

Appendix A



**Lancashire
Constabulary**
police and communities together

**The Chief Constable and the Police and Crime
Commissioner for Lancashire**

Internal Audit Service

**Annual report of the Head of Internal Audit for the year
ended 31 March 2018**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2017/18 and the key themes arising in relation to risk management, governance and internal control.
- 1.2 In March 2017, the Joint Audit and Ethics Committee considered and approved the internal audit plan for 2017/18. This work is now reported on here.

The role of internal audit

- 1.3 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control and governance processes. The Public Sector Internal Audit Standards require the head of internal audit to provide an opinion on the framework of governance, risk management and control environment of Lancashire Constabulary and the Office of the Police and Crime Commissioner and a written report to those charged with governance, timed to support the annual governance statement. This report is based upon the work the Internal Audit Service performed during 2017/18 and 2018/19 in relation to the 2017/18 audit plan.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1 to this report. The levels of assurance the Internal Audit Service provides are set out in Annex 2.
- 1.5 An Internal Audit Service Charter is in place that establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Chief Constable and the Police and Crime Commissioner and to meet its professional obligations under applicable professional standards.

Acknowledgements

- 1.6 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff of Lancashire Constabulary and the Office of the Police and Crime Commissioner in the course of our work during the year.

Ruth Lowry
Head of Internal Audit
Lancashire County Council

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 On the basis of our programme of work for the year, I can provide **substantial** assurance over the framework of governance, risk management and control environment of the Chief Constable and the Police and Crime Commissioner for 2017/18. It is my opinion that there is a generally sound system of internal control, adequately designed to meet the objectives of the Chief Constable and the Police and Crime Commissioner for Lancashire and controls were generally applied consistently.
- 2.2 This opinion is based on the assurance levels we have provided for each of the individual audit reviews undertaken in 2017/18, and includes consideration of the wider sources of assurance provided to the Chief Constable and the Police and Crime Commissioner.

Wider sources of assurance available to the Chief Constable and the Police and Crime Commissioner for Lancashire

- 2.3 Assurance has been provided by Grant Thornton as the external auditor for the Chief Constable and the Police and Crime Commissioner for Lancashire for 2017/18. Grant Thornton issued an unqualified opinion on the 2016/17 financial statements on the 28 July 2017. They were also satisfied that in all significant respects the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.
- 2.4 The Constabulary is subject to inspection by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (HMICFRS) either solely or in conjunction with other agencies. Regular feedback is provided to the committee on the results of these inspections and the implications for Lancashire Constabulary, and as appropriate the actions being taken to address any recommendations raised, which are monitored internally by the Constabulary's HMICFRS Board.
- 2.5 For 2017, Lancashire Constabulary has been assessed as 'good' across each of the three pillars of the police efficiency, effectiveness and legitimacy (PEEL) programme, although was graded 'inadequate' in relation to Crime Data Integrity.
- 2.6 Members of the Joint Audit and Ethics Committee agree a detailed work programme and training plan to enable them to constructively challenge the arrangements in place for risk management, governance and internal control. Positive results were noted in those areas subject to direct scrutiny by committee members, which included the dip sampling of complaint files and the participation in a range of promotion boards for uniformed officers to ensure transparency in the process and promotion decisions made.

3 Internal audit work undertaken

OPCC governance and decision making

- 3.1 Our review highlighted a number of areas of good practice including an established corporate governance framework, scheme of delegation and scrutiny process, and an opinion of substantial assurance was provided.

Constabulary governance and decision making

- 3.2 Full assurance was provided. Our audit identified several areas of good practice including a governance framework for the setting, approval and cascade of policies and decisions that support the organisation's objectives, roles and responsibilities. Delegations and limits are clearly defined and management information to support decision making is complete, clear, and includes appropriate content.

OPCC risk management

- 3.3 Substantial assurance was provided. We are satisfied that the general design of the OPCC risk management framework is appropriate to the size and complexity of the OPCC and the published risk register is an appropriate reflection of the risks facing the Police and Crime Commissioner and the OPCC. We did however find a lack of evidence to support the manner in which risk management processes are embedded within the OPCC.

Constabulary risk management

- 3.4 Substantial assurance was provided in relation to the identification and escalation of risks and the scrutiny process. However we noted that there are inconsistencies in the approach to risk management and recording across departments and the basic command units.

Detention of vulnerable persons

- 3.5 This review is still in progress. The scope of our work is to consider the adequacy and effectiveness of the arrangements in place to minimise the circumstances and periods under which vulnerable persons are detained by the Constabulary and where detention is unavoidable to consider the adequacy of controls in place to ensure that the vulnerable person receives an appropriate quality of care and protection.
- 3.6 The results of this work will be formally reported to committee in September.

Management of CCTV

- 3.7 We can provide substantial assurance that the Constabulary's arrangements for CCTV generally comply with the Home Office Surveillance Camera Commissioners CCTV Code of Practice.
- 3.8 Although the various classifications¹ of CCTV are at different stages of development, we have not identified any significant areas of concern. Our review has however identified some areas where current processes can

¹ Automatic Number Plate Recognition/ Site Security/ Custody/ Body Worn Video/ Drone/ Site security

be improved to enhance the Constabulary's' ability to effectively demonstrate this compliance to the Commissioner.

Readiness for the General Data Protection Regulations

- 3.9 Based on our review, we are satisfied that the Constabulary has undertaken appropriate steps to prepare for compliance with the new Data Protection Bill.
- 3.10 The GDPR action plan produced contains all the tasks which we would expect to see and we have not identified any significant gaps, however the timescales for achieving compliance are undetermined and there are limited resources available to complete the tasks outstanding, although efforts are being made to address this. We also acknowledge that the Information Commissioner has recognised that organisations will not achieve full compliance by the 25 May 2018.

Health Service review

- 3.11 Our involvement in the Health Service review has included:
- Providing feedback on the adequacy and effectiveness of the project management arrangements introduced to support implementation of the Health Service review. In this regard we provided substantial assurance. Project management principles have been appropriately employed to ensure that the project is delivered within the agreed budget and timescale, and clear roles and responsibilities have been assigned to manage and deliver the project.
 - Providing advice on an appropriate performance management control framework so as to facilitate assessment of whether the new operating model is realising its intended benefits; and
 - Consideration of the adequacy of the developing control framework for the future provision of the Constabulary Health Service, for which we again provided substantial assurance. Whilst the individual components of the control framework have been considered by the Constabulary, the majority had not been fully developed, pending conclusion of the project implementation, recruitment to all key staff roles, and allowing time for staff and processes to become embedded.

Accounts payable, accounts receivable and general ledger

- 3.12 Following our annual compliance work we have provided substantial, full and full assurance respectively in relation to the controls operating within the above financial systems.
- 3.13 We identified a number of areas of good practice including:
- Robust exception reporting for accounts payable;
 - Efficient debt monitoring and recovery procedures for accounts receivable; and
 - Comprehensive budget monitoring for general ledger.

Human resources/ Payroll

- 3.14 Our review considered the adequacy and effectiveness of the controls in place to ensure that Police and OPCC staff are paid the right amount at the right time. We identified several areas of good practice including:
- The details for new starters are accurately and promptly established within the Oracle payroll system and key documentation is retained.
 - Amendments to pay are accurately entered onto the payroll system and are approved by line management prior to being processed for payment.
 - Leavers' final payments have been correctly calculated with any amendments such as holiday pay being correctly adjusted in line with guidance.
 - Standard exception and error reports are generated and are investigated in accordance with the payroll closure timetable.

Procurement

- 3.15 We gave full assurance over the arrangements in place across the Constabulary to achieve value for money through a procurement strategy which is efficient, economical and effective by collaborating with partners and using framework agreements to achieve high contract compliance.
- 3.16 We did not identify any weaknesses in the effectiveness of the controls and noted several examples of positive outcomes from the proactive work being carried out within the Procurement and Contracts team and the wider Constabulary, which are contributing to savings and ultimately the objective of achieving value for money.

Pension administration

- 3.17 We found no areas of control weakness during the course of our review and an opinion of full assurance was provided.
- 3.18 In particular we are satisfied that changes to the Altair pension administration software are appropriately tested prior to implementation, pension transactions are subject to appropriate review by a second officer before processing and pension payments are consistent with the underlying Altair calculations.

Treasury management

- 3.19 An opinion of full assurance was given with no areas for improvement identified. Treasury management services continue to be provided by Lancashire County Council in accordance with an agreed Memorandum of Understanding and in compliance with the approved Treasury Management Strategy.

Follow up work

- 3.20 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should obtain assurances that actions have

been implemented as agreed or that senior management has accepted the risk of not taking action.

- 3.21 Our follow up audit work has involved obtaining explanations and evidence where appropriate that actions have been implemented. We have not re-performed any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither have we re-assessed the overall control environment.
- 3.22 The table below provides a summary of the progress made in implementing the agreed actions raised as part of the 2016/17 audit programme.

Audit	Actions raised	Implemented	Ongoing	Not yet implemented or superseded	Residual risk associated with ongoing actions
General Ledger	2	2	-	-	-
Accounts payable	3	2	-	1	1 x medium – Note 1
Accounts receivable	3	2	-	1	1 x low – Note 1
HR/ Payroll	2	2	-	-	-
Pensions administration	2	1	1	-	1 x medium – Note 2
Health and Safety	11	3	8	-	1 x high, 4 x medium, 3 x low – Note 3
FOI/ SARs	3	2	1	-	1 x low – Note 4
Information management and security	4	2	2	-	Note 4
Vetting and Barring	1	1	-	-	-
Code of Ethics – OPCC	2	2	-	-	-
Digital media Investigations Unit	3	3	-	-	-
Evidence Related Property	13	9	3	1	1 x high and 2 x medium – Note 5
Case and custody	7	7	-	-	-
Totals	56	38	15	3	

Note 1 – Our testing concluded that although some actions agreed following our previous compliance review reported in December 2016 had been implemented, there were still similar anomalies occurring particularly in relation to the verification/ updating of the accounts payable supplier database.

Note 2 – The outstanding action relates to the enhancement of KPI data which is to be developed following the introduction of a new case management system in April 2018.

Note 3 – Eight of the actions agreed following our original review remain outstanding, although work has commenced to implement them. An action plan has been formulated to address each issue, with completion dates ranging from 01/07/18 to 31/03/2019. Following our original review, the Futures Team were commissioned to review health and safety provision, which resulted in 14 specific opportunities/ recommendations. A business case has subsequently been produced, recommending how the Constabulary can improve arrangements, resulting in a more holistic and proactive approach to health and safety, with improved resources, skills and capability.

Note 4 – A separate report was provided to the Joint Audit and Ethics Committee in March 2018. This confirmed that progress had been delayed in implementing the actions as a result of resources being deferred into GDPR preparations.

Note 5 – Stocktakes of Evidence Related Property (ERP) records have not been undertaken to date. The KIM system upgrade (planned for May/ June 2018) will incorporate a barcoding system that facilitates stocktaking, which will then be introduced. As an interim measure, the Manager has been undertaking dip sampling/ audits at each store. Review of the records established these are undertaken on a monthly basis, and the results are reported to the Head of Service.

Data cleansing of aged ERP records within the KIM system also remains incomplete, and based on current progress, the ERP Manager estimates it is likely to take three years to complete. There therefore remains a risk that items may be lost or misappropriated, and resources/ storage costs impacted. However, we are advised that the majority of older records that require cleansing relate to items already disposed of, or returned to the owner, and as such the risks are reduced.

All outlying stores are now closed, and the ERP has been transferred to the applicable main geographical stores. Work is ongoing to reconcile the records for items transferred to the East and South stores, which is complete for all high risk/ value items, such as firearms, drugs and cash. Reconciliation of the remaining records is ongoing. This work is intrinsically linked to the data cleansing process, and also has a deadline of 31/03/2021.

Fraud/ special investigations

- 3.23 There have been no incidences of fraud or irregularity brought to our attention.

National Fraud Initiative

- 3.24 The NFI is part of the statutory audit process for health, local government and other public sector providers managed by the Cabinet Office. The NFI flags inconsistencies in data within payroll, pensions, creditors and procurement which may indicate fraud or highlight emerging fraud risks.
- 3.25 Following the submission of data in October 2016, the resulting matches were released by the Cabinet Office in January 2017. The table below provides details of the total number of matches identified, the number of matches recommended for investigation, the number of matches reviewed and cleared to date and those currently opened and in progress.
- 3.26 Other than three pension records still under review (as at the end of May), all recommended cases have been examined. No savings, frauds or errors have been identified.

Category of data	Number of matches identified	Number of matches recommended for investigation	Number of matches processed	Number of matches in progress
Pensions	235	132	232	3
Payroll	62	11	62	0
Creditors	1016	119	437	0
Procurement	4	1	4	0
Individuals who appear on more than one report	4	0	0	0
Total	1321	263	735	3

4 Implications for the Annual Governance Statement

- 4.1 In making its annual governance statement the Constabulary and the Office of the Police and Crime Commissioner should consider this report in relation to internal control, risk management and corporate governance.
- 4.2 We have agreed actions in a number of areas to enhance the controls in place for the planned audit reviews, and no high risk areas for improvement have been identified. There are therefore no matters arising from the audit work conducted during 2017/18 that we consider should be identified in the annual governance statement as requiring improvement.

5 Internal audit inputs and performance

Internal audit plan 2017/18

- 5.1 Work carried out during 2017/18 was in accordance with the audit plan presented and approved by the Joint Audit and Ethics Committee in March 2017. Details of the assurance provided, and key issues identified for each of the areas covered is set out in the 'Summary of findings and assurance' table which forms part of Section 6. This shows that 186 days have been spent in delivering the audit plan against a provision of 200 days.

- 5.2 As at the time of writing, there is still one assignment under completion (Detention of Vulnerable Persons), which will utilise some of this unused provision.
- 5.3 Action plans have been agreed in respect of all audit reports. These indicate that positive action has been, or will be taken to address any areas for improvement identified. Implementation of these plans will be followed up as part of our 2018/19 audit plan.

Changes to the audit plan

- 5.4 The Joint Audit and Ethics Committee in March 2018 approved the removal of the 'Workforce planning' audit from the 2017/18 audit programme and agreed the inclusion of a light touch review of the Constabulary preparations for the introduction of the General Data Protection Regulations in May 2018.
- 5.5 The internal audit programme also includes a review of 'Data quality', the objective of which was to consider the adequacy of the control framework in place to ensure data quality at point of capture. Following the publication of the HMICFRS Crime Data Integrity report in November 2017, the Constabulary has been developing an action plan to address the areas of weakness identified. Given the resultant changes to Constabulary processes and controls, it has not been considered beneficial for us to undertake the audit work that was originally planned, and no work has been conducted in this area.

6 Internal audit quality assurance and improvement

- 6.1 The Internal Audit Service has established and regularly reviews a quality assurance and improvement programme. PSIAS requires that all aspects of internal audit activity are considered by a combination of ongoing internal monitoring, periodic self-assessments or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.
- 6.2 Following this framework, the Internal Audit Service's quality assurance and improvement programme consists of internal ongoing monitoring of audit assignment quality, periodic internal assessment of the professional and operational framework, and external review.
- 6.3 An external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS was conducted in November 2017 which confirmed that the service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF.
- 6.4 A small number of actions arose for the Service from this review, and a report explaining how these had been or were to be addressed was presented to the Committee in March 2018. Progress will continue to be made during 2018/19 in addressing the remaining actions outstanding associated with the completion of the ICT tender exercise and the enhancement of the existing performance management framework.

- 6.5 The review confirmed that the Internal Audit Service can say that its work has been in accordance with the International Professional Practices Framework, PSIAS and the Local Government Application Note.
- 6.6 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and during the year a post-audit file review process was also set out by the Head of Internal Audit to test conformance with the service's working practices and the quality of work undertaken. The first post-audit file reviews were undertaken during February 2018 and they indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors, although some learning points have been drawn out and shared with the team.

7 Summary of findings

Overall summary and assurance provided

- 7.1 The table on the following pages sets out a brief summary of each review undertaken during the year. This sets out the planned and actual days we have spent on each review, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of business. This also sets out the level and number of actions agreed for each review. They reflect the findings at the time the work was carried out.
- 7.2 We have distilled the assurance into an assessment of the adequacy of each system, and its effectiveness in operation.

System adequacy: We have defined a system as adequate if its design enables it to achieve its core control objectives which, if operating as intended, serve to manage its inherent risks.

System effectiveness: We have defined a system as operating effectively if, after testing or other supporting evidence has been found, it is operating as intended.

Summary of our findings and assurance

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Governance and democratic oversight						
OPCC Governance and decision making	3	3	0	✓	✓	Our report was finalised in December 2017 and actions have been agreed in relation to: <ul style="list-style-type: none"> Establishing a definition of what constitutes a 'key' decision; The development of a standardised decision template to evidence the review and authorisation process; and Ensuring that all decisions are reported on the OPCC internet site.
				Substantial assurance 2 medium and 1 low residual risk actions agreed		
Constabulary Governance and decision making	7	9	(2)	✓	✓	Our report was finalised in March 2018 and actions have been agreed in relation to: <ul style="list-style-type: none"> Defining what constitutes an extraordinary meeting and the quorum in the terms of reference for all boards with decision making responsibilities; and Returning incomplete decision templates to the author for all key parts to be addressed.
				Full assurance 2 low residual risk actions agreed		
Business effectiveness						
OPCC Risk management	3	5	(2)	✓	✓	Our report was finalised in December 2017 and actions have been agreed in relation to: <ul style="list-style-type: none"> Enhancing the content of the risk management strategy, which is to be published in the interests of transparency; Improving the review and reporting arrangements for both the PCC and the JAEC; and Maintaining evidence to support the periodic review of risk affecting the PCC and OPCC.
				Substantial assurance 3 medium and 2 low residual risk actions agreed		

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Constabulary Risk management	7	10	(3)	✓	✓	<p>Our report was finalised in March 2018 and actions have been agreed in relation to:</p> <ul style="list-style-type: none"> • The need to update the Corporate risk management policy and supporting procedures to reflect current practice and the approach to be adopted re departmental and BCU recording of risk; • The inclusion of opportunity identification and maximisation in the risk management arrangements; and • The reporting of key changes to the risk register when updating the JAEC on an annual basis.
				Substantial assurance 2 medium and 2 low residual risk actions have been agreed		
Data quality	10	2	8	N/A	N/A	An initial scoping meeting was held with the Force Crime Registrar and preliminary audit proposals developed but further audit work has not been considered beneficial following the Constabulary's 'inadequate' grading from the HMICFRS Crime Data Integrity report published in November 2017.
Service delivery						
Detention of vulnerable persons	25	15	10	-	-	An initial scoping meeting was held in March and fieldwork is therefore nearly complete.
Workforce planning	25	3	22	N/A	N/A	An initial scoping meeting was held and audit proposals submitted to the Constabulary. Subsequent liaison has confirmed that there is little added value to our conducting this review at this stage pending an ongoing internal review by the Constabulary.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Service support						
Management of CCTV systems	20	28	(8)	✓	Not in scope	<p>Our report was issued in June 2018 and actions have been agreed in relation to:</p> <ul style="list-style-type: none"> • Incorporating responsibility for oversight of CCTV into the terms of reference for the Information Governance Board. • The incorporation of a single point of contact for CCTV. • Creation of a CCTV action plan. • The completion of data protection impact assessments (approved by the Data Protection Officer) for all CCTV systems. • Development of the Constabulary website for publication of relevant CCTV documentation. • Review of the retention period for custody CCTV material. • Establishing data collection and reporting processes.
Readiness for GDPR	-	13	(13)	Good progress has been made by the Constabulary in preparing for GDPR. There is however some uncertainty as to when all actions will be complete.	4 medium residual risk actions agreed	<p>Our report was issued in June 2018 and actions have been agreed in relation to:</p> <ul style="list-style-type: none"> • Including task owners and target dates in the Data Reform Action Plan. • Arranging training for all staff and officers who process personal data. • Calculating the time to completion of the work being conducted by the MoPI audit team. • Adding children to the 'processing of activity' register.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Health Service Review ²	20	20	0	✓	✓	<p>Our report was finalised in May 2018 and five medium risk actions have been agreed in relation to:</p> <ul style="list-style-type: none"> The update and circulation of the project risk at the monthly checkpoint meetings. The updating of the General Equality Duty Assessment. The implementation of a communication strategy to promote and embed the new Health Service. The completion of a project post implementation review. The completion of the benefit realisation plan to measure the success of the review and to determine if the benefits originally envisaged have been realised.
				Project management - substantial		
				N/A	N/A	
				Performance measurement – an opinion is not appropriate		
				✓	Out of scope	
Overall Health Service control framework – substantial assurance						
Business processes						
HR/ Payroll	12	13	(1)	✓	✓	<p>Our work was completed in March 2018. No areas for improvement were raised in the report.</p>
				Full assurance		
Procurement	6	7	(1)	✓	✓	<p>Our work was completed in March 2018. No areas for improvement were raised in the report.</p>
				Full assurance		
General ledger	5	5	0	✓	✓	<p>Our report was finalised in December 2017 and one action has been agreed in relation to the need to update the 2018-19 Financial Services Memorandum of Understanding between the Constabulary, OPCC and LCC re the performance management arrangements which are inconsistent with current practice.</p>
				Full assurance 1 low residual risk action agreed		

² This audit was called 'Staff Wellbeing and Support' in the original audit plan

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Accounts payable	7	5.5	1.5	✓	✓	<p>Our report was finalised in December 2017 and actions have been agreed in relation to:</p> <ul style="list-style-type: none"> Increasing the number of invoices paid against a purchase order; More clearly documenting the reason for and authorisation of changes made to supplier standing data; Ensuring that invoices on hold are promptly cleared for payment including as appropriate ensuring the VAT status of invoices is correct.
				Substantial assurance 1 medium and 3 low residual risk actions agreed		
Accounts receivable	8	7	1	✓	✓	<p>Our report was finalised in December 2017 and actions have been agreed in relation to:</p> <ul style="list-style-type: none"> Amending the debt management policy to ensure write off limits are consistent with the updated financial regulations; and Documenting the minutes of meetings held between Business Support and Legal to ensure actions agreed can be appropriately monitored and controlled.
				Full assurance 2 low residual risk actions agreed		
Pensions administration	7	8	(1)	✓	✓	<p>Our work was completed in May 2018. No areas for improvement were raised in the report.</p>
				Full assurance		
Treasury management	5	3	2	✓	✓	<p>This work was completed in November 2017. No areas for improvement were identified.</p>
				Full assurance		

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Follow up audit activity</i>						
Health and safety	3	3	0	Only limited progress has been made in implementing the actions agreed in our prior year audit report, with 8 of the 11 actions outstanding.		This work was completed in May 2018.
Freedom of Information/ Subject Access Requests	1	0.5	0.5	Of the three actions raised in the prior year report one low residual risk action has not yet been implemented.		This work was completed in November 2017.
Vetting and Barring	1	1	0	The agreed action from the prior year report has been implemented.		This work was completed in November 2017.
Code of Ethics - OPCC	1	0.5	0.5	The agreed action from the prior year report has been implemented.		This work was completed in November 2017.
Digital Media Investigations Unit	1	1	0	Three actions were agreed with management and whilst not implemented as originally envisaged, the risks are being addressed.		This work was completed in February 2018.
Evidence Related Property	4	4	0	Good progress has been made in implementing the actions outstanding.		This work was completed in May 2018.
Information management and security	1	0.5	0.5	Two of the four actions agreed in the prior year report have been implemented.		This work was completed November 2017, and a further progress report was provided to the JAEC in March 2018.

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Case and custody	3	3	0	All seven actions have been implemented.		This work was completed in June 2018.
<i>Other components of the audit plan</i>						
Management	13	14	(1)	N/A	N/A	Time incurred to date relates to individual job management activities, attendance at the meetings of the Joint Audit and Ethics Committee, completion of the 2016-17 Annual Internal Audit Report, production of the quarterly monitoring reports and the 2018/19 internal audit plan and liaison with external audit.
National Fraud Initiative	2	2	0	N/A	N/A	Time incurred relates to administrative support provided in relation to the National Fraud Initiative exercise and investigation of certain categories of data match.
Total days	200	186	14			

Annex 1: Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit encompasses all of the governance, risk management and control processes of the Constabulary and the Office of the Police and Crime Commissioner including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Constabulary and the Office of the Police and Crime Commissioner has taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2017/18.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the Head of Internal Audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for both organisations.
- 6 Internal auditors cannot be held responsible for internal control failures, however, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control or governance processes. However the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Teams of the

Constabulary and the Office of the Police and Crime Commissioner, which either accepts and implements the advice or accepts the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

- 9 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with the PSIAS and the results of the quality assurance and improvement programme.
- 10 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

Basis of our assessment

- 11 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Joint Audit and Ethics Committee. We have obtained sufficient, reliable and relevant evidence to support the improvements that we proposed and that have been accepted by management.

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work.

Limitations on the assurance that internal audit can provide

- 13 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 14 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 15 This report has been prepared solely for the Constabulary and the Office of the Police and Crime Commissioner. This report forms part of a continuing dialogue between the Internal Audit Service, senior officers within both organisations and the Joint Audit and Ethics Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 16 We acknowledge that this report may be made available to other parties, such as the external auditors. We accept no responsibility to any third party who may receive this report for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Annex 2: Audit assurance levels and classification of agreed actions

Audit assurance

As noted in the 2018/19 audit plan, submitted to the Joint Audit and Ethics Committee in March 2018, the audit assurance levels will be amended for 2018/19. However, in 2017/18 the assurance we can provide over any area of control has fallen into one of four categories as follows:

Full assurance: there is a sound system of internal control which is adequately designed to meet the service objectives and is effective in that controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, adequately designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service objectives.

Actions proposed by the Internal Audit Service

All actions proposed by the Internal Audit Service and agreed by management are stated in terms of the residual risk they are designed to mitigate.

Extreme residual risk: Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the county council's services, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the council's reputation.

High residual risk: Critical in that failure to address the issue or progress the work would lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation.

Medium residual risk: Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.

Low residual risk: Areas that individually have no major impact on achieving the service objectives or on the work programme, but where combined with others could give cause for concern.