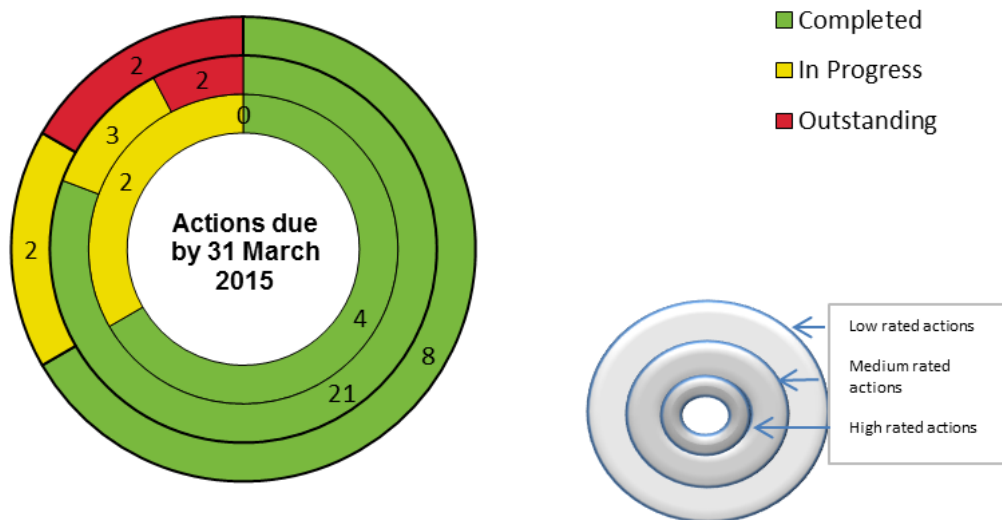
A summary of internal audit work undertaken, and the resulting opinions, is provided at appendix A.

2.2 Acceptance of 2014/2015 Internal Audit recommendations

All except one recommendations made during the year were accepted by management. The one exception was within the Service Expectation - POCA audit where the recommendation was partly accepted. We have accepted managements response in this area.

2.2.1 Implementation of actions due by 31 March 2015.

Our follow up of the recommendations from previous years and current audit assignments, showed that the organisation had made reasonable progress in implementing the agreed actions.



2.3 Reliance placed upon work of other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 Our performance

3.1 Wider value-adding delivery

As part of our client service commitment, during 2014/15 we:

- Issued client updates and general briefings during the year.
- Provided a Risk Register Analysis paper benchmarking risks across the Police Sector.
- Facilitated round table events for the OPCC and Force CFOs for the East Midlands Police, and also the Chairs of the Joint Audit Committee.
- Participated in quarterly Anti-fraud and corruption meetings with the Force and OPCC
- Provided benchmarking within our reports on the number and category of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken both advisory and assurance reviews across both Corporations Sole. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for consideration.

3.2 Conflicts of interest

Baker Tilly has not undertaken any work or activity during 2014/15 that would lead us to declare any conflict of interests.

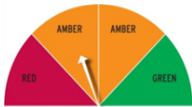

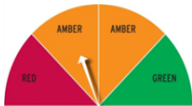

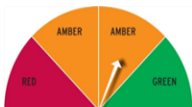
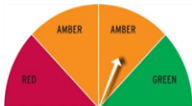

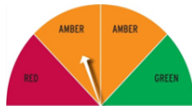
3.3 Conformance with internal auditing standards

Baker Tilly affirms that our internal audit services to Lincolnshire Police are designed to conform with the Public Sector Internal Audit Standards (PSIAS).


Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our Risk Advisory service line commissioned an external independent review of our internal audit services in 2011 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.


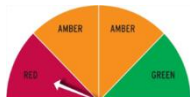
Appendix A: Internal Audit Opinion and Recommendations Summary 2014/15

Assignment	Opinion	Actions agreed		
		H	M	L
t-Police Systems Review		0	4	1
Governance – Decision Making		0	0	2
Fleet Management		1	4	2
Service Expectations-POCA		1	2	0
G4S NICHE Service Provision	Advisory	0	0	0
Service Expectations – Force Firearms Asset Management		1	0	3
Financial Management including Budget Management and Procurement		0	2	3
Police Objective Analysis (POA)-				
Data Returns - HMIC VFM Profiles		0	3	0
	Home Office Annual Data Return			
	(ADR 502) 			

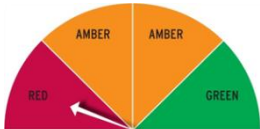
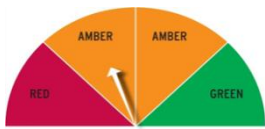
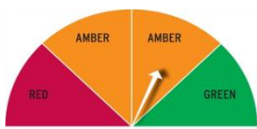

Assignment	Opinion	Actions agreed		
		H	M	L
Data Security		0	1	2
Asset Management (Draft)		0	1	0
General Ledger		0	2	1
ICT Change Management		0	2	0
Cash, Banking & Treasury Management (Draft)		0	3	1
Delivery of the Police and Crime Plan		0	0	2
Risk Management	OPCC - 	0	2	1
	Force 			
Payments and Creditors (Draft)		1	0	4
Payroll (including Pensions Contributions and Expenses)		0	0	0

Assignment	Opinion	Actions agreed		
		H	M	L
Income and Debtors		0	0	0
Follow Up of Previous Internal Audit Recommendations (Draft)	Reasonable Progress			

East Midlands Collaborative Audits

East Midlands Operational Support Service (EMOpSS)		0	4	4
Collaboration: Innovation Fund (Draft)		1	4	0

We use the following levels of opinion classification within our internal audit reports

			
Taking account of the issues identified, the OPCC & Force cannot take assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, whilst the OPCC & Force can take some assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	Taking account of the issues identified, the OPCC & Force can take reasonable assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	Taking account of the issues identified, the OPCC & Force can take substantial assurance that the controls upon which the organisations relies to manage this risk are suitably designed, consistently applied and effective.

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