Police & Crime Commissioner for Lincolnshire & Lincolnshire Police

Internal Audit Progress Report

Presented to JIAC – 28th April 2021

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Date: April 2021

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Disclaimer

This report ("Report") was prepared by Mazars LLP at the request of the Lincolnshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Lincolnshire and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit the Lincolnshire Police and the Officer of the Police and Crime Commissioner (OPCC) for Lincolnshire and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A1 of this report for further information about responsibilities, limitations and confidentiality.

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01 Summary

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 2020 and subsequently progress in respect of the Operational Plan for the year ending 31st March 2021, which was considered and approved by the JIAC at its meeting on 10th June 2020.

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.

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.

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.

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.

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

02 Current progress

Since the last meeting of the JIAC in January 2021, we have issued seven final reports in regard to Fleet Management, Payments & Creditors, Income & Debtors, Payroll, General Ledger and Cash, Bank & Treasury Management and Recruitment Follow Up. In addition to this we have issued two draft reports in respect of Workforce Planning & Governance. Further details are provided in Appendix A3. In relation to the 2019/20 Collaboration reports the Business Continuity report has also been finalised.

The impact of the Covid-19 lockdown(s) has posed several challenges to the internal audit process and the move to remote auditing has caused some initial delays in setting dates when the audits will be carried out. Both parties have worked hard to ensure the audits could be completed and Mazars have held regular catch up meetings with the Force and OPCC Chief Finance Officers to discuss this. This has enabled us to have completed the majority of the 2020/21 Plan, prior to the end of March.

As noted in our last update whilst good progress was being made we were able to complete the fieldwork for the remaining audits in the plan with the exception of four pieces of work. The first of these was an audit of Partnerships that was attempted to be scheduled but was deferred into the 21/22 plan at the request of the OPCC (the changes were areed with the chair of JIAC). The other two audits are in relation to IT audits where Governance and IT: Benefits Realistaion, where we have attempted to get in touch with key contacts to plan the audit, however due to some changes in staffing this has proved difficult and has caused delays. The commercial partnership team has recently engaged with audit to identify the right individuals and we have provided an initial scope of work that is to be considered before arranging the logistics for completing the work. The Commissioning Follow Up audit was scheduled to take place in early April, however due to staff availability ot was agreed to complete this work at the beginning of May.

The finalisation of the Collaboration Business Continuity Audit from 19/20 completes the most outstanding audit to date. We are pleased to inform the committee that draft reports for the two Collaboration Audits in 20/21 have now been issued.

We have attended the regional Chief Finance Officers' meeting to discuss the Collaboration Audits for 2021/22 and it has been agreed that a more focused approach will be taken to collaboration audits and internal audit are working with the Collaboration Manager to produce a proposed plan of work to the next regional Chief Finance Officers' meeting. It is envisaged with a more focused approach this should result in the delivery of these audits in a timelier manner. Audit will keep the JIAC informed of progress moving forward.

The Plan in Appendix A1 has been updated to include changes to fieldwork dates as agreed with Lincolnshire Police and the Office of the Police and Crime Commissioner for Lincolnshire and target reporting dates to JIAC.

Summary table of work to date:

Lincolnshire 2020/21 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Archive Management	Final	Limited	1	2	1	4
VCOP Follow Up	Final	Satisfactory		1	1	2
Fleet Management	Final	Significant			1	1
Recruitment Follow Up	Final	Limited	1	1	2	4
Cash, Bank & Treasury Management	Final	Significant				
General Ledger	Final	Significant			3	3
Income & Debtors	Final	Satisfactory		1	2	3
Payments & Creditors	Final	Significant Limited	1		1	2
Payroll	Final	Significant			3	3
Workforce Planning	Draft					
Governance	Draft					
		Total	**3**	**5**	**14**	**22**

03 Performance 20/21

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.

Number	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% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (9/9)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
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.	91% (11/12)*
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

*Fleet Management was arranged at short notice due to an opportunity arising with the availability of an auditor and was arranged in conjunction with the OPCC and Force management team

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A1 2020/21 Plan Overview

Audit area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JIAC	Comments
Core Financial Systems	Q3 & Q4	Feb 21	Mar 21	Apr 2021	Final Report Issued
Code of Governance	Q4	Apr 21		Jul 2021	Draft Report Issued
Workforce Planning	Q4	Mar 21		Sept 2021	Draft Report Issued
Fleet Management	Q4	Dec 20	Jan 21	April 2021	Final Report Issued
Archive Management	Q2	Nov 20	Dec 20	Sept 2020	Final Report Issued
Benefits Realisation (IT)	Q4			Jul 2021	Planning ongoing.
Partnerships	Q4			21/22	Deferred to 21/22 Plan
IT Governance	Q3			Jul 2021	Planning ongoing.
Commissioning Follow Up	Q4			Jul 2021	Fieldwork planned for May 21
Recruitment Follow Up	Q2	Nov 20	Apr 21	Apr 2021	Final Report Issued
Victims Code Follow Up	Q3	Oct 20	Nov 2020	Jan 2021	Final Report Issued
Procurement (G4S)	Additional	Nov 20	Apr 21	Apr 2021	Final Report Issued
Collaboration	Q4	Apr 21		Jul 2021	Draft Report Issued

A2 Reporting Definitions

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.

Recommendation Priority	Description
1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the Organisation to a high degree of unnecessary risk.
2 (Significant)	Recommendations represent significant control weaknesses which expose the Organisation to a moderate degree of unnecessary risk.
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.

A3 Summary of Reports 2020/21

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 in respect of the 2020/21 Internal Audit Plan:

Fleet Management

Overall Assurance Opinion	Significant

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

Our audit considered the following area objectives:

- There is a comprehensive and approved Fleet Management Strategy in place which is aligned with the strategic and medium / long term objectives of the OPCC and Force.
- Delivery of the Fleet Management Strategy is supported by an agreed implementation plan and there are robust monitoring arrangements in place.
- An effective maintenance programme is in place that supports the objective that fleet vehicles are available when and where required.
- The maintenance programme is supported by an effective schedule of inspections and services.
- The Force utilises a robust fleet management system upon which a complete and up to date record of vehicles is maintained.
- Procurement arrangements in respect of the Force's vehicle fleet demonstrate the principles of best value.
- Budget control processes ensure that actual spend is in accordance with the approved budget.
- Management information is available to enable effective monitoring of performance against the Fleet Management Strategy and delivery the maintenance programme.
- Recommendations raised in the previous review have been implemented.

We raised one priority 3 recommendation of a more housekeeping nature relating to:

- Formalising Procedures – Whilst, audit noted good practice and controls were in place across the areas of fleet management that we reviewed; the procedures carried out by the team are not formally documented.

Management agreed with the recommendation and the following Fleet Management functions have been identified for procedure document creation: Vehicle Replacement Programme / Fleet Capital Programme, Planned Maintenance and Repair Work, Fleet Management Plan. Implementation date agreed was end of April 2021.

Cash, Bank & Treasury Management

19/20 Assurance Opinion	Significant
20/21 Assurance Opinion	Significant

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

Our audit considered the following area objectives:

- Policies and procedures are in place and clearly state the procedures to be followed for receipting of payments, banking and reconciliation of those payments;
- All transactions received are recorded accurately, completely and in a timely manner, and are posted and reconciled to the appropriate accounts;
- All monies received are held securely and banked in a secure, accurate and timely manner;
- Procedures and controls are in place to process returns, unpaid or post-dated cheques in a timely manner;
- Cash flow information is accurately, completely, validly and timely produced and secured to allow for effective monitoring of decision making in line with the Investment Strategy and strategic requirements;
- Available funds are completely, accurately, validly and timely placed with fund managers or financial institutions and funds are safeguarded in line with the Investment Strategy and strategic requirements;
- Cost effective loans are completely, accurately, validly and timely received from fund managers or financial institutions in line with the Investment Strategy and strategic requirements; and
- It is clear who signatories are and the list is up to date, both internally and on the bank mandate.

Our audit concluded that the recommendation raised last year was adequately implemented and no recommendations have been raised for this audit.

General Ledger

19/20 Assurance Opinion	Significant
20/21 Assurance Opinion	Significant

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

Our audit considered the following area objectives:

- Procedures and policies are in place to support the effective administration of the function and are communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse;
- Accounting transactions and manual adjustments, for example journals, are completely, accurately, validly and timely allocated, supported by relevant documentation and recorded in the accounts;
- Financial and Performance Management Reporting - general ledger information is completely, accurately, validly and timely produced and secured to allow for effective monitoring of the current financial position, decision making and reporting;
- Feeder system reconciliations are undertaken within a timely manner of month end, with any balancing items investigated to ensure the integrity, reliability and accuracy of the main accounting system; and
- Identification of areas where controls are or are not adequately designed, and testing of their application/compliance.

We raised three priority 3 (Housekeeping) recommendations of a more housekeeping nature relating to:

- Financial, Contract and Procurement Regulations – It was noted at the time of audit that these had not been reviewed but were in the process of beein reviewed and udpated.
- Review of Journals Process Document & Balance Sheet Report Process Document – It was noted that these had not been reviewed and updated since July 2018 and March 2019 respectiely.
- Month end reconciliations - The preparation and review of month end reconciliations is recorded via the individual undertaking either task to write their name and date on the spreadsheet electronically. However, this current practice is open to misuse, as these could be signed and dated at later dates than the work actually occurred.

The above recommendations were agreed by management and implementation dates agreed for February 2021.

Income & Debtors

19/20 Assurance Opinion	Satisfactory
20/21 Assurance Opinion	Satisfactory

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

Our audit considered the following area objectives:

- Procedures and policies support the creditor payment process and communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse;
- New and amended vendor details can only be processed by authorised officers and these are subject to a secondary check; including a review of instances where the vendor name does not match the bank account name.
- Goods and services are adequately receipted and supported by adequate documentation;;
- When goods are receipted they are tagged, recorded and safeguarded.
- Payments are made following the receipt of a valid supplier invoice and payments made agree to the supplier invoice.
- There are effective controls in place for the approval of non-purchase order invoices.
- Urgent payments are only made for bona fide expenditure after proper approval;
- There are effective procedures in place with regards the use and administration of corporate credit cards in line with the policy, including a leavers procedure;
- The payments system is regularly reconciled with the general ledger;
- There are effective processes in place for the administration of tax and liaison with HMRC.
- Appropriate segregation of duties in the processing of the BACS file;
- The process for reviewing the items on the 'due for payment but not yet approved' list;
- Performance against the target payment policy is monitored and under-performance addressed where necessary; and
- Previously identified weaknesses have been addressed.

We raised one priority 2 (significant) recommendation, which is summaried below:

Recommendation 2 (Housekeeping)	**Invoice Approval** The Force should review and update the approval matrix to ensure that the required staff approval reflects the most suitable authority for that cost centre. Staff should be reminded of the importance of observing the Force approval matrix.

	Add prompt to the foot of AR07 and AR12 forms that instructs to consult the approval matrix before seeking approval.
Finding	Audit carried out sample testing on invoices and credit notes to determine whether they had been appropriately authorised. In each case, audit found that whilst the appropriate approval had been given this did not align to the individuals listed on the approval matrix. Audit discussed this with the Head of Finance who indicated that he believed that the approval matrix should be updated in order to ensure the required approvers are more appropriate for their respective cost centres. However, this matter primarily arose as a result of non-compliance with the current approval matrix. Therefore, audit have advised Lincolnshire to create a prompt to consult the matrix when seeking invoice approval. Risk: Financial loss, or potential fraud, if purchase is made on goods not required by Force operations.
Response	We have changed the formatting around the approval matrix to ensure that it stays current for AR transactions. Staff are to be reminded of the importance of ensuring all invoices and credit notes are approved in line with the matrix before creation
Timescale	Exchequer Services Manager March 2021

In addition to the above we also raised two Priority 3 (housekeeping) recommendations, where improvements to the control environment could be made.

- Debtor Standing Data - Testing identified two instances where incorrect data had been entered into the syste,m, which would result in correspondence being sent to the wrong address. It was recommended that a secondary check on this data entry takes place.
- Procedure Notes - Audit noted that within the Income & Debtor procedure notes, it is unclear whether the AR12 should also be subject to the Force approval matrix. This could lead to the appropriate approval not being obtained and risks materialising as a result. It was recommended to update the procedure note so there is clarity in the process.

Both recommendations were accepted by management with implementation dates set for April 2021.

Payroll

19/20 Assurance Opinion	Significant
20/21 Assurance Opinion	Significant

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

Our audit considered the following area objectives:

- Procedures and policies support the creditor payment process and communicated to all relevant staff;
- Systems and data are adequately protected to reduce the risk of them being open to abuse;
- New and amended vendor details can only be processed by authorised officers and these are subject to a secondary check; including a review of instances where the vendor name does not match the bank account name.
- Goods and services are adequately receipted and supported by adequate documentation;
- When goods are receipted they are tagged, recorded and safeguarded.
- Payments are made following the receipt of a valid supplier invoice and payments made agree to the supplier invoice.
- There are effective controls in place for the approval of non-purchase order invoices.
- Urgent payments are only made for bona fide expenditure after proper approval;
- There are effective procedures in place with regards the use and administration of corporate credit cards in line with the policy, including a leavers procedure;
- The payments system is regularly reconciled with the general ledger;
- There are effective processes in place for the administration of tax and liaison with HMRC.
- Appropriate segregation of duties in the processing of the BACS file;
- The process for reviewing the items on the 'due for payment but not yet approved' list;
- Performance against the target payment policy is monitored and under-performance addressed where necessary; and
- Previously identified weaknesses have been addressed.

We raised one Priority 3 (housekeeping) recommendation , where improvements could be made:

- Milage Receipts – Testing found 2 instances (£340.20 & £273.60) where support evidence was unable to be provided. It was noted these related to EMSOU officers. It was recommended that these officers be reminded of the need to submit mileage claims.

Management accepted the recommendation and will introduce a payroll procedure for all manual claims received. Implementation was set as March 2021.

Payments & Creditors

19/20 Assurance Opinion	Significant
20/21 Assurance Opinions	
Assurance on adequacy and effectiveness of internal controls for payments & creditors	Significant
Assurance on adequacy and effectiveness of internal controls for expenditure on contracts	Limted

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

The specific areas that formed part of this review included: policies and procedures, systems access, amendments to standing data, goods receipting and authorisation of payments, credit card payments, reconciliations to the general ledger, BACS processing and performance information. Furthermore, at the request of management, audit increased the scope of the review to include an assessment of the Force's Apprenticeship Levy Account and contracts awarded through the exceptions to the Contract and Procurement Regulations. A separate audit opinion has been provided for the additional area reviewed.

As noted above, as part of the internal audit scope for the review, audit increased this to include a review around expenditure linked to procurement, at the request of management:

• Expenditure for goods and services is incurred in accordance with Contract Regulations and best value principles, for example, through the use of quotes, tenders, national and regional frameworks, etc.

The review identified a priority one issue that was specific to that area of our review and therefore a separate opinion has been provided to clearly differentiate between the area of Core Financials and the issue around expenditure in relation to contracts.

The priority one issue is detailed below:

Recommendation 1 (Fundamental)	The Force should investigate the six contracts reviewed by audit further, to determine why this has happened and identify any additional instances where this has occurred. The Force should also consider procurement training to all relevant staff. This should include guidance on the use of exceptions to the Contract and Procurement Regulations and the stages which need to be satisfied before the service delivery of the contract can begin.
Finding	Audit reviewed a sample of six contracts that underwent the Exceptional Purchase Action (EPA) process. This is where exceptions to the Contract and Procurement Regulations are permitted and will usually be for one of the following reasons: o Where goods, works or services can only be obtained from one source; o Where it is deemed an extreme urgency or; o Where the marketplace is limited and/or restricted (e.g. by quality standards). From a review of six contracts, audit noted that in all six instances the service

	delivery for the contract had started before authorisation for the contract had been awarded. This meant that the work / service started before the user department obtained approval to go down the EPA route. The reference for each contract and their respective values are as follows: o 367 – £60,000 o 369 – £8,493 o 389 – £27,400 o 408 – £25,000 o 410 – £61,576 o 453 – £4,100 This is a breach of the Contract and Procurement Regulations, as the exceptions to the Regulations do not permit service delivery for a contract to begin unless authorisation to award the contract on the EPA basis is granted. Through a review of the decision records, audit noted the following issues, which were a cause for concern: o In one instance, the Force's CFO stated that 'It is also understood that the service delivery has already begun and an invoice received ahead of the procurement governance taking place, which is a breach of the Contract and Procurement Regulations. Given this has happened, there is no option but to approve the funding for this'. o In one instance, audit noted the Strategic Procurement Unit (SPU) stated that 'As the supplier is already undertaking the work there is no alternative procurement option. There are no frameworks available under which this can be procured. This requirement will be published on Contracts Finder and BLPD' and. o In one instance audit found there were concerns of potential IR35 issues emanating from the contract, which audit confirmed were cleared after the service delivery began. Risks: Non-compliance with the Contract and Procurement Regulations. The Force enters contracts which do not represent value for money for the organisation. The Force enters into contracts which does not fulfil one of the criterions of the exceptions to the Regulation. The Force enters into contracts with unfavourable terms, which exposes Lincolnshire to an unnecessary amount of risk including reputational and financial risk.
Response	The PCC/CC take the breaches of Contract and Procurement Regulations extremely seriously. We will be looking to issue clear communications to all appropriate officers and staff on this matter. We will also review our guidance on EPA's to ensure that it's both clear and appropriate.
Timescale	Force CFO End of April 2021

In addition to the above recommendation, one Priority 3 recommendation has been raised:

- New Supplier Set Up – Some anomalies in confirming segrefation of duties in the set up of new suppliers were ntoted in testing, the issues had arisen from remote working.

Management agreed with the recommendation to remind staff of the correct procedure to follow.

Recruitment Follow Up

19/20 Assurance Opinion	Limited
20/21 Assurance Opinion	Limited

Recommendation Priorities		
	19/20	**20/21**
Priority 1 (Fundamental)	2	1
Priority 2 (Significant)	2	1
Priority 3 (Housekeeping)	1	2

A Recruitment & Retention audit was undertaken during 2018/19 which resulted in a limited assurance opinion with regards the adequacy and efficiency of controls in place. This was subsequently followed up in 2019/20, however a limited assurance opinion was delivered again. Therefore, to ensure that the control weaknesses previously highlighted have been addressed, a further follow-up audit has taken place. The specific areas that formed part of the original review included: authorisation to recruit, advertisements, shortlisting and interview process, job evaluations, policies and procedures for reward payments, monitoring and review of the workforce.

This review raised one priority 1 (fundamental) recommendation:

Recommendation 1 (Fundamental)	The Force should develop a clear policy on the use of temporary contracts. This should include but not be limited to: - - Extensions to temporary contracts - Maximum length of temporary contracts - Process to be followed when end date of temporary contract is approaching The Force should review all staff on temporary contracts that are approaching their expiration date to ensure a clear and consistent approach is followed. The Force should ensure that, for any staff moving from temporary to permanent contracts, a fair and transparent recruitment process has been followed.
Finding	During the 2018/19 Internal Audit Report it was noted that a number of posts did not following an open and transparent recruitment process. For two of these cases the staff were on temporary contracts, therefore as part of this follow up audit, we have reviewed the process the Force follows for temporary contracts. In regard to the two posts that did not follow the recruitment process originally in one instance the Chief Constable approved the move to a permanent contract and in another the temporary contract had been extended (although this employee is seconded to another organisation). Therefore, in one instance a chief officer at Lincolnshire has been recruited to a permanent post without an open and transparent recruitment process being followed, albeit approved by the Chief Constable. In the other instance it means that an employee at Lincolnshire will be on a temporary contract between Feb 2018 and June 2021.

	Audit also noted through discussion with HR that there is no way in which HR can easily see any extensions to temporary contracts. There is currently a lack of clarity and consistency in the use of temporary contracts. *Risk: The Chief Constable and Commissioner are open to challenge for not following a fair and transparent recruitment process*
Response	Agreed
Timescale	Force CFO / Head of HR 30 June 2021

In addition to the above we also raised one priority 2 (significant) recommendation:

Recommendation 2 (Significantl)	The Governance Working Group should continue to oversee the issue and draw it to a conclusion.
Finding	In our audit report of 2018/19 we noted non-compliance with the Force processing an ex-gratia payment that was in breach of their financial regulations and not within their authority to do so. The audit recommendation was in reference to ensuring a process was established to ensure correct authorisation was gained for any future payments. This audit confirmed that had been established. As the OPCC should have authorised the payment and not the Force, a recommendation was raised for the Force to share the details of the payment with the OPCC. This remains a contentious issue and audit have been informed that a Governance Working Group has been established to try to progress this matter. At the time of the follow up audit the issue remains outstanding. *Risk: Force make unauthorised payments.* *Future ex-gratia payments are not made correctly.*
Response	Chief Constable Skelly provided an update to the JIAC Chair as part of the Governance work, outlining the rationale for the payment. The PCC CFO is planning to review and retrospectively approve the payment on 22 April 2021. This recommendation will then be complete.
Timescale	PCC CFO 22 April 2021

There were also two further recommendation of a more housekeeping nature that are summaried below:

- Recruitment Process – Testing identified a a few instances where some of the paperwork was unable to be located. It was recommended to remind staff of the need to retain the necessary recruitment documentation.
- Bonus Payments – Testing identified an instance of a a bonus payment of an officer in a collaboration unit and an instance where the incorrect paperwork for a bonus payment was

used. It was recommended to remind staff to use the correct paperwork and to ensure a clear and consistent procedures I followed in relation ot regional bonus payments made.

Management accepted the above recommendations and implementation dates of Dec 20 were agreed.

A4 Statement of Responsibility

We take responsibility to Lincolnshire Police and the Office of the Police and Crime Commissioner for Lincolnshire for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work 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. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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