



Lancashire
Constabulary
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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 2017

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1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2016/17 and the key themes arising in relation to risk management, governance and internal control.
- 1.2 In March 2016, the Joint Audit and Ethics Committee considered and approved the internal audit plan for 2016/17. This work is now complete and reported on here.

The role of internal audit

- 1.3 The Internal Audit Service is an assurance function designed to provide an independent and objective opinion on the adequacy and effectiveness of the control environment. The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an opinion on the 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 2016/17 and during 2017/18 in relation to the 2016/17 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.

Interim reports

- 1.6 This report builds on the matters reported previously to the Joint Audit and Ethics Committee as it has been completed during the year, and as such summary findings regarding the individual reviews are only included where these have not previously been reported to the committee.

Acknowledgements

- 1.7 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 conclude that we are able to provide substantial assurance over the internal control environment, governance and risk management arrangements of the Chief Constable and the Police and Crime Commissioner for 2016/17. 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 2016/17, and includes consideration of the wider sources of assurance provided to the Constabulary 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 2016/17. Grant Thornton issued its annual audit letter relating to 2015/16 in August 2016, and gave unqualified opinions on both the annual financial statements and the Authority's value for money arrangements.
- 2.4 The results of the interim audit work completed by Grant Thornton were reported to the Joint Audit and Ethics Committee in March 2017. This concluded that the interim work had not identified any material weaknesses in controls or errors in the early substantive testing completed.
- 2.5 The Constabulary is subject to periodic inspection by Her Majesty's Inspector of Constabulary 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. For 2016, Lancashire Constabulary has been assessed as 'good', across each of the three pillars of the police efficiency, effectiveness and legitimacy (PEEL) programme.
- 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 risk management arrangements, 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

Key Financial Systems

- 3.1 The accounts payable, accounts receivable, general ledger, procurement, treasury management, pensions administration and human resources/ payroll systems are deemed to be key financial systems and accordingly they form part of each annual audit plan.
- 3.2 Our audit of these systems during 2016/17 found that overall there is a strong control environment in place, and we provided either full or substantial assurance in relation to the adequacy and effectiveness of the controls in place to manage the risk to individual system objectives.
- 3.3 A small number of actions were agreed with management to enhance the controls in operation across these financial systems, but no issues are sufficiently significant to impact on the overall internal control environment. The table below indicates the overall number of actions agreed, and the 'Summary of our findings and assurance' in section 6 provides further detail regarding the nature of these actions.

Actions agreed	Total
Extreme risk	0
High risk	0
Medium risk	7
Low risk	5
Total	12

- 3.4 We have confirmed that the agreed actions in our prior year reports on these systems have been appropriately addressed.
- 3.5 The following paragraphs contain further information on the results of those audits finalised since our last report to committee in March 2017.

Procurement

- 3.6 Our work was finalised in May 2017, and we were able to provide full assurance.
- 3.7 There are detailed contract standing orders in place which have been approved by the Joint Management Board and stipulate the procedures to be followed when procuring goods or services.
- 3.8 It was evident for a sample of procurement arrangements entered into during the year that the procurement strategy and supporting procurement toolkit were being complied with. This included:
- Utilising collaborative arrangements in line with the Home Office Collaborative Law Enforcement Program;

- Using the Blue Light e-tendering system to record all contracts and the use of e-tendering where applicable; and
- Detailed records being maintained in support of the procurement exercise undertaken including evaluations and signed contracts/agreements.

3.9 Our audit included consideration of whether the circumstances under which procurement rules had been waived were consistent with contract standing orders and appropriately authorised. The results showed, consistent with the prior year, that these had been approved by the Finance Manager under a verbal authority from the Director of Resources. This authority has now been confirmed in writing.

Treasury management

3.10 Our audit of treasury management arrangements confirmed that a strong control environment is in place and full assurance was provided. A treasury management strategy is approved by the PCC on an annual basis, prior to the start of the financial year. The strategy adopts the *Prudential Code for Capital Finance in Local Authorities* and the relevant CIPFA code of practice and sets out the authorised limits for borrowing, debt profiles, repayment strategies and investment policies.

3.11 No new borrowings or investments have taken place during 2016/17. We have confirmed that £500,000 was repaid to the Public Works Loan Board in September 2016. Interest paid on borrowings was consistent with expectation.

Pension administration

3.12 There were no areas of major concern found during the course of our review and substantial assurance was provided. We did identify a small number of areas for improvement and actions have been agreed to address these, which are summarised in the table at section 6.

Expenses

3.13 In addition to the above systems, we also conducted a high level review of Constabulary expenses during the year. There were no significant matters to report from this review.

Operational reviews

Office of the Police and Crime Commissioner (OPCC) Code of Ethics

3.14 Our audit of the administration of the Code of Ethics within the OPCC established that a robust Ethics and Integrity Framework has been implemented and full assurance was provided. Appropriate internal and external scrutiny functions exist to monitor the embedding of the framework, and its ongoing influence on service delivery, facilitating an ethical culture.

3.15 A couple of minor issues were reported. These related to ensuring regular update of the Ethics and Integrity Framework Action Plan document, and reporting progress on its implementation to the Joint Audit and Ethics

Committee; and also, to ensure that when updating the published gifts and hospitality register, all applicable items are published as soon as is practicable.

Constabulary Code of Ethics

- 3.16 Our audit of the Code of Ethics was completed in October 2016. We provided full assurance that an appropriate ethical governance framework exists to ensure that ethical values permeate Constabulary business, such as inclusion in recruitment and promotion processes, training, decision making and engagement with external bodies. The code is supported at the highest level, with Chief Officers actively promoting ethical behaviour and thinking.

Health and safety

- 3.17 In March 2017, we completed an audit of the management of health and safety risks, and were only able to provide limited assurance over the adequacy and effectiveness of the controls in place.
- 3.18 A number of weaknesses were identified including the lack of an overarching health and safety plan, developed via analysis of the operational and organisational risks identified across the various divisions, work areas and activities of the Constabulary.
- 3.19 Inconsistencies in the working practices adopted by the various officers and staff with operational responsibility for health and safety were noted, including variations in the content of certain inspections, and a lack of formality regarding the recording, follow up and reporting of findings to the relevant divisional Health and Safety Committee and ultimately the Executive Health and Safety Committee.
- 3.20 We acknowledge that managerial changes affecting health and safety within the Constabulary have contributed to the variations in practice adopted by the divisions, and a revised operational approach is being developed by the HR and Wellbeing service, to enable Health and Safety Officers to manage portfolios associated with specific functional areas. A strategic approach to the management of health and safety risks across the Constabulary will be undertaken via a programme of audit visits, rather than routine inspections.

Information management and security framework

- 3.21 We are able to provide substantial assurance over the adequacy of the Constabulary's information management and security framework. Our audit was concluded in May 2017, and focused on the current framework of information security policies, related procedures and guidance. The main emphasis was on reviewing the progress to implement the actions agreed in the previous report issued in March 2016.
- 3.22 Whilst significant progress has been made, a number of the actions instigated to ensure full compliance are still ongoing. For example, the Information Management Audit Plan has only been partially completed. The Constabulary through the Information Security Officer, Information

Assurance Manager and its Information Governance Board are fully aware of these areas and actions are being taken or are planned for later in 2017.

Freedom of Information/ Subject Access Requests

- 3.23 An audit of the arrangements in place to manage the receipt, processing and disclosure of information resulting from freedom of information requests and subject access requests in accordance with statutory requirements was completed in May 2017.
- 3.24 We were able to provide substantial assurance that adequate and effective controls are in place, concluding that whilst many good practices are in place to process these requests, recent and forthcoming external changes to performance targets and data protection regulations will need to be considered and monitored by the Constabulary to ensure response effectiveness is maintained.

Evidence Related Property (ERP)

- 3.25 We previously undertook a review of ERP in September 2015, and provided no assurance that the existing system of processes and controls was adequate, or operating effectively. For the purpose of the 2016/17 review, we retested the same control areas as previously to determine whether the agreed actions have been implemented, and controls subsequently strengthened.
- 3.26 There have been a number of notable improvements in the management of ERP since our previous review of this area. We confirmed 15 of the 23 originally agreed actions have been, or are in the process of being implemented.
- 3.27 However, some areas of concern previously reported remain an issue, and the inconsistent application of controls meant that although improvements have been made, we are still only able to provide limited assurance over this area. The areas of weakness identified continue to be progressed by the Constabulary and the direction of travel is positive.

Vetting processes

- 3.28 An audit of the controls in place for managing the security clearance and vetting of newly appointed staff, in addition to the arrangements operated for reviewing the clearance provided to the existing workforce, and transferees into the Force, was completed in May 2017 and resulted in substantial assurance.
- 3.29 We verified that an appropriate vetting framework exists, that broadly concurs with the ACPO National Vetting Policy for the Police Community 2012, and the College of Policing revised Vetting Code of Practice. All vetting procedures are completed prior to the commencement of employment, and robust controls surround the process for reviewing vetting appeals.
- 3.30 We noted that backlogs exist with regards to processing applications for aftercare, renewal and non-vetted police staff. However, this issue is

recognised by Constabulary senior management and the Police and Crime Commissioner, and a considerable amount of work had been undertaken to address the backlogs.

Digital Media Investigations Unit

- 3.31 In May 2017, we undertook a review of the operations of the Digital Media Investigations Unit (DMIU), and in particular the controls surrounding the case management framework, to ensure that cases posing the highest risk to vulnerable individuals' are prioritised.
- 3.32 The DMIU had already undertaken a significant amount of work with regards to streamlining the case management system, and wider operating procedures, and in view of the situation, a light touch review of the processes and controls in place within the DMIU was undertaken and as such an opinion on the effectiveness of the controls in operation is not appropriate. We do however consider that there is an adequate framework of controls in place to manage the operations we reviewed within the DMIU.
- 3.33 In particular, the training regime provides a robust, effective control framework ensuring DMIU staff are adequately qualified and experienced to competently undertake their duties; there are robust access controls surrounding the operation of the phone examination kiosks and there is adequate training provided to officers in the use of the kiosks.

Case and Custody system

- 3.34 Earlier this month, we completed our audit of the Connect Case and Custody system, and the draft report has recently been issued to the Constabulary. The audit focused on the procurement, project management and contract performance monitoring arrangements, and we provided substantial assurance that the controls in place adequately and effectively manage the risks facing the Constabulary.
- 3.35 Our review of the Connect Case and Custody system has confirmed that this project is not solely the replacement of an in-house developed ICT system with a commercial off the shelf product. The project has involved a significant amount of change management, and has introduced new ways of working across the Constabulary, that possibly had not been fully anticipated on the inception of the project. It is clear however that those involved with the project have a high level of commitment, and we have been able to see examples of effective collaborative working between the Constabulary, Northgate and BTLS.

Follow up work

- 3.36 Under the Public Sector Internal Audit Standards, management is responsible for ensuring that actions to remedy control weaknesses identified by the Internal Audit Service are implemented; and the Internal Audit Service should monitor and ensure that actions have been effectively implemented or that senior management has accepted the risk of not taking action.

- 3.37 Work has therefore been undertaken to ascertain progress in implementing agreed actions resulting from the 2015/16 operational reviews, which included Evidence Related Property, and the Information Management and Security Framework, which are noted above.

Fraud/ special investigations

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

National Fraud Initiative

- 3.39 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.
- 3.40 Following the submission of data in October 2016, the resulting matches were released by the Cabinet Office in January 2017 and these have started to be investigated by the Constabulary. 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.
- 3.41 The Constabulary is currently making good progress in investigating data matches against the Cabinet Office milestone dates. No savings, frauds or errors have been identified from the cases opened and closed to date.

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	231	4
Payroll	62	11	62	0
Creditors	1016	119	402	0
Procurement	4	1	3	1
Individuals who appear on more than one report	4	0	0	0
Total	1321	263	698	5

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 except for the issues raised following our audit of Health and Safety, no high risk areas for improvement have been identified.

5 Internal audit inputs and performance

Internal audit plan 2016/17

- 5.1 Work carried out during 2016/17 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 223 days have been spent in delivering the audit plan against a provision of 200 days.
- 5.2 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 2017/18 audit plan.

Internal audit quality assurance and improvement

- 5.3 The Head of Internal Audit operates a quality assurance and improvement programme that both monitors the on-going performance of internal audit activity and periodically assesses the Internal Audit Service's compliance with the PSIAS. This includes both internal and external assessments.
- 5.4 A self-assessment of the Internal Audit Service confirmed that the service substantially meets the requirements of PSIAS. A more detailed assessment will build on this in 2017/18. A full external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS will take place during November 2017 and the results will be reported to the committee. The outcome of that review will be used to inform a revised quality assurance and improvement programme if necessary.

6 Summary of findings

Overall summary and assurance provided

- 6.1 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 your 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.
- 6.2 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	
Key Financial Systems						
Accounts payable	10	7	3	✓	✓	<p>These reviews were finalised in December 2016, and medium residual risk actions have been agreed as follows:</p> <ul style="list-style-type: none"> The policy of 'No PO, No pay' is to be reinforced; Staff are to be reminded to undertake verification checks when setting up new suppliers; and All debts, including instalment agreements and debts assigned to legal services will be subject to regular monthly review.
				Substantial assurance 2 medium and 1 low actions		
Accounts receivable	8	10	(2)	✓	✓	
				Substantial assurance 1 medium and 2 low actions		
General ledger	7	6	1	✓	✓	
				Full assurance 2 low actions		
Procurement	10	10	0	✓	✓	<p>The report was finalised in May 2017. There were no actions resulting.</p>
				Full assurance		
Human resources and payroll	10	10	0	✓	✓	
				Substantial assurance 2 medium actions agreed		
Pensions administration	7	7	0	✓	✓	<p>The report was finalised in June 2017. The following actions have been agreed with the Local Pensions Partnership (Administration) Ltd:</p> <ul style="list-style-type: none"> The Systems and Support Manager will control, coordinate, communicate and have oversight of system updates and provide assurances to the Head of the Administration Service. Pending the new IT solution, the cause of any inaccuracies in KPI data will be addressed by the Head of the Administration Service.
				Substantial assurance 2 medium actions agreed		

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Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Constabulary expenses	3	3	0	N/A	N/A	No areas of concern were identified from the work undertaken. In particular, we are satisfied that the Oracle expenses system is in line with the Expenses policy and guidance and the data analysis we have conducted has not indicated any significant breaches of compliance with the policy. Dip sampling is conducted by the Strategic Business Support Manager and a pragmatic approach to follow up is in place.
				A light touch review has been undertaken and therefore a formal assurance opinion is not considered appropriate		
OPCC Treasury management	5	5	0	✓	✓	The report was finalised in April 2017. There were no actions resulting.
				Full assurance		
Operational reviews						
OPCC Code of Ethics	6	8	(2)	✓	✓	Our report was finalised in February 2017, with actions agreed relating to the update of the published gifts and hospitality register and the Ethics and Integrity Framework action plan.
				Full assurance 2 low actions agreed		
Constabulary Code of Ethics	14	12	2	✓	✓	This report was finalised in October 2016. There were no actions resulting.
				Full assurance		
Information management and security framework	15	13	2	N/A	✓	The report was finalised in May 2017. The Information Security Officer and Information Assurance Manager will review/ update the Information Security Policy and IGB terms of reference documents to ensure that they are consistent.
				Substantial assurance 1 low action agreed		
Vetting processes	15	16	(1)	✓	✓	The report was finalised in May 2017. An action was agreed to cease the backdating of vetting clearances.
				Substantial assurance 1 medium action agreed		
Evidence related property	15	25	(10)	×	×	The report was finalised in May 2017. The actions with a medium residual risk were as follows: <ul style="list-style-type: none"> ERP staff should be reminded that in line with policy, all firearms should be boxed or bagged; and Assurance should be gained that the firearms within the Accrington store have been identified and ERP labels attached as a priority.
				Limited assurance 2 medium and 4 low actions agreed		

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Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Health and safety	20	20	0	×	×	<p>The report was finalised in March 2017. Agreed actions include:</p> <ul style="list-style-type: none"> • The development of an overarching health and safety plan to ensure health and safety risks are clearly identified, managed and controlled by staff with defined roles and responsibilities, who are appropriately trained to perform their duties; • Updating the health and safety policy and supporting working practices to ensure that there is a clear methodology in place for the reporting and follow up of incident investigations and the completion and reporting of health and safety compliance visits; • A review of access permissions for the computerised accident reporting system; and • The development of a performance management framework to determine whether health and safety outcomes are being achieved.
				Limited assurance 1 high, 7 medium and 3 low actions agreed		
Freedom of information/ Subject Access Requests	15	16	(1)	✓	✓	<p>The report was finalised in May 2017. The Information Assurance Manager will develop a report to be presented at IGB meetings that will specify the current FOI and SAR compliance targets, provide trend analysis by detailing the latest and previous performance results, and provide context for any significant changes.</p> <p>The IGB will be able to use this information to more effectively monitor performance and consider resources and support accordingly.</p>
				Substantial assurance 1 medium and 2 low actions agreed		
Digital Media Investigations Unit	5	5	0	N/A	N/A	<p>The report was finalised in June 2017. Areas for improvement were noted in relation to reviewing and prioritising outstanding actions in the accreditation action plan, providing formal updates to the Head of Intelligence on a regular basis and also considering the measures available to the Constabulary to assist with the retention and progression of staff.</p>
				A light touch review has been undertaken and therefore a formal assurance opinion is not considered appropriate		

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Review area	Audit days			Assurance		Key issues/ Comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Other areas						
Case and Custody replacement system	20	35	(15)	✓	✓	<p>Our draft report has recently been issued and the following proposed actions are being considered by the Constabulary:</p> <ul style="list-style-type: none"> • Future training needs analysis will include business processes as well as the ICT systems; • Regular engagement will be maintained with staff in relation to the CONNECT programme; • Representatives from all business areas will attend relevant project and programme meetings; • Data to support the benefits realisation plan will begin to be collated; • An escalation process will be defined for use when the Northgate complaints process has been exhausted; • A regular monitoring report in relation to Northgate business as usual and development work will be produced; and • Overall project costs will be monitored.
				Substantial assurance 5 medium and 2 low actions agreed		
General management activities and central reporting	15	15	0	N/A	N/A	<p>Time incurred relates to:</p> <ul style="list-style-type: none"> • Attendance at meetings of the Joint Audit and Ethics Committee; • Completion of the 2015-16 annual Internal Audit Report; • Production of the quarterly monitoring reports; • Liaison with external audit; • Support provided in relation to the National Fraud Initiative; and • Production of the 2017-18 Combined Internal Audit Plan.
Total Days	200	223	(23)			

Annex 1: Scope, responsibilities and assurance

Approach

- 1 In accordance with Public Sector Internal Audit Standards, 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 2016/17.
- 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 the organisation as a whole.
- 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

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 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.