



**Lancashire
Constabulary**
police and communities together

**Lancashire Constabulary and the Office of the
Police and Crime Commissioner for Lancashire
Internal Audit Service
Combined Internal Audit Plan 2019/20**

1 Introduction

- 1.1 This paper sets out a proposed plan of work to be undertaken by the Internal Audit Service for the Police and Crime Commissioner and the Chief Constable for the coming financial year. The plan amounts to a total resource of 220 audit days, which equates to an overall cost of £71,500 (ex VAT) at our daily rate of £325.

2 The purpose of the audit plan

- 2.1 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Police and Crime Commissioner and the Chief Constable. However the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and internal audit provides one of the key sources of such assurance.
- 2.2 The head of internal audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the objectives of the Police and Crime Commissioner and Chief Constable are being adequately and effectively controlled.
- 2.3 The Joint Audit and Ethics Committee's terms of reference require it to review and approve the internal audit plan. The Committee's views on this plan of work will therefore be welcome.

3 Statutory and professional requirements relating to internal audit

- 3.1 Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance."

Regulation 5. (1)

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control [...] and (b) prepare an annual governance statement."

Regulation 6. (1)

Definition of internal auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic,

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire: Combined Internal Audit Plan 2019/20

disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

Public Sector Internal Audit Standards, 2017 published by the Relevant Internal Audit Standard Setters

- 3.2 The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

4 Internal audit coverage to support an annual overall opinion

- 4.1 An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
 - Sufficient coverage over operations as a whole so that a fair assessment may be made across both organisations;
 - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
 - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
 - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.
- 4.2 Because the overall opinion covers a 12 month financial period, the evidence will relate to the controls in operation for that period.

5 Relationship to the risk management process

- 5.1 A risk-based audit plan will take into consideration the risks assessed as most significant by the organisation's managers, and should seek to provide assurance over the operation of the controls that serve to reduce the most significant risks to the greatest degree.

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire: Combined Internal Audit Plan 2019/20

5.2 Referencing the corporate risk registers and working with senior management from the Constabulary and the Office of the Police and Crime Commissioner, we have sought to identify the areas with the greatest inherent risk, where these risks are regarded as having been effectively mitigated by strong controls. These are the controls on which the Police and Crime Commissioner and Chief Constable is placing the greatest reliance and over which it therefore needs the greatest assurance.

6 The 'lines of defence' and other sources of assurance available to the Chief Constable and the Police and Crime Commissioner (PCC)

6.1 The Internal Audit Service is only the Chief Constable's and PCC's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.

6.2 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

7 The audit approach adopted by the Internal Audit Service

7.1 The Internal Audit Service follows a risk-based audit methodology, working closely with managers to understand the risks to the service, system or process being audited and then testing the controls in place. The audit process therefore involves two phases. During phase one we establish a framework of risks and controls, which enables us to assess the adequacy of the controls designed to mitigate the risks identified, and during the second phase we test the effectiveness of the controls in operation. The nature of the audit work performed does however vary and can include either or both of these phases.

7.2 Whilst a service is in the process of transformation or remodelling we can support the managers in the design of a control framework that will manage the risks to service objectives. This would represent consultancy rather than assurance work.

7.3 Where assurance is required over a control system that has not previously been audited in its present form we undertake a full review including both audit phases, and we will provide an opinion on both the adequacy of design and the effectiveness in operation of the controls in place.

7.4 Finally we may undertake compliance testing annually of systems we have previously audited because they are fundamental to the overall control framework.

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2019/20**

7.5 Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any extreme, high or medium risks identified we will seek evidence to support this, but other than obtaining management assurances, we will not generally follow up actions designed to mitigate only low risks.

8 Degrees of assurance

8.1 For 2019/20 we will categorise our assurance levels using one of the following four definitions:

Substantial assurance: the framework of control is adequately designed and/ or effectively operated.
Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.
Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.
No assurance: there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve the service, system or process' objectives.

9 Deployment of audit resources

9.1 The plan is stated in terms of days input, which represents our current best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.

9.2 The content and outline scope of each audit within the proposed plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Audit review	Outline audit scope	Days
Governance		
Performance management arrangements <i>(carried forward from 2018/19)</i>	<ul style="list-style-type: none"> The review will consider the robustness of the Constabulary's performance management arrangements and in particular will consider how these support and inform the production of the Force Management Statements and are aligned with the Constabulary vision and values and HMICFRS inspection criteria. 	15

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2019/20**

Audit review	Outline audit scope	Days
Risk management	<ul style="list-style-type: none"> A high level review to ensure ongoing compliance with the recently revised risk management arrangements. 	2
<i>Business effectiveness</i>		
Officer/ staff performance and development	<ul style="list-style-type: none"> We will assess compliance with the performance and development review (PDR) policy and procedures regarding the frequency of review and the recording of outcomes. We will additionally consider if and how individuals have been supported in terms of any further support they need to perform optimally in their roles and if/ how their skills and training needs are identified, recorded and used to support the development of a skills database and training needs analysis. We will consider whether appropriate training courses are on offer at the right time to ensure that officers and staff have access to an appropriate type of learning and development activity to meet mandatory and desirable training needs. 	20
Recruitment	<ul style="list-style-type: none"> The review will consider whether current recruitment activity is consistent with the 'positive action' approach and is effective and efficient at ensuring the right person is recruited to each individual role. 	12
<i>Service delivery</i>		
Disclosure	<ul style="list-style-type: none"> The review will assess whether there are adequate and effective controls in place, that are fair, impartial and proportionate, to ensure that material is only obtained through appropriate accredited processes and that the appropriate disclosure regime is adhered to in accordance with the Criminal Procedure and Investigations Act 1996, and Authorised Professional Practice, issued by the College of Policing. We will consider how efficiently the Constabulary is dealing with the increased volume of recorded data available, considering if/ how technology is being used and the implications for the investigative workload and throughput. We will further assess the effectiveness and timeliness of the Constabulary's working arrangements with the Crown Prosecution Service in order to alleviate or reduce the risks that the above challenges present. 	25

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2019/20**

Audit review	Outline audit scope	Days
Anti-fraud initiatives	<ul style="list-style-type: none"> The review will assess the adequacy and effectiveness of the control framework in place to manage the Constabulary and OPCC's anti-fraud activities. 	12
Grants from the Community Action Fund (OPCC)	<ul style="list-style-type: none"> The review will assess whether the grants awarded from the Community Action Fund are consistent with its aims and objectives. We will additionally consider whether appropriate oversight is maintained to ensure that the funds are used for the purposes intended. 	10
Proceeds of Crime	<ul style="list-style-type: none"> The review will assess the adequacy and effectiveness of the processes and controls in place within the Constabulary to maximise revenue collection from the Proceeds of Crime Act, including assessing the reasonableness with which Lancashire's share of the Regional Organised Crime Unit is calculated. In particular, the review will consider the robustness of the claims identification process. 	12
Investigation management unit (IMU)	<ul style="list-style-type: none"> The objective of the review is to assess whether there are appropriate arrangements in place to assess whether the work of the IMU is having a positive impact on data quality. In particular, we will consider whether appropriate targets/ benchmarks have been established and a data set created that will provide assurance as to whether anticipated benefits are being realised. 	12
Service support		
CCTV Compliance <i>(carried forward from 2018/19)</i>	<ul style="list-style-type: none"> Our work will consider the effectiveness of the control framework in ensuring compliance with the Surveillance Commissioner's Code of Practice. This review will include consideration of fixed CCTV cameras, ANPR, Mobile Enforcement Vehicles and Body Worn Video devices. 	15
Business continuity management	<ul style="list-style-type: none"> The objective of the review is to assess whether the business continuity processes and controls in operation across the Constabulary are adequately designed and effectively operated so as to ensure that services can continue at acceptable predefined levels following a disruptive incident. 	15

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2019/20**

Audit review	Outline audit scope	Days
Stock control	<ul style="list-style-type: none"> The review will consider the adequacy and effectiveness of the arrangements in place to ensure movements of stock are correctly and accurately recorded on a timely basis. In particular the review will consider how stock items held by individual officers and staff are returned when they leave the Constabulary. 	12
Business processes		
Accounts Payable	<ul style="list-style-type: none"> The review will consider whether controls are effective in ensuring that purchase ordering and creditor payment processes are valid, accurate, and timely. 	7
Accounts Receivable	<ul style="list-style-type: none"> The review will consider the adequacy and effectiveness of the debt management processes in ensuring that income is maximised, collected on a timely basis and accounted for correctly. 	8
General Ledger	<ul style="list-style-type: none"> The review will consider the adequacy and effectiveness of the controls over budget setting and financial monitoring and reporting. 	5
Human resources/ payroll processing	<ul style="list-style-type: none"> We will review the adequacy and effectiveness of the controls in place to ensure that officers and staff are paid the right amount at the right time. In particular we will verify that appropriate pre-employment checks have been completed and payments to starters and leavers, and amendments to pay have been accurately processed. 	8
Pensions administration	<ul style="list-style-type: none"> Our work will be limited to an assessment of the assurance provided by Deloitte LLP over Pension Fund administration by the Local Pension Partnership Limited. 	1
Treasury Management (OPCC)	<ul style="list-style-type: none"> The review will determine the adequacy and effectiveness of the treasury management procedures operated by or on behalf of the OPCC to ensure that cash flow management and the resultant borrowing and investment activities are conducted in accordance with the approved Treasury Management strategy. 	4

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2019/20**

Audit review	Outline audit scope	Days
<i>Follow up audit activity</i>		
Constabulary contract monitoring	<ul style="list-style-type: none"> • These reviews will comprise a self-assessment by management of the progress made in implementing agreed actions; and • Selective test checking of controls and review of documentary evidence. 	1
Victims Service contract monitoring (OPCC)		1
Budgetary control of overtime		1
Lancashire Road Safety Partnership		1
Firearms management		1
Early Intervention and Prevention		1
Health Service review		1
<i>Other components of the audit plan</i>		
Management	<ul style="list-style-type: none"> • Attendance at meetings of the Joint Audit and Ethics Committee; • Production of the annual audit plan; • Preparation of the periodic monitoring reports; • Preparation of the annual report of the head of internal audit; and • Liaison with external audit. 	13
National Fraud Initiative	<ul style="list-style-type: none"> • Support to staff in the testing of data matches identified. 	5
<i>Total days</i>		220