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

Internal Audit Progress Report 2015/16

November 2015

Presented to the Joint Independent Audit Committee meeting of: 24th November 2015

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01 Introduction

1.1 The purpose of this report is to update the Joint Independent Audit Committee (JIAC) as to the progress in respect of the Operational Plan for the year ended 31st March 2016. The plan was considered and approved by the JIAC at its meeting on 9th June 2015.

1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.

1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Independent Audit Committee, 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.

1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.

1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.

1.6 Our work is delivered is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 We have issued five final reports to date, although details in respect of Firearms Licensing and Procurement were reported in the previous progress report. The following table provides a summary of assurances, including the number and categorisation of recommendations, in each report issued to date. Further details, and scheduled work for the rest of the year, are provided in Appendix A1.

Auditable Area	Report Status	Assurance Opinion		Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Firearms Licensing	Final	Satisfactory		-	4	4	8
Procurement	Final	Satisfactory		-	2	-	2
Estates Management	Final	Satisfactory		-	2	4	6
Risk Management	Final	Force - Satisf	OPCC – Signif	-	-	3	3
Governance	Final	Satisfactory		-	1	3	4
		Total		0	9	14	23

2.2 Work in respect of Budgetary Control has recently been completed and will be reported shortly. In addition, the scope of the work in respect of Cash & Bank, General Ledger and Asset Management have been agreed and fieldwork commences at the end of November.

2.3 There have been two changes to the plan since the previous progress report. Management have requested that the audit of Delivery of Partner Outcomes – LCJB be replaced with an audit of another of the Partnership Arrangements, whilst HR Flexible Working has been deferred to 2016/17 and replaced by an audit of Pensions. Further details are provided in Appendix A1.

2.4 As reported last time, Internal Audit attended a meeting of the OPCC Chief Financial Officers Group at which one of the areas discussed was how Internal Audit could provide assurance with regards the key risks relating to regional collaboration. Since this meeting Internal Audit have attended a further meeting of the Group at which Collaboration was again discussed. It was agreed that Baker Tilly, having undertaken an initial 'Proof of Concept' review of the Learning and Development regional collaboration arrangement, would be commissioned to undertake similar assurance mapping exercises on the other areas of collaboration. As a consequence, at the time of writing, the Group are currently discussing how best to utilise the resources in the internal audit plan set aside for collaboration.

03 Performance

3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter. This list will be developed over time, with some indicators either only applicable at year end or have yet to be evidenced.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (5/5)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (5/5)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (14/14)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

Appendix A1 – Summary of Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the reports issued to date are provided below:

Estates Management

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	2
Priority 3 (Housekeeping)	4

Our audit considered the following control objectives:

- There are effective governance arrangements in place between the Force, OPCC and G4S for the delivery of the Estates Strategy. This includes roles and responsibilities, reporting, decision making, etc.
- There is a comprehensive and approved Estates Strategy in place which is aligned with strategy and medium / long term objectives of the OPCC and Force.
- The Estates Strategy is in line with the approved budget and is aligned with a fully costed and approved stock condition survey.
- Delivery of the Estates Strategy is supported by an agreed implementation plan/ programme of work.
- Capital works are carried out in accordance with the implementation plan/ programme of work.
- Budget control processes ensure that actual spend is in accordance with the approved budget.
- Non-delivery of the capital programme is flagged at the earliest opportunity and actions put in place to address the issues.
- Management information is provided to the Force to enable it to monitor performance against the capital programme.

In reviewing the above control objectives, our audit considered the following areas:

- Governance arrangements
- Estates Strategy
- Budget Processes
- Stock Condition Surveys
- Capital and Maintenance programmes.

We raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These have been set out below:

- Careful consideration should be given by both the Asset Management Board and Finance section for capitalisation of expenditure which could be deemed routine maintenance.

  A log of evidence should be maintained to confirm that assurance / approval has been obtained from Finance in these cases to reduce the risk of any virements and subsequent revenue overspend at year end.

- Discussions with finance should take place to establish whether the T-Police system has any capability (current or planned) to report on commitments made. It may also be worthwhile establishing if any other departments are utilising manual systems/ increased resources as a result to drive a solution to this.

  Ideally, an interface between Concept and T-Police should be developed, however if this is not possible the two systems should be reconciled periodically to ensure that management information utilised from Concept is accurate.

We also raised four priority 3 recommendations of a more housekeeping nature in respect of the following:

- Asset Management Board
- Stock Condition Survey
- Lease Arrangements
- Estates Benchmarking Data

Management have confirmed that either actions have been taken or a timeframe has been agreed to address the issues raised in the report.

Risk Management

Assurance Opinion	OPCC – Significant
	Force – Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	-
Priority 3 (Housekeeping)	3

Our audit considered the following control objectives:

- A risk management strategy, with supporting policies and procedures, is in place and available to officers and staff.
- Procedures are in place to ensure that risks are identified, assessed, recorded, and appropriate risk owners are assigned.
- The departmental risk registers are subject to regular review and update, and are escalated through the relevant channels in a timely manner.
- Risk mitigation actions are in place and there is evidence they are monitored to ensure tasks are completed within agreed timescales.
- Appropriate oversight and reporting arrangements, including between the Force and OPCC, are in place and are working effectively.
- The methods for identifying and managing potential risk within the business areas are regularly reviewed, with consideration given to developing engagement at all levels.
- Recommendations raised in previous reviews have been implemented.

No fundamental and significant issues were raised as a consequence of the audit. We did raise three priority 3 recommendations of a more housekeeping nature in respect of the following:

- Risk Identification
- Scoring and Mitigation
- Risk Register Format

Management have confirmed that a timeframe has been agreed to address the issues raised in the report.

Governance

Assurance Opinion	Satisfactory

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	1
Priority 3 (Housekeeping)	3

Our audit considered the following control objectives:

- There are effective partnership governance arrangements in place between the Force, OPCC and G4S for the delivery of services.
- The partnership arrangement with G4S is underpinned by clearly documented objectives / outcomes set by the Force / OPCC.
- There is a comprehensive and approved contract and supporting schedules / documentation with G4S in place which is aligned with strategic and medium / long term objectives of the OPCC and Force.
- The roles, responsibilities and decision-making protocols are agreed, documented and fully understood.
- There is an effective performance management framework in place that is underpinned by clear and agreed performance measures.
- Comprehensive and timely management information is provided to the Force / OPCC to enable it to monitor performance of G4S.
- Effective risk management arrangements are in place that support the delivery of service objectives.
- Non-delivery of the service is flagged at the earliest opportunity and actions put in place to address the issues. There are clear escalation procedures in place for dealing with non-performance.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This has been set out below:

- G4S and the OPCC, perhaps through the Force Commercial Partnership Team, should design and agree a framework for validating KPIs performance data on an on-going rotational basis, with the objective of gaining assurance over the accuracy of the KPI population data.

We also raised three priority 3 recommendations of a more housekeeping nature in respect of the following:

- Contract Key Performance Indicators – Summary Statistics
- Benchmarking
- Partnership Framework Terms of Reference

Management have confirmed that either actions have been taken or a timeframe has been agreed to address the issues raised in the report.

Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target JIAC	Comments
Core Assurance					
Governance	Aug / Sept 2015	A - Oct 2015	A - Nov 2015	Nov 2015	Final report issued.
Procurement	Aug 2015	A - Aug 2015	A - Sept 2015	Sept 2015	Final report issued.
Risk Management	Aug 2015	A – Oct 2015	A – Nov 2015	Nov 2015	Final report issued.
Core Financial Systems					
Budgetary Control	Sept 2015	P - Oct 2015	P - Nov 2015	March 2016	Fieldwork completed; clearing outstanding queries with auditee.
Cash, Bank & Treasury	Nov / Dec 2015	P - Dec 2015	P - Jan 2016	March 2016	Scope agreed; starts 30th Nov.
Payroll	Feb 2016	P - March 2016	P - March 2016	March 2016	Terms of reference currently being considered.
General Ledger	Nov / Dec 2015	P - Dec 2015	P - Jan 2016	March 2016	Scope agreed; starts 30th Nov.
Income & Debtors	Feb 2016	P - March 2016	P - March 2016	March 2016	Terms of reference currently being considered.
Payment & Creditors	Feb 2016	P - March 2016	P - March 2016	March 2016	Terms of reference currently being considered.
Asset Management	Nov / Dec 2015	P - Dec 2015	P - Jan 2016	March 2016	Scope agreed; starts 30th Nov.

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target JIAC	Comments
Strategic & Operational Risk					
Code of Practice for Victims of Crime	Jan 2016	P - Feb 2016	P - March 2016	March 2016	Terms of reference currently being considered.
Delivery of Partner Outcomes – LCJB					Audit postponed on management's request and are currently considering options on auditing another Partnership Arrangement.
Partnership Arrangement	Jan 2016	P - Feb 2016	P - March 2016	March 2016	
Benefit Realisation Evaluation	March 2016	P - April 2016	P - April 2016	June 2016	Allocated to Q4 on management's request.
T-Police – User Acceptance / Change Control	Jan 2016	P - Feb 2016	P - March 2016	March 2016	Deferred to Q4 on management's request.
HR – Flexible Working					Audit deferred until 2016/17 on management's request and replaced with 'Pensions'.
Pensions	Feb 2016	P - Feb 2016	P - March 2016	March 2016	
Firearms Licensing	July 2015	A - Aug 2015	A - Sept 2015	Sept 2015	Final report issued.
Estates Management	Sept 2015	A - Sept 2015	A - Oct 2015	Nov 2015	Final report issued.
Collaboration					
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.4.

* P – Planned Date; A – Actual Date

Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	**Adequacy of system design**	**Effectiveness of operating controls**
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	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 Assurance:	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 Assurance	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.

Definitions of Recommendations	
Priority	**Description**
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.

Appendix A4 - Contact Details

Contact Details

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A5 Statement of Responsibility

Status of our reports

The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

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