

Appendix A



**Lancashire
Constabulary**
police and communities together

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire

**Internal Audit Service - Monitoring report for the
period ended 28 February 2019**

1 Introduction

Purpose of this report

- 1.1 The Joint Audit and Ethics Committee approved the Combined Internal Audit Plan for 2018/19 in March 2018. This report details the progress to date in undertaking the agreed coverage and highlights any significant issues from the audit work performed in this period.
- 1.2 This report covers the period 1 April 2018 to 28 February 2019.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by officers and staff contacted in the course of our work.

2 Key issues and themes arising

- 2.1 No significant areas of concern have come to our attention in conducting our assurance work that requires bringing to the attention of the committee members. No individual actions have been raised to address areas of high residual risk.

3 Internal audit work undertaken

- 3.1 To date, 133.5 days have been spent delivering items within the 2018/19 audit plan, equating to 67% of the total planned audit activity of 200 days. The table at Appendix 1 provides an analysis of which assignments are still to be completed.
- 3.2 An outline of the scope and findings from the work completed since our previous report to committee in December 2018 is included in the following paragraphs.

Victims service – contract monitoring

- 3.3 We assessed the adequacy and effectiveness of the controls operated by the Office of the Police and Crime Commissioner to obtain assurance that the Victim 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. No specific areas of weakness were identified, and an opinion of **substantial** assurance was provided.

Budgetary control of overtime

- 3.4 We completed a review on 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.
- 3.5 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.

Child Protection case audit process

- 3.6 We have undertaken a review of the adequacy and effectiveness of the case audit process established by the Public Protection Unit (PPU) in April 2018, to obtain assurance that officers are appropriately addressing child protection matters when these present themselves during the course of an investigation.
- 3.7 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 can provide **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.

Follow up work

- 3.8 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.
- 3.9 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.
- 3.10 The table at Appendix 2 provides a summary of the agreed actions raised following completion of the 2017/18 audit programme, and where appropriate the status of the action as verified by ourselves at the time of conducting the review.
- 3.11 Since our previous report to committee we have now completed the follow up audits noted below:

Constabulary risk management

- 3.12 All agreed actions have been reported as implemented, except one, which relates to the enhancement of the committee risk management reporting arrangements.

Constabulary decision making

- 3.13 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

- 3.14 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.

OPCC decision making

- 3.15 The ongoing action relates to updating the decision making framework, particularly in relation to the defining of key decisions.

Readiness for GDPR

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

4 Overall summary and assurance provided

- 4.1 We have set out in the table in Appendix 1 a brief summary of each review undertaken during the period. This sets out the planned and actual days we have spent on each review, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business, where work has been finalised.

- 4.2 On the completion of individual reviews we distil the assurance we are able to provide into an assessment of the adequacy of each system, and its effectiveness in operation.

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

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

- 4.3 The assurance we can provide over any area of control falls into one of four categories and these are defined at Appendix 3. The revised assurance classifications notified to the committee in March 2018, are to be used for all assignments completed during 2018/19.

Use of this report

- 4.4 This report has been prepared solely for the use of Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire, and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and, in particular, we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Summary of our findings and assurance

Appendix 1

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 recent revisions to the performance management framework, this audit has been deferred until 2019/20.
Business effectiveness						
Constabulary contract monitoring	15	15	0	o/s	o/s	Fieldwork is progressing across a range of Constabulary contracts.
Victims Service – contract monitoring (OPCC)	10	12	(2)	✓	✓	Our work has recently been completed, and our report finalised, with one low residual risk action relating to using the 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. Two medium and one low residual risk 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		
Service delivery						
Lancashire Road Safety Partnership	10	2	8	o/s	o/s	We have now commenced detailed scoping of this piece of work, following an initial client meeting.
Firearms management	20	11	9	o/s	o/s	On site fieldwork commenced on the 18 February.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Early Intervention and Prevention	20	6	14	o/s	o/s	Our audit scoping is complete, and arrangements to commence fieldwork are underway.
Child protection case audit process (new addition to the 2018/19 audit plan)	0	10	(10)	✓	✓	<p>Our audit was completed in October 2018, and six medium and six low residual risk actions were agreed in relation to:</p> <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.
				Moderate assurance		
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 draft report is with management for review.
Provision of health services	15	2	13	o/s	o/s	An initial scoping meeting was held on the 12 February, and audit fieldwork will commence in March.
Business processes						
Treasury management (OPCC)	5	4.5	0.5	✓	✓	<p>Our final audit report was issued in October 2018. No areas for improvement were identified.</p>
				Substantial assurance		

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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. One medium and two low residual risk 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; and • 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	In relation to gaining assurance regarding the proper administration of the Police Pension Schemes, we will, with the approval of the Director of Resources, take our assurance directly from the work performed by the internal auditors of the Local Pensions Partnership Limited.
Follow up audit activity						
See table at Appendix 2	5	5	0	N/A	N/A	Our follow up audit activity is now almost complete with 62% of actions complete or ongoing.
Other components of the audit plan						
Management activity	13	15	(2)	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	4	0	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	133.5	66.5			

Follow up work

Appendix 2

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	-
		L	1	1	-	-
Constabulary Governance and decision making	February 2019	M	0	-	-	-
		L	2	1	1	-
OPCC risk management	January 2019	M	3	2	-	1
		L	2	1	-	1
Constabulary risk management	February 2019	M	3	3	-	-
		L	2	1	-	1
Detention of vulnerable persons	<i>N/A – no actions raised</i>					
Management of CCTV systems	February 2019	M	6	<i>o/s</i>	<i>o/s</i>	<i>o/s</i>
		L	2	<i>o/s</i>	<i>o/s</i>	<i>o/s</i>
Readiness for GDPR	February 2019	M	4	-	1	3
		L	0	-	-	-
Health Service Review	Scheduled for March 2019	M	5	<i>o/s</i>	<i>o/s</i>	<i>o/s</i>
		L	0	<i>o/s</i>	<i>o/s</i>	<i>o/s</i>
HR/ Payroll	<i>N/A – no actions raised</i>					
Procurement	<i>N/A – no actions raised</i>					
General Ledger	November 2018	M	0	0	0	0
		L	1	1	0	0
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>N/A – no actions raised</i>					
Treasury management	<i>N/A – no actions raised</i>					
Implementation progress overall (completed follow up reviews)		M	13	7	2	4
		L	13	8	3	2
		Total	26	15 (58%)	5 (19%)	6 (23%)

Audit assurance levels and risk ratings

Appendix 3

For 2018/19 we have revised the way in which we categorise our assurance levels. The previous and revised definitions (of equivalent value) are shown below:

Previous definitions and categories	Revised definitions and categories
<p>Full assurance: There is a sound system of internal control which is adequately designed to meet the service's objectives and is effective in that controls are being consistently applied.</p>	<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated.</p>
<p>Substantial assurance: There is a generally sound system of internal control, adequately designed to meet the service's 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.</p>	<p>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.</p>
<p>Limited assurance: Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.</p>	<p>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.</p>
<p>No assurance: Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.</p>	<p>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.</p>

We categorise the issues we raise in the context of the residual risk to which the Constabulary and/ or the Office of the Police and Crime Commissioner are exposed. Actions agreed in our reports are therefore defined as 'extreme', 'high', 'medium' or 'low' in relation to the residual risk they are designed to address and fall into the following categories:

Extreme residual risk: critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the Constabulary's and/ or the Office of the Police and Crime Commissioner's reputations.

Remedial action must be taken immediately.

High residual risk: critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to business or to service users, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the Constabulary's and/ or the Office of the Police and Crime Commissioner's reputations.

Remedial action must be taken urgently.

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

Prompt specific action should be taken.

Low residual risk: matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern.

Specific remedial action is desirable.