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

Internal Audit Progress Report 2016/17 & 2017/18

July 2017

Presented to the Joint Independent Audit Committee meeting of: 27th July 2017

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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 2017, together with progress on delivering the 2017/18 Internal Audit Plan which was considered and approved by the JIAC at its meeting on 5th April 2017.

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 with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisations' 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 Forces' 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 two final reports in respect of the 2016/17 plan since the last progress report to the JIAC, these being in respect of Victims Services and Procurement. Further details are provided in Appendix 1.

3 Lincolnshire 2016/17 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Insurance	Final	Significant			4	4
Medium Term Financial Planning	Final	Significant			2	2
Complaints Management	Final	Satisfactory		2	1	3
Seized & Found Property	Final	Satisfactory		3	3	6
Recruitment	Final	Satisfactory		2	3	5
Overtime & Time Recording	Final	Satisfactory		2	2	4
General Ledger	Final	Significant			1	1
Cash, Bank & Treasury	Final	Satisfactory		1	1	2
Information Technology	Final	Significant			3	3
Payment & Creditors	Final	Satisfactory		3	3	6
Income & Debtors	Final	Satisfactory		1	1	2
Payroll	Final	Satisfactory		1	1	2

Lincolnshire 2016/17 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Learning & Development	Final	Satisfactory		3		3
Partnerships	Final	Satisfactory		2	2	4
Victims Services	Final	Satisfactory		3	1	4
Procurement	Final	Satisfactory		3		3
		Total	**-**	**26**	**28**	**54**

2.2 As reported in our previous progress report, five specific areas have been identified in terms of the collaborative audits for 2016/17. These reviews looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. Since the last progress report to the JIAC we have finalised the last audit; this being in respect of EMOpSS. Further details are provided in Appendix 1.

3 Collaboration Audits 2016/17	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EM Shared HR Service Centre	Final	Satisfactory		1	3	4
EM Legal Services[1]	Final	Limited	1	3	2	6
EMOpSS[1]	Final	Satisfactory		3	3	6
EMS Commercial Unit	Final	Satisfactory		3		3
EMSOU[1]	Final	Satisfactory		3	1	4
Collaboration Total		**Total**	**1**	**13**	**9**	**23**

[1] Denotes those collaborative arrangements which Lincolnshire are a part of.

2.3 Work in respect of 2017/18 audits is underway and we have recently issued the final report in respect of Online Banking. Work in respect of Fleet Management and G4S Contract Management is currently in progress, whilst fieldwork dates for Budgetary Control, Audit Committee Effectiveness and the Road Safety Partnership have been agreed. Further details are provided within Appendix A4.

03 Performance

3.1 The following table details the Internal Audit Service performance for the year ending 31st March 2017 measured against the key performance indicators that were set out within Audit Charter.

No	Indicator	Criteria	Performance
1	Annual report provided to the JIAC	As agreed with the Client Officer	Achieved
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.	94% (15/16)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (15/15)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A[1]
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A[1]
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (16/16)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (6/6)

[1] Previous audit recommendations are followed up through the review of the Implementation Progress Report that is presented at each JIAC by the DCC. Additionally, those audits that are carried out on an annual basis include a follow-up of previous recommendations.

Appendix A1 – Summary of Reports 2016/17

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report relating to the 2016/17 Internal Audit Plan:

Victims Services

Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

Governance

- There is a contract / service level agreement (SLA) in place with the provider(s) of Victims Services, which sets out the service(s) that will be provided. This includes the roles and responsibilities of all parties and sets out the costs of providing the services.

Management

- The process for requesting Victims Services is documented and followed and there are effective controls in place with regards to records management.

Monitoring

- Systems are in place to monitor the quality of the service provided and management information is provided against which the service can be measured.
- There are effective reporting mechanisms to allow for the review and scrutiny of performance, including budget management.

Risk Management

- Risk Management arrangements are in place and are effective in respect of the mitigating key risks to the service.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

Recommendation 1	The OPCC should put in place a clear governance structure that states the roles and responsibilities for the delivery and management of Victim Services.
Response	It is anticipated that changes to the service will be considered upon the delivery of the Victims Strategy and audit recommendations will be reviewed in line with the consultant's recommendations.
Timescale	Sept 2017 / OPCC Chief Executive

Recommendation 2	The OPCC should look to develop a performance framework that collates performance from all elements of Victim Services including: • Contracted providers performance; • In-house Victim Lincs performance; and • All other providers performance.
Response	Following the outcome of the Victim Strategy this will guide the future approach to the service and performance monitoring will be reviewed in line with this.
Timescale	Sept 2017 / OPCC Chief Executive

Recommendation 3	Following the completion of the Victim Strategy project, the OPCC should ensure that the risks to victim services are being appropriately managed and that risks to the service are captured on the appropriate risk register.
Response	The Victim Strategy project scope includes the review of risks to the service and during the implementation phase this will be reviewed to ensure risk management to the service is adequately covered.
Timescale	Sept 2017 / OPCC Chief Executive

We also raised one priority 3 recommendation of a more housekeeping nature. This was in respect of ensuring Service Level Agreements are in place with all providers who receive funds. Management confirmed that actions would be taken by October 2017 for CHISVA and April 2018 for SARC and ISVA (as that is when new contracts commence).

Procurement

Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

- Procedures and policies support the procurement process and have been communicated to all relevant staff;
- Staff are aware of their responsibilities under these procedures and comply fully with the Contract and Procurement Regulations;
- All procurements over £25K are referred to the SPU;
- Processes are in place to maintain the security and integrity of systems and data for transacting business electronically;
- The procurement is authorised by the appropriate person and correctly recorded;
- Purchases to be excluded or redacted from transparency disclosures are identified at the requisition/procurement stage;

- All processes and authorisations are undertaken in a timely fashion;
- Exceptions are only sought in the appropriate circumstances, as stated in the Contract and Procurement Regulations;
- All exceptions have been properly recorded and approved by the appropriate person; and
- All exceptions above £25K have been correctly reported to the Commissioner as per the regulations.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These related to the following:

Recommendation 1	The Force should complete a review of the Transparency Report to ensure clarity in the information provided. This may include removal of the Value for money column and its replacement with an overarching statement, including a reference to the Financial, Contract and Procurement Regulations.
Response	Agreed. The Transparency report has been updated to remove the Value for Money column in line with the recommendation.
Timescale	Immediate / Force CFO

Recommendation 2	The Force should ensure that all Exceptional Purchase Action (EPA) Forms clearly set out the reason for their submission. EPA's should be submitted and approved in a timely manner and prior to the previous contract expiring where appropriate. This should be more than one week prior to the contract commencement to ensure the Procurement Team have sufficient time to award and place the winning contract. Contract owners should be reminded to begin the procurement process in a timely manner prior to the previous contract expiration.
Response	Agreed that EPAs should clearly set out the rationale for their submission. They should be promptly submitted and approved and a reminder will be issued to contract owners and other staff likely to be involved in procurement. The audit identified two exceptions where it was unclear why EPA was appropriate;, the following should be noted: 1. Work in respect of consultancy services had initially been broken down into two contracts, each £25k (the limit above which an EPA should have been submitted). When it was established that this was just the one contract to the value of £50k, an EPA was submitted retrospectively. 2. An EPA had been submitted on the basis of the existing knowledge of the Force by the consultant. However, it was then established that the service could have been provided by other consultants, albeit the existing consultant could have then submitted a lower tender bid using this experience and thereby allowing the Force to demonstrate best value through the competitive process. The importance of following procedure has been drawn to the attention of the officer concerned.
Timescale	Immediate / Force Chief Finance Officer

Recommendation 3	Staff should be reminded to ensure all exceptions processed through an EPA Form on the Procurement Database are highlighted in the "Recordable in Accounting Year" to confirm they are visible on the Exceptions Report produced from the Database. Consideration should also be taken to reviewing the procurements processed in 2016/17 and 2017/18 to date to ensure all Exceptions have been identified and highlighted through the above method.
Response	Agreed. A review of all EPA forms submitted will be undertaken to ensure inclusion on the procurement database.
Timescale	Immediate / Force CFO

East Midlands Operational Support Services (EMOpSS)

Assurance Opinion	Satisfactory

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

The East Midlands Operational Support Services Unit (EMOpSS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. In December 2013 the four forces agreed to progress with a regional solution to operational support with leadership appointed in 2014 before going live in May 2015. The Unit collaborates in providing operational support in the following areas:

- Command and Control – Tasking, Co-ordination,
- Specialist Services – Dogs, Search, Tactical Support
- Armed Policing – Operations and Training
- Strategic Roads Policing – Roads Policing, Road Crime, Serious Collision Investigations

Our audit considered the following risks relating to the area under review:

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We raised three priority 2 recommendations where we believe there is scope for improvement within the control environment. These relate to the following:

Recommendation 1	A review of the current governance groups should be undertaken and a consistent format to the terms of references should be applied across EMOpSS. These should include, but not be limited to: ➢ Purpose ➢ Scope ➢ Membership ➢ Decision making authority ➢ Reporting Requirements ➢ Frequency of meetings ➢ Review The Terms of Reference should be established for each of the governance groups and the forums with decision making powers should ensure that they have a decision log in place and record meeting minutes.
Response	EMOpSS has recently gone through significant change within the Leadership Team. A review of the Governance structure is currently underway and will be discussed at the first SMB which is scheduled for 14th June 2017. As part of that review Terms of Reference for each forum will be put in place and consideration given to the methods in which they are recorded.
Timescale	September 2017 Ch Supt Kerry Smith

Recommendation 2	EMOpSS should continue to develop a performance framework. This should consider the outputs and quality of its deployments across the region to ensure effective performance monitoring can take place.
Response	EMOpSS are continuing to develop this framework under the new leadership team. There is a clear focus on outcomes and in particular links to local issues within each Force area. The team are working on providing a regional update performance document with bespoke force information. There are some challenges in collating data over a four force area with varying IT systems and ways of presenting the information.
Timescale	Ongoing Ch Supt Kerry Smith

Recommendation 3	The risk register should be updated to include a RAG rating between the target risk score and the current risk score to clearly identify the priorities for risk mitigation actions. The risk actions should be separated into ongoing actions and specific actions that will be taken on a set date, with the planned effect on the risk score clearly stated. The Risk Register should be a standard agenda item at the Strategic Management Board meetings.
Response	The Business Partner is currently working on the recommendations made. The risk register will be placed on the SMB agenda commencing 14/6/17.
Timescale	September 2017 Ch Supt Kerry Smith

We also raised three priority 3 recommendations of a more housekeeping nature in respect of the meeting schedule, policies and procedures and the business plan. Management have confirmed that all agreed actions will be completed by 30th September 2017.

Appendix A2 – Summary of Reports 2017/18

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report relating to the 2017/18 Internal Audit Plan:

Online Banking & Sungard System

Assurance Opinion	Significant

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

Our audit considered the following area objectives:

Online banking system and Sungard:

- The system allows different user profiles to be put in place that are in line with existing Financial Regulations authorisation limits;
- Users within the Barclays Online Banking System have been correctly set up in line with the existing authorisation levels;
- Transactions made by online banking are made in line with Force and OPCC controls;
- Robust procedures are in place to ensure the addition, removal and amendments of users within the system; and
- The online system has an adequate audit trail to ensure all transactions document the users involved.

Sungard:

- Procedures are in place to ensure resources are available prior to trades being registered in the Sungard system

We raised three priority 3 recommendations of a housekeeping nature. These related to the following:

- The Force and OPCC should ensure that the Treasury Management Strategy is updated to reflect the limits on money market funds.

- Consideration should be made to carrying out a test transaction with the dual user to confirm that the system will not allow them to carry out two roles in the same transaction.

Additionally, a written confirmation of the system restriction for the dual user should be sought from Barclays to give assurance that controls cannot be bypassed by dual users.

- The Sungard Procedure Note should be updated to include the process of checking available resources prior to commitment.

Management have confirmed that all agreed actions will be completed by 31st July 2017.

Appendix A3 Internal Audit Plan 2016/17

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Core Financial Systems					
General Ledger	Oct 2016	Nov 2016	Dec 2016	Feb 2017	Final report issued.
Cash, Bank & Treasury	Oct 2016	Nov 2016	Nov 2016	Feb 2017	Final report issued.
Payment & Creditors	Jan 2017	Jan 2017	Feb 2017	April 2017	Final report issued.
Income & Debtors	Jan 2017	Jan 2017	March 2017	April 2017	Final report issued.
Payroll	Jan 2017	Jan 2017	March 2017	April 2017	Final report issued.
Strategic & Operational Risk					
Information Technology	Jan 2017	Dec 2016	Jan 2017	Feb 2017	Final report issued.
Victims Services	Feb 2017	May 2017	June 2017	July 2017	Deferred on management's request. Final report issued.
Recruitment	Sept 2016	Sept 2016	Oct 2016	Feb 2016	Final report issued.
Insurance	April 2016	May 2016	July 2016	July 2016	Final report issued.
Learning & Development	Jan 2017	Feb 2017	March 2017	April 2017	Final report issued.
Partnerships	Nov 2016	Jan 2017	Feb 2017	Feb 2017	Final report issued.
Complaints Management	June 2016	July 2016	Aug 2016	Oct 2016	Final report issued.
Medium Term Financial Planning	May 2016	June 2016	July 2016	Oct 2016	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Overtime / Time Recording	Aug 2016	Sept 2016	Nov 2016	Feb 2016	Final report issued.
Seized & Found Property	July 2016	Aug 2016	Sept 2016	Oct 2016	Final report issued.
Collaboration					
EM Shared HR Service Centre	Dec 2016	Dec 2016	Jan 2017	Feb 2017	Final report issued.
EM Legal Services	Nov 2016	Nov 2016	Nov 2016	Feb 2017	Final report issued.
EMOpSS	Feb 2017	March 2017	May 2017	July 2017	Final report issued.
EMS Commercial Unit	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Final report issued.
EMSOU	Jan 2017	March 2017	March 2017	April 2017	Final report issued.
Other					
Blue Light Collaboration Programme	Aug 2017	Oct 2016	Jan 2017	Feb 2017	Final report issued.
Procurement	April 2017	April 2017	July 2017	July 2017	Final report issued.

Appendix A4 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Core Assurance					
Budgetary Control	Sept 2017			Oct 2017	
Cash, Bank & Treasury Management	Jan 2018			April 2018	
General Ledger	Jan 2018			April 2018	
Payments & Creditors	Jan 2018			April 2018	
Income & Debtors	Jan 2018			April 2018	
Payroll	Jan 2018			April 2018	
Audit Committee Effectiveness	Sept 2017			Oct 2017	
Code of Governance	Nov 2017			Jan 2018	
Strategic & Operational Risk					
Online Banking	May 2017	May 2017	May 2017	July 2017	Final report issued.
Road Safety Partnership	Aug 2017			Oct 2017	
G4S Contract Management	July 2017			Oct 2017	Work in progress.
Fleet Management	July 2017			Oct 2017	Work in progress.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Firearms Licensing	Dec 2017			Jan 2018	
ICT / Business Continuity	Sept 2017			Oct 2017	
HR – Apprentice Levy	Dec 2017			Jan 2018	
T-Police	Oct 2017			Jan 2018	
Learning & Development	Feb 2018			April 2018	
Benefit Realisation	Feb 2018			April 2018	
Collaboration					
EMCHRS Learning & Development	Aug 2017			Oct 2017	Lead force is Nottinghamshire. Four force, excludes Lincolnshire.
EMCHRS Occupational Health	Oct 2017			Jan 2018	Lead force is Leicestershire. Five force.
EMSOU Forensic Services	Sept 2017			Jan 2018	Lead force is Derbyshire. Five force.
Criminal Justice (EMCJS)	Dec 2017			April 2018	Lead force is Lincolnshire. Four force, excludes Derbyshire.
POCA	Jan 2018			April 2018	Lead force is Nottinghamshire. Five force.

Appendix A5 – 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 A6 - Contact Details

Contact Details

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A7 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.

The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

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