

## Appendix A



**Lancashire  
Constabulary**  
police and communities together

### **Lancashire Constabulary and the Police and Crime Commissioner for Lancashire**

**Internal Audit Service - Monitoring report for the  
period ended 30 November 2017**

## **1 Introduction**

### **Purpose of this report**

- 1.1 The Joint Audit and Ethics Committee approved the Combined Internal Audit Plan for 2017-18 in March 2017. This report details the progress to date in undertaking the agreed coverage and highlights any significant issues from the audit work performed in this period.
- 1.2 This report covers the period 1 April 2017 to 30 November 2017.

### **Acknowledgements**

- 1.3 We are grateful for the assistance that has been provided to us by staff from both the Constabulary and the Office of the Police and Crime Commissioner (OPCC) contacted in the course of our work.

## **2 Key issues and themes arising**

- 2.1 From the work completed to date there are no implications for the overall control environment that need to be highlighted to the Committee.

## **3 Internal audit work undertaken**

- 3.1 Work carried out during the period 1 April 2017 to 30 November 2017 was in accordance with the agreed audit plan. To date, 71 days have been spent this financial year on delivering the 2017-18 audit plan, equating to 36% of the total planned audit activity of 200 days.
- 3.2 Whilst only a small number of reviews have reached the final report stage, where the audit opinion is disclosed, there are a number of assignments where fieldwork has been completed and the draft account is being produced or has recently been issued for management comment. Additionally, we have commenced scoping a number of the key pieces of audit work that are scheduled for commencement during the final quarter of 2017/18. At this stage, we are therefore confident that all planned work can be completed during the remainder of the financial year.

### **Governance and democratic oversight**

- 3.3 Our audit of *OPCC Governance and decision making* has been finalised and an opinion of substantial assurance has been provided. The review highlighted a number of areas of good practice including an established corporate governance framework, scheme of delegation and scrutiny process. Our testing established that decisions are currently submitted on different templates and had not been consistently evidenced as authorised by the Director prior to forwarding to the PCC for sanction. Whilst an action has been agreed to address this going forward, this was an area that had already been recognised by the OPCC as an area for improvement.

- 3.4 Our review of *Constabulary Governance and decision making* is progressing well and we are currently starting to compile our results.

**Business effectiveness**

- 3.5 Our work on the two reviews comprising *OPCC and Constabulary Risk management* arrangements are nearing completion, with the draft OPCC report having been recently issued to senior management for their consideration, and the Constabulary results are currently being compiled.
- 3.6 In both cases, our work has involved consideration of the risk management strategy and methodology, roles and responsibilities, the transparency of the process and reporting and scrutiny arrangements.

**Service delivery**

- 3.7 We have just starting scoping our quarter 4 assignments in relation to *Workforce planning* and the *Detention of vulnerable persons*.

**Service support**

- 3.8 Our involvement in the *Staff Wellbeing and Support* review has been ongoing since August 2017 and has involved considering the adequacy of the overarching control framework in relation to the provision of health and wellbeing services, the robustness of the arrangements employed to ensure the Constabulary successfully delivers the Health Services Review and we have provided constructive feedback into the development of the benefits realisation plan. Feedback has been provided on a regular basis to the Health Services Review Checkpoint meetings, and we are now starting to summarise our findings across each of these areas.

**Business processes**

- 3.9 Our annual compliance work on the *Accounts payable, Accounts receivable* and *General ledger* financial systems is complete and our composite report is currently with management for consideration. The key components of the audit has been to establish whether there has been:
- Compliance with financial regulations and the scheme of delegation in relation to the ordering, receipt and payment of goods and services;
  - Invoices are raised in accordance with the established fees and charges guide as appropriate on a timely basis, and debtor accounts are actively managed;
  - There are no unauthorised changes to the accounting records and access to key accounting systems is appropriately managed and controlled; and
  - Appropriate separation of duties has been employed so as to reduce the risk of fraud and error.
- 3.10 Our audit of *Treasury management* arrangements is complete and an opinion of full assurance has been provided, with no areas for improvement identified. Treasury management services were provided by Lancashire County Council in accordance with an agreed Memorandum of Understanding and in compliance with the approved Treasury Management Strategy.

### **Follow up audit activity**

- 3.11 In accordance with the Public Sector Internal Audit Standards we have obtained assurance that actions from our prior year audits have been implemented as agreed. This has been completed for four of the eight reviews scheduled for follow up as part of this year's audit programme.
- 3.12 Overall we are satisfied that management are appropriately progressing agreed actions and where delays in implementation have been experienced, valid reasons have been identified. In particular, progress in fully implementing actions arising from our previous work on the Information management and security framework are a result of diverting resources into ensuring that the Constabulary is ready for the introduction of the General Data Protection Regulations in May 2018 and the new Data Protection Bill.

### **National Fraud Initiative**

- 3.13 Good progress has been made in investigating the NFI data matches released in January 2017. No areas of concern have been identified in the cases that have been opened and closed to date.

### **Overall summary and assurance provided**

- 3.14 We have set out in the table on the attached pages a brief summary of each review undertaken during the period. This sets out the planned and actual days we have spent on each review, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business.
- 3.15 On the completion of individual reviews we distil the assurance we are able to provide 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.

- 3.16 The assurance we can provide over any area of control falls into one of four categories and these are defined at Appendix 1.

### **External quality assessment**

- 3.17 The county council's Internal Audit Service has recently been subject to an independent, objective validation by the Chartered Institute of Internal Auditors (CIIA) of its self-assessment against the Institute's International Professional Practice Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the CIIA. This external assessment included considering the Service's conformance to each of these sets of professional standards, benchmarking its activities against best practice and assessing the impact of internal audit on the county council and its external client organisations.

- 3.18 The IPPF includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards: there are 64 fundamental principles to achieve with 118 points of recommended practice. The PSIAS and LGAN add considerably more requirements to these.
- 3.19 The external assessment concluded that the Internal Audit 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. This is described as “Generally Conforms” and means that the Internal Audit Service may state in our internal audit reports for all clients that our work “has been performed in accordance with the IPPF, PSIAS and LGAN”.
- 3.20 The performance of the Internal Audit Service was benchmarked against a maturity model based on a wide range of UK and Irish internal audit functions and was assessed as 'good' in its reflection of the standards and its focus on performance, risk and adding value. It was assessed as 'satisfactory' in the efficiency of its operations and in its Quality Assurance and Improvement Programme, but 'needs improvement' in coordinating and maximising assurance with other assurance providers. A small number of actions have arisen for the Service from this review, which will be addressed over the coming months.

#### **Use of this report**

- 3.21 This report has been prepared solely for the use of Lancashire Constabulary and the Police and Crime Commissioner for Lancashire, and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, 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.

**Summary of our findings and assurance**

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b><i>Governance and democratic oversight</i></b>						
OPCC Governance and decision making	3	3	0	✓	✓	This work is complete and we issued our final report in November 2017. Actions have been agreed in relation to: <ul style="list-style-type: none"> <li>● Establishing a definition of what constitutes a 'key' decision;</li> <li>● The development of a standardised decision template to evidence the review and authorisation process; and</li> <li>● Ensuring that all decisions are reported on the OPCC internet site.</li> </ul>
				Substantial assurance 2 medium and 1 low residual risk actions agreed		
Constabulary Governance and decision making	7	5	2	-	-	Our fieldwork is complete and we are currently compiling our results.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b><i>Business effectiveness</i></b>						
OPCC Risk management	3	5	(2)	-	-	This work is complete and we have issued our draft report to management for consideration.
Constabulary Risk management	7	10	(3)	-	-	Our fieldwork is complete and we are currently compiling our results.
Data quality	10	1	9	-	-	An initial scoping meeting has been held with the Force Crime Registrar and our audit approach is currently being developed, taking into consideration the recently published HMICFRS report on Crime Data Integrity.
<b><i>Service delivery</i></b>						
Detention of vulnerable persons	25	1	24	-	-	Whilst some internal scoping work has started, we have not yet made arrangements with the Constabulary to start this work, which is scheduled for quarter 4.
Workforce planning	25	1	24	-	-	Internal scoping work has commenced and an initial scoping meeting is scheduled with the Constabulary early December, in advance of a quarter 4 review date.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b><i>Service support</i></b>						
Management of CCTV systems	20	3	17	-	-	Initial scoping meetings have been held with the Constabulary and constructive feedback has been provided on the draft policy documents under development. We are hoping to commence this work in the immediate future.
Staff wellbeing and support	20	11	9	-	-	Work has been ongoing since August 2017, and we are now in the process of compiling our summary report.
<b><i>Business processes</i></b>						
Accounts payable	7	5	2	-	-	Our work on these systems is complete and the composite draft report has been issued to management for consideration.
Accounts receivable	8	6.5	1.5	-	-	
General ledger	5	5	0	-	-	
HR/ Payroll	12	0	12	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.
Procurement	6	0	6	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	7	0	7	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.
Treasury management	5	3	2	✓	✓	This work has been completed. Our report was issued in November 2017. No areas for improvement were identified.
				Full assurance		
<b><i>Follow up audit activity</i></b>						
Health and safety	3	0	3	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.
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 has been completed. Our report was issued in November 2017.
Vetting and Barring	1	1	0	The agreed action from the prior year report has been implemented.		This work has been completed. Our report was issued 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 has been completed. Our report was issued in November 2017.
Digital Media Investigations Unit	1	0	1	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Evidence Related Property	4	0	4	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.
Information management and security	1	0.5	0.5	The one action raised in our 2016/17 report has been implemented. Two actions originally raised in 2015/16 are still ongoing.		This work has been completed. Our report was issued in November 2017.
Case and custody	3	0	3	-	-	No work has yet commenced on this review, which is scheduled for quarter 4.
<b><i>Other components of the audit plan</i></b>						
Management	13	7	6	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 and production of the quarterly monitoring reports.
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.
<b>Total days</b>	<b>200</b>	<b>71</b>	<b>129</b>			

## Audit assurance levels

## Appendix 1

The assurance we can provide over any area of control falls into one of four categories as follows:

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

**Substantial assurance:** there is a generally sound system of internal control, 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/ have resulted in failure to achieve the service objectives.