

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 2019**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2018/19 and the key themes arising in relation to risk management, governance and internal control.

The role of internal audit

- 1.2 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.
- 1.3 This report is based upon the work the Internal Audit Service performed during 2018/19 and 2019/20 in relation to the 2018/19 audit plan, approved by the Joint Audit and Ethics Committee in March 2018.
- 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 Overall, I can provide moderate assurance regarding the adequacy of design and effectiveness in operation of the frameworks of governance, risk management and control of the Chief Constable and the Police and Crime Commissioner.

2.2 In forming my opinion I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers and information available from less formal sources than planned audit engagements.

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

2.3 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.

2.4 The 2018/19 Lancashire PEEL (Police Efficiency, Effectiveness and Legitimacy) inspection is still ongoing, and therefore the findings are not yet available. Two specific reviews have however been completed and published:

- In April 2019, HMICFRS published its findings from the National Child Protection – Post inspection review. HMICFRS concluded that Lancashire Constabulary had taken significant steps to address the recommendations made following the October 2017 inspection, and where there were still areas for improvement, these had been identified through the Constabulary's own audit and governance arrangements, and plans were in place to address them.
- In May 2019, the Constabulary was judged as having significantly improved its crime recording arrangements, and an overall judgement of 'good' was awarded. All recommendations from the previous 2017 report had been implemented and the Constabulary had been proactive in responding to the results of its own crime recording audits.

2.5 Assurance is also provided by Grant Thornton as the external auditor for the Chief Constable and the Police and Crime Commissioner for Lancashire for 2018/19. Grant Thornton issued an unqualified opinion on the 2017/18 financial statements and they were also satisfied that in all significant respects the Chief Constable and Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

- 2.6 Members of the Joint Audit and Ethics Committee agree a detailed work programme 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

Constabulary contract monitoring

- 3.1 We have provided moderate assurance over the adequacy and effectiveness of the controls operated by Lancashire Constabulary to obtain assurance that services provided to them (across four separate service areas) are being delivered in accordance with the terms of the contractual service specifications.
- 3.2 We found that each department and business lead has developed their own contract monitoring processes and allocated resources to this which are proportionate to the nature and value of the contract(s), with appropriate support being provided from Finance and the Procurement and Contracts teams.
- 3.3 We found a high level of scrutiny around contract price and we have verified that invoices are being appropriately checked prior to authorising for payment. There are however some gaps in the contract monitoring processes, largely due to the lack of agreed key performance indicators within one of the contracts we examined.
- 3.4 We would also suggest that there would be a benefit to a contract monitoring framework document being developed, which could be used to inform contract managers from across the Constabulary of best practice in relation to holding contract management meetings.

Victims service – contract monitoring

- 3.5 We assessed the adequacy and effectiveness of the controls operated by the Office of the Police and Crime Commissioner to obtain assurance that the Victims Service Contract is being delivered in accordance with the service specification, and we found the contract monitoring processes and analysis of performance information to be robust.
- 3.6 No specific areas of weakness were identified, and an opinion of substantial assurance was provided.

Budgetary control of overtime

- 3.7 We completed a review of the budgetary control of overtime during which we considered the adequacy and effectiveness of the controls operating across the Constabulary to ensure that overtime is necessarily incurred, appropriately authorised and subject to a satisfactory level of scrutiny and review.
- 3.8 During our review we identified several areas of good practice and we noted consistency across the divisions in terms of the management of

overtime. As a result we provided moderate assurance that the framework of control is adequately designed and effectively operated overall.

Lancashire Road Safety Partnership

- 3.9 Overall, we can provide substantial assurance that the framework of control for the Lancashire Road Safety Partnership is adequately designed and effectively operated.
- 3.10 Our opinion is based on the current operating model, taking into account the strong governance arrangements, the Partnerships' Strategy, the collaborative working between the partners and the action being taken towards the improvement of road safety and a reduction of the numbers of people killed or seriously injured on Lancashire's roads.
- 3.11 Uncertainties regarding the future financial sustainability of the partnership have been identified and recognised by the Executive Board and action is being taken to look at options.

Firearms management

- 3.12 We completed a review of the processes and controls in place surrounding firearms management. This included the safe and effective storage, issue and return of firearms, ammunition and munitions, by appropriately trained, accredited and authorised officers, ensuring that systems are auditable and compliant with the Authorised Professional Practice issued by the College of Policing and overall, we provided moderate assurance.

Early Intervention and Prevention

- 3.13 We can provide moderate assurance on the adequacy and effectiveness of the controls in place to support delivery of the Early Intervention and Prevention approach, and the achievement of operational objectives in a cost effective manner.
- 3.14 There is an established approach to early intervention and prevention which aligns with national guidelines for neighbourhood policing and the Lancashire PCC Police and Crime Plan 2016-2021 priority of 'supporting vulnerable people and victims'.
- 3.15 We identified areas of good practice including robust partnership working arrangements; extensive training programmes and opportunities; and comprehensive local management and monitoring of case referrals.
- 3.16 Some areas have been identified where controls can be strengthened further and actions have been proposed in this regard.

Child Protection case audit process

- 3.17 We undertook a review of the adequacy and effectiveness of the case audit process established by the Public Protection Unit (PPU) in April 2018.
- 3.18 Whilst our review identified a number of areas for improvement, many of which were introduced immediately by PPU, we have not identified any significant weaknesses that put the achievement of process objectives at risk. As a result, we provided moderate assurance that the child protection case audit process, combined with the development and implementation of

the child protection training programme and other improvement activities introduced are adequately designed and effectively implemented.

Provision of health services

- 3.19 Our audit work is now substantially complete and we are currently drafting the report for management consideration. The outcome of the audit will be reported to members at the next meeting of the Joint Audit and Ethics Committee in September 2019.

Treasury management arrangements

- 3.20 The Chief Finance Officer to the PCC is the officer responsible for ensuring that Treasury Management practices are implemented in accordance with the agreed Treasury Management Strategy, with responsibility for day to day treasury management activities being provided by Lancashire County Council who also act as advisers on all aspects of treasury management.
- 3.21 Based on our review we provided substantial assurance that the controls in place surrounding treasury management activity are adequately designed and effectively operated to meet its objectives.

Payroll processing

- 3.22 We completed a review of the payroll system, during which we considered the adequacy and effectiveness of the controls in place to ensure that Police officers and Police and OPCC staff are paid the right amount at the right time.
- 3.23 We provided an opinion of substantial assurance and no specific areas of weakness or areas for improvement were identified.

Accounts Payable, Accounts Receivable and General Ledger

- 3.24 Based on our review we were able to provide opinions of substantial assurance for each of these key financial systems. There were no findings to report that would have a significant impact on the achievement of objectives and a strong control environment continues to be maintained.
- 3.25 We identified a number of areas of good practice including:
- efficient processing of invoices and application of the exceptions policy for accounts payable;
 - well organised debt monitoring and management procedures for accounts receivable;
 - comprehensive budget monitoring for general ledger; and
 - compliance with internal performance standards.

Pension administration

- 3.26 The Lancashire Pension Partnership has appointed Deloitte as its internal auditor. Deloitte disclaims any liability to the Constabulary for any reliance they may place on this work, but have agreed that their conclusions may be reported to the Joint Audit and Ethics Committee.

3.27 Deloitte is expected to report on the audit of benefits administration over the summer of 2019, and therefore these findings will be reported to members in September 2019.

Follow up work

3.28 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.

3.29 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.

3.30 The table below provides a summary of the progress made by the Constabulary and OPCC in implementing the agreed actions raised as part of the 2017/18 audit programme.

2017/18 audit assignments	Review date	Risk rating	Actions raised	Implemented	Ongoing	Not yet implemented or superseded
OPCC Governance and decision making	January 2019	M	2	1	1	0
		L	1	1	0	0
Constabulary Governance and decision making	February 2019	M	0	0	0	0
		L	2	1	1	0
OPCC risk management	January 2019	M	3	2	0	1
		L	2	1	0	1
Constabulary risk management	February 2019	M	3	3	0	0
		L	2	1	0	1
Detention of vulnerable persons	<i>Not applicable – no actions raised</i>					
Management of CCTV systems	March 2019	M	6	1	0	5
		L	2	0	0	2
Readiness for GDPR	February 2019	M	4	0	1	3
		L	0	0	0	0
Provision of health services	<i>The follow up of actions following our 2017/18 review of this area will be reported alongside the main report.</i>					
HR/ Payroll	<i>Not applicable – no actions raised</i>					
Procurement	<i>Not applicable – no actions raised</i>					
General Ledger	November 2018	M	0	0	0	0
		L	1	1	0	0

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2017/18 audit assignments	Review date	Risk rating	Actions raised	Implemented	Ongoing	Not yet implemented or superseded
OPCC Governance and decision making	January 2019	M	2	1	1	0
		L	1	1	0	0
Constabulary Governance and decision making	February 2019	M	0	0	0	0
		L	2	1	1	0
OPCC risk management	January 2019	M	3	2	0	1
		L	2	1	0	1
Constabulary risk management	February 2019	M	3	3	0	0
		L	2	1	0	1
Detention of vulnerable persons	<i>Not applicable – no actions raised</i>					
Management of CCTV systems	March 2019	M	6	1	0	5
		L	2	0	0	2
Readiness for GDPR	February 2019	M	4	0	1	3
		L	0	0	0	0
Provision of health services	<i>The follow up of actions following our 2017/18 review of this area will be reported alongside the main report.</i>					
HR/ Payroll	<i>Not applicable – no actions raised</i>					
Procurement	<i>Not applicable – no actions raised</i>					
Accounts payable	November 2018	M	1	1	0	0
		L	3	3	0	0
Accounts receivable	November 2018	M	0	0	0	0
		L	2	0	2	0
Pensions administration	<i>Not applicable – no actions raised</i>					
Treasury management	<i>Not applicable – no actions raised</i>					
Implementation progress overall (completed follow up reviews)		M	19	8	2	9
		L	15	8	3	4
		Total	34	16	5	13

3.31 The explanations provided below relate to the progress made in implementing actions, as at the time the follow up audit work was performed, which is recorded in the table above.

OPCC decision making

- 3.32 The ongoing action relates to updating the decision making framework, particularly in relation to the definition of what constitutes a 'key' decision.

Constabulary decision making

- 3.33 During the course of the year the Constabulary has been working towards the enhancement of its overall governance and decision making arrangements by combining a streamlined board reporting process with an updated scheme of delegation to remove duplication and empower senior police officers and police staff to take decisions, prior to escalation. This work is still ongoing and is not expecting to be fully integrated until the end of 2019.

OPCC risk management

- 3.34 Of the two actions not yet implemented, one action relates to improvements in the risk management committee reporting arrangements and the remaining action, associated with further development of a risk management strategy, is currently under consideration.

Constabulary risk management

- 3.35 All agreed actions were implemented, except one, which relates to the enhancement of the committee risk management reporting arrangements.

Management of CCTV systems

- 3.36 We previously reported that the absence of a single point of contact, formal CCTV action plan, and a clear reporting line to the Information Governance Board could result in inconsistencies across CCTV systems and missed opportunities to share good practice and a delay in achieving third party certification for the CCTV systems.
- 3.37 Eight actions were agreed with management to enhance the Constabulary's ability to demonstrate compliance to both the Surveillance Camera Commissioner and the public, and whilst a single point of contact has been identified for CCTV, the CCTV Board has not yet been established, and as a result, no further progress has been made in addressing the remaining actions.

Readiness for GDPR

- 3.38 Three of the four actions agreed following our prior year review have not yet been implemented due to resource shortages.

Accounts receivable

- 3.39 The two ongoing actions noted above, at the time our audit was performed, related to the ongoing discussions between the finance and legal teams regarding changes to the debt recovery processes and the debt management policy.

Fraud/ special investigations

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

National Fraud Initiative (NFI)

- 3.41 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.
- 3.42 Following the submission of data in October 2018, the resulting matches were released by the Cabinet Office in January 2019. The table below provides details of the total number of matches identified, processed, cleared to date and the errors found.
- 3.43 The review of NFI matches is progressing to schedule, and to date, of the 930 matches processed, no errors or frauds have been identified.

Category of data	Number of matches identified	Number of matches processed	Number of matches in progress	Errors
Pensions	301	295	6	0
Payroll	75	27	14	0
Creditors	751	608	0	0
Procurement	5	0	0	0
Total	1,132	930	20	0

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 Whilst we have agreed actions in a number of areas to enhance the controls in place for the planned audit reviews, we do not consider there are any matters arising from the audit work conducted during 2018/19 that we consider should be identified in the annual governance statement as requiring specific improvement.

5 Internal audit inputs and performance

Internal audit plan 2018/19

- 5.1 Work carried out during 2018/19 was in accordance with the audit plan presented and approved by the Joint Audit and Ethics Committee in March 2018. 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 7. This shows that 182.5 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 where applicable. 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 2019/20 audit plan.

Changes to the audit plan

- 5.3 The Joint Audit and Ethics Committee approved a number of changes to the 2018/19 audit programme in year.
- 5.4 A review of the child protection case audit process introduced by the Constabulary in April 2018 was performed in advance of the re-inspection of child protection by HMICFRS. Additional ad hoc consultancy support was also provided in relation to the Constabulary's development of an Audit and Accreditation Assurance Framework.
- 5.5 The management of CCTV compliance audit was deferred until 2019/20, to allow further time for the control framework as designed to become fully operational, although we have followed up the progress on implementing the agreed actions following completion of our review of this area in July 2018.
- 5.6 Similarly, given in-year changes being made to the Constabulary performance management framework that were not intended for implementation until April 2019, this audit was also deferred until 2019/20.

6 Internal audit quality assurance and improvement

- 6.1 PSIAS requires that the quality of internal audit activity is assessed through 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 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 each year a post-audit file review process is conducted by the Head of Internal Audit, with any learning points being shared with the team.
- 6.3 An external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS was last 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 or were to be addressed was presented to the Joint Audit and Ethics Committee in March 2018. Progress has continued to be made during 2018/19, and we can confirm that we have now addressed the outstanding actions with the enhancement of our performance management framework and the appointment of an ICT audit provider in June 2018.

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						
Performance management arrangements	20	2	18	N/A	N/A	Due to revisions to the performance management framework this audit has been deferred until 2019/20.
Business effectiveness						
Constabulary contract monitoring	15	18	(3)	✓	✓	Our report was finalised in June 2019, with actions agreed in relation to: <ul style="list-style-type: none"> The development of an overarching Contract Monitoring Framework. Enhancements to the contract monitoring arrangements in relation to one of the four service areas we examined.
				Moderate assurance		
Victims Service – contract monitoring (OPCC)	10	12	(2)	✓	✓	Our report was finalised in March 2019, with one action agreed relating to the use of feedback from the independent evaluation to consider how customer satisfaction data can be gathered.
				Substantial assurance		
Budgetary control - overtime	10	12	(2)	✓	✓	Our final report was issued in February 2019 and actions were agreed in relation to: <ul style="list-style-type: none"> Considering alternative arrangements for allocating the overtime budget to divisions and departments. Liaison between divisions and departments and Corporate Development taking place regarding information requirements from the Power BI Project. The Force Resourcing Unit considering the benefit of rationalising some of the overtime reporting codes.
				Moderate assurance		

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Service delivery						
Lancashire Road Safety Partnership	10	10	0	✓	✓	Our report was finalised in June 2019, with actions agreed in relation to: <ul style="list-style-type: none"> • Publication of an LRSP Annual Report and communications strategy. • Updating the Partnership Agreement, including the funding arrangements. • Consulting with other road safety partnerships in relation to their funding model. • Enhancing the Partnership Action Plan.
				Substantial assurance		
Firearms management	20	20	0	✓	✓	Our report was finalised in April 2019 and actions have been agreed in relation to: <ul style="list-style-type: none"> • The review and update of the firearms strategic risk assessment. • Enhancing the recording arrangements when items are removed from the armoury for maintenance.
				Moderate assurance		
Early Intervention and Prevention	20	20	0	✓	✓	Our report was finalised in June 2019, with actions agreed in relation to: <ul style="list-style-type: none"> • Promoting the update and use of terms of reference for the integrated teams and panels. • Information sharing agreements to be reviewed and updated where appropriate. • Defining success in order to track the effectiveness of the outcome achieved. • Regular senior management reporting of performance. • Update of procedural and guidance information.
				Moderate assurance		

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Child protection case audit process (new addition to the 2018/19 audit plan)	0	10	(10)	✓	✓	Our audit was completed in October 2018, and actions were agreed in relation to: <ul style="list-style-type: none"> • Documentation of the audit process and the production of an enhanced case audit template. • Provision of feedback to both auditors and auditees. • Ongoing moderation and analysis of audit results to inform future development of the audit process. • Expansion of the training programme and an evaluation of the current training provision. • Circulation of child protection coach details and the possible establishment of a specific child protection coach focus group. • Monitoring of attendance at meetings where the case audit results are discussed.
Service support						
CCTV compliance	20	3.5	16.5	N/A	N/A	This audit has been deferred until 2019/20 pending the control framework being fully implemented and embedded. We have however followed up the actions raised in the prior year report, and the results are included in the table at paragraph 3.30.
Provision of health services	15	15	0	O/S	O/S	Our work in this area is nearing completion. The report is being produced for management consideration and the results will be reported to members in September 2019.
Business processes						
Treasury management (OPCC)	5	4.5	0.5	✓	✓	Our final audit report was issued in October 2018. No areas for improvement were identified.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
HR/ Payroll	8	9	(1)	✓	✓	Our final audit report was issued in November 2018. No areas for improvement were identified.
				Substantial assurance		
Accounts payable	7	7	0	✓	✓	Our combined report covering each of these systems was issued in November, and actions have been agreed regarding: <ul style="list-style-type: none"> • Maintenance of the approved invoice signatory list. • Agreement of the financial services MOU between LCC, the Constabulary and OPCC prior to the financial year to which it relates. • Changes to improve the efficiency with which journal records are maintained.
				Substantial assurance		
Accounts receivable	8	8	0	✓	✓	
				Substantial assurance		
General ledger	5	5	0	✓	✓	
				Substantial assurance		
Pensions administration	5	0.5	4.5	O/S	O/S	The results of this work is expected over the summer of 2019.
Follow up audit activity						
See table at Appendix 2	5	5	0	N/A	N/A	Our follow up audit activity is complete with 62% of actions implemented or in progress.
Other components of the audit plan						
Management activity	13	16	(3)	N/A	N/A	Time spent to date includes: <ul style="list-style-type: none"> • Preparation of the 2017/18 Annual Report • Production of the 2019/20 Annual audit plan • Production of the quarterly monitoring reports; • Attendance at meetings of the JAEC; and • Ad hoc support to the Constabulary regarding the development of the audit and accreditation processes.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
National Fraud Initiative	4	5	(1)	N/A	N/A	Time relates to the preparation of data for submission to the Cabinet Office re the 2018/19 matching exercise, and support into the investigation into the specific data matches identified.
Total days	200	182.5	17.5			

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 2018/19.
- 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

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 have been amended, and for 2018/19 the assurance we can provide over any area of control has fallen into one of four categories as follows:

Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.

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.

Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its 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 its objectives.