

## 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 30 November 2018**

## 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 30 November 2018.

### 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 matters have come to our attention in conducting the assurance work completed to date, that require bringing to the attention of the committee members. Our work has focused so far on the Constabulary business processes, which consistent with prior years were found to be well managed and controlled.

## 3 Internal audit work undertaken

- 3.1 To date, 91 days have been spent delivering items within the 2018/19 audit plan, equating to 46% of the total planned audit activity of 200 days. The table at Appendix 1 provides an analysis of which assignments have commenced and where applicable scheduled audit start dates are noted.

### *Detention of Vulnerable Persons*

- 3.2 The Annual Report of the Head of Internal Audit presented to the committee in June reported that all work from the 2017/18 audit programme had been completed except for our audit on the Detention of Vulnerable Persons. This assignment was completed in September 2018 and we provided **substantial** assurance. No areas for improvement were identified.
- 3.3 The audit considered the adequacy of controls in place to ensure that the vulnerable person receives an appropriate quality of care and protection where detention by the Constabulary is unavoidable and the circumstances and periods under which vulnerable persons are detained are minimised. We also assessed whether police officers and staff are equipped with sufficient and relevant knowledge of safeguarding procedures for detention and custody to protect both themselves and the vulnerable person. Finally, we considered the effectiveness of partnership working between the Constabulary and other organisations/ voluntary groups.

- 3.4 Whilst the nature of our compliance testing was limited to a small number of walkthrough tests, conducted with support from the Constabulary, the evidence obtained confirmed that processes were in all cases operating as designed.

***Accounts Payable, Accounts Receivable and General Ledger***

- 3.5 Based on our review we can provide an opinion of ***substantial*** assurance for each of the three systems above. There are no findings to report that would have a significant impact on the achievement of objectives and a strong control environment continues to be maintained.

- 3.6 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.

***Treasury management arrangements***

- 3.7 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 delegated to Lancashire County Council who act as advisers on all aspects of treasury management.

- 3.8 Based on our review we can provide ***substantial*** assurance that the controls in place surrounding treasury management activity are adequately designed and effectively operated to meet its objectives.

***Payroll processing***

- 3.9 We have completed a review of the Constabulary's payroll system, during which we have 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.

- 3.10 Overall, we can provide ***substantial*** assurance that 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. No specific areas of weakness or areas for improvement were identified.

***Follow up work***

- 3.11 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.

- 3.12 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.

- 3.13 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.
- 3.14 To date we have considered implementation of the actions arising from the prior year Accounts payable, accounts receivable and general ledger audits. Just two low residual risk actions remain ongoing. These relate to the update of the debt management policy (which is now due) and the liaison arrangements between finance and legal teams in relation to their responsibilities for the management of bad or doubtful debts.

#### **4 Proposed changes to the audit programme**

- 4.1 A small number of changes are proposed to the audit programme for 2018/19 as originally approved by committee in March 2018, which members are now asked to sanction retrospectively.
- 4.2 A review of the *Child Protection Case Audit Process* introduced by the Constabulary in April 2018 has been performed in advance of the forthcoming re-inspection of child protection by HMICFRS. An audit provision of 10 days was agreed for this assignment.
- 4.3 We suggest that the above review is funded by deferring the *Management of CCTV compliance* audit currently in the 2018/19 audit programme until 2019/20, to allow further time for the control framework as designed to become fully operational. We still however intend to report to committee on the progress made in implementing the agreed actions following completion of our review of this area in July 2018.
- 4.4 The audit programme additional includes a review of *Performance management arrangements*. Recent liaison with the Constabulary has confirmed that the performance framework has recently been updated to ensure it is fully aligned to the Police and Crime Plan, the Constabulary Vision, as well as the HMICFRS inspection criteria. Implementation of the revised framework is scheduled for April 2019, and therefore it is proposed to defer this audit until the 2019/20 programme.
- 4.5 It is proposed that this assignment is replaced with further consultancy support into the development of a Constabulary Audit and Accreditation Assurance Framework.

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

- 5.1 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.

- 5.2 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.

- 5.3 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 completed assignments during 2018/19.

**Use of this report**

- 5.4 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	
<b>Governance</b>						
Performance management arrangements	20	2	18	-	-	An initial scoping meeting was held in June 2018, which is now supported by a draft Risk and Control Framework setting out the scope of our work. Due to recent revisions to the performance management framework, it is proposed that this audit is deferred until 2019/20.
<b>Business effectiveness</b>						
Constabulary contract monitoring	15	10.5	4.5	-	-	Following initial scoping meetings, fieldwork is progressing covering a range of contracts.
Victims Service – contract monitoring (OPCC)	10	2.5	7.5	-	-	Following an initial scoping meeting, our detailed plans are being produced with fieldwork scheduled to commence mid-December.
Budgetary control - overtime	10	11	(1)	-	-	Our draft report has recently been issued for management review.
<b>Service delivery</b>						
Lancashire Road Safety Partnership	10	1	9	-	-	Time relates to initial background research.
Firearms management	20	5	15	-	-	The audit scope has been agreed with management and we are scheduled to commence audit fieldwork in February.
Early Action	20	4	16	-	-	Internal scoping has commenced and an initial client meeting is arranged for mid-December.

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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 is complete and our draft report is with management for consideration.
<b>Service support</b>						
CCTV compliance	20	0.5	19.5	-	-	We are proposing that this audit is deferred until 2019/20 pending the control framework being fully implemented and embedded. A follow up review of the actions agreed following our 2017/18 review is however scheduled for quarter 4.
Provision of health services	15	0	15	-	-	Following initial client contact, a scoping meeting is to be scheduled for early January 2019, with audit fieldwork progressing through quarter 4.
<b>Business processes</b>						
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 early November. One medium and two low residual risk actions have been agreed regarding: (i) Maintenance of the approved invoice signatory list; (ii) Agreement of the financial services MOU between LCC, the Constabulary and OPCC prior to the financial year to which it relates; and (iii) 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	-	-	No work conducted to date.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Treasury management (OPCC)	5	3.5	1.5	✓	✓	Our final audit report was issued in October 2018. No areas for improvement were identified.
				Substantial assurance		
<b><i>Follow up audit activity</i></b>						
See table at Appendix 2	5	0	5	N/A	N/A	We are currently starting to schedule in this work for completion during quarter 4.
<b><i>Other components of the audit plan</i></b>						
Management activity	13	8	5	N/A	N/A	Time spent to date includes preparation of the 2017/18 Annual Report and the quarterly monitoring reports for September and December 2018 as well as attendance at meetings of the JAEC.
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.
<b>Total days</b>	<b>200</b>	<b>91</b>	<b>109</b>			

## 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	Agreed for December 2018	M	2	-	-	-
		L	1	-	-	-
Constabulary Governance and decision making	-	M	0	-	-	-
		L	2	-	-	-
OPCC risk management	Agreed for December 2018	M	3	-	-	-
		L	2	-	-	-
Constabulary risk management	-	M	2	-	-	-
		L	2	-	-	-
Detention of vulnerable persons	<i>N/A – no actions raised</i>					
Management of CCTV systems	-	M	6	-	-	-
		L	2	-	-	-
Readiness for GDPR	-	M	4	-	-	-
		L	0	-	-	-
Health Service Review	Agreed quarter 4	M	5	-	-	-
		L	0	-	-	-
HR/ Payroll	<i>N/A – no actions raised</i>					
Procurement	<i>N/A – no actions raised</i>					
<b>General Ledger</b>	<b>November 2018</b>	<b>M</b>	<b>0</b>	0	0	0
		<b>L</b>	<b>1</b>	1	0	0
<b>Accounts payable</b>	<b>November 2018</b>	<b>M</b>	<b>1</b>	1	0	0
		<b>L</b>	<b>3</b>	3	0	0
<b>Accounts receivable</b>	<b>November 2018</b>	<b>M</b>	<b>0</b>	0	0	0
		<b>L</b>	<b>2</b>	0	2	0
Pensions administration	<i>N/A – no actions raised</i>					
Treasury management	<i>N/A – no actions raised</i>					
<b>Totals</b>		<b>M</b>	<b>23</b>	-	-	-
		<b>L</b>	<b>15</b>	-	-	-

## 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><b>Full assurance:</b> 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><b>Substantial assurance:</b> the framework of control is adequately designed and/ or effectively operated.</p>
<p><b>Substantial assurance:</b> 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><b>Moderate assurance:</b> 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><b>Limited assurance:</b> Weaknesses in the design and/ or inconsistent application of controls put the achievement of the service's objectives at risk.</p>	<p><b>Limited assurance:</b> 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><b>No assurance:</b> Weaknesses in control and/ or consistent non-compliance with controls could result/ has resulted in failure to achieve the service's objectives.</p>	<p><b>No assurance:</b> 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.*