

## 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 2019**

## 1 Introduction

### Purpose of this report

- 1.1 The Joint Audit and Ethics Committee approved the Combined Internal Audit Plan for 2019/20 in March 2019. 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 2019 to 30 November 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 to date that requires bringing to the attention of the committee members.

## 3 Internal audit work undertaken

- 3.1 To date, 78 days have been spent delivering items within the 2019/20 audit plan, equating to 35% of the total planned audit activity of 220 days.
- 3.2 An outline of the scope and findings from the work completed to date is included in the following paragraphs.

### *Treasury management*

- 3.3 Our work on *Treasury management* was completed in August 2019, and we were able to provide *substantial* assurance over the controls operating in relation to the treasury management function. A treasury management strategy is approved by the Police and Crime Commissioner on an annual basis, and our testing confirmed that investment and borrowing activities are consistent with it.

### *Grants from the Community Action Fund*

- 3.4 We have recently completed our review of *Grants from the Community Action Fund*, and we have provided *moderate* assurance over the adequacy and effectiveness of the controls operated by the Office of the Police and Crime Commissioner. Our audit examined a sample of both approved and rejected applications received during the 2018/19 financial year and we were satisfied that the applications were appropriately scrutinised to ensure consistency with the stated terms and conditions attached to the grant and payments to successful applicants are only made following formal approval by the PCC.
- 3.5 Our review identified areas where the control environment could be improved, including enhancing the post award evaluation process to obtain greater

assurance that projects supported by a Community Action Fund award have actively contributed to achievement of the PCC priorities.

### ***Stock control***

- 3.6 We assessed the adequacy of the risk and control framework associated with the Constabulary's objective of ensuring that movements of ICT, uniform and vehicle maintenance unit stock items are correctly and accurately recorded on a timely basis. In particular how stock items held by individual officers and staff are returned when they leave the Constabulary.
- 3.7 Overall, we can provide *moderate* assurance that the framework of control is adequately designed. There are appropriate systems and processes in place, although our work has identified a small numbers of enhancements to the existing control framework, including the annual stock check process.

### ***Human resources/ payroll processing***

- 3.8 We have completed our review of the Constabulary's payroll processes, during which we have considered the adequacy and effectiveness of the controls in place to ensure that Police officers and staff are paid the right amount at the right time.
- 3.9 Overall, we can provide *substantial* assurance that there is a sound system of internal control which is adequately designed to meet objectives and is effective in that controls are being consistently applied.

### ***Follow up work***

- 3.10 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should then obtain assurances that actions have been implemented as agreed or that senior management has accepted the risk of not taking action.
- 3.11 Our follow up audit work involves obtaining explanations and evidence where appropriate that actions have been implemented. We will not re-perform any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither will we re-assess the overall control environment.
- 3.12 The tables at Appendix 2 provide a summary of the agreed actions raised following completion of the 2018/19 audit programme, the actions outstanding from the 2017/18 audit programme<sup>1</sup>, and additionally an outline of our progress to date in following up the individual actions.

### ***National Fraud Initiative (NFI)***

- 3.13 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 error or highlight emerging fraud risks.

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<sup>1</sup> As at the date our follow up work was conducted last year.

- 3.14 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 number of cases where savings have been identified.

Category of data	Number of matches identified	Number of matches processed	Number of matches in progress	Number of cases where savings identified
Pensions	301	300	1	1
Payroll	75	75	0	0
Creditors	751	737	0	0
Procurement	5	5	0	0
<b>Total</b>	<b>1,132</b>	<b>1117</b>	<b>1</b>	<b>1</b>

- 3.15 A saving of £5,930.80 has been identified from one case, arising from a pensioner error, where the individual in receipt of an enhanced injury pension had failed to identify relevant state benefits which could remove or reduce entitlement to the enhanced pension. Recovery of the amount involved is in progress.

## 4 Overall summary and assurance provided

- 4.1 We have set out in the table at 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 where work has been finalised.
- 4.2 On completion of the individual reviews we make an assessment of the adequacy of each system, and its effectiveness in operation.

**System adequacy:** We define 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.

## Summary of our findings and assurance

## Appendix 1

Review area	Audit days			Assurance		Key issues/ comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Governance</b>						
Performance management arrangements	15	0.5	14.5	O/S	O/S	An initial meeting has recently taken place in order to determine the scope of this work.
Risk management	2	0.5	1.5	O/S	O/S	We have recently provided feedback to the OPCC on their updated Risk Management Strategy.
<b>Business effectiveness</b>						
Officer and staff performance and development	20	0	20	O/S	O/S	Work is scheduled to commence in quarter 4.
Recruitment	12	0	12	O/S	O/S	We are currently in liaison with the Constabulary to agree a start date for this work.
<b>Service delivery</b>						
Disclosure	25	0	25	O/S	O/S	Work is scheduled to commence in quarter 4.
Anti-fraud initiatives	12	7	17	O/S	O/S	Our initial scoping on these two pieces of work (which we are currently progressing as a single item) is complete and we have commenced audit fieldwork.
Proceeds of Crime	12			O/S	O/S	
Grants from the Community Action Fund	10	7	3	✓	✓	Audit completed November 2019 (see paragraphs 3.4 and 3.5 above).
				Moderate assurance		
Investigation Management Unit	12	0	12	O/S	O/S	Work is scheduled to commence in quarter 4.
CCTV compliance	15	0	15	O/S	O/S	Work is scheduled to commence in quarter 4.

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Review area	Audit days			Assurance		Key issues/ comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Service support</b>						
Stock control	12	12.5	(0.5)	✓	✓	Audit completed November 2019 (see paragraphs 3.6 and 3.7 above).
				Moderate assurance		
Business continuity management	15	12	3	O/S	O/S	Our initial scoping is complete and we are progressing audit fieldwork.
<b>Business processes</b>						
Accounts payable	7	6.5	0.5	O/S	O/S	Audit completed November 2019. We are currently producing our draft report for management consideration.
Accounts receivable	8	5	3	O/S	O/S	
General ledger	5	4	1	O/S	O/S	
Human resources/ payroll processing	8	9	(1)	✓	✓	Audit completed November 2019 (see paragraphs 3.8 and 3.9 above).
				Substantial assurance		
Pension administration	1	0	1	O/S	O/S	Assurance regarding the proper administration of the Police Pension Schemes will be taken directly from the work performed by the internal auditors of the Local Pensions Partnership Limited.
Treasury management	4	4	0	✓	✓	Audit completed August 2019 (see paragraph 3.3 above).
				Substantial assurance		
<b>Follow up audit activity</b>						
See tables at Appendix 2	7	0.5	6.5	N/A	N/A	Our follow up work has started in quarter 3 and will continue into quarter 4.

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Review area	Audit days			Assurance		Key issues/ comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Other components of the audit plan</b>						
National Fraud Initiative	5	3	2	N/A	N/A	Time relates to investigation into the specific data matches identified as part of the 2018/19 matching exercise and overall support to the Constabulary.
Management activity	13	6.5	6.5	N/A	N/A	Time spent to date includes: <ul style="list-style-type: none"> <li>• Preparation of the 2018/19 Annual Report;</li> <li>• Production of the September and December quarterly monitoring reports;</li> <li>• Attendance at meetings of the JAEC (and the associated Away day) during June 2019;</li> <li>• Liaison with the Constabulary regarding agreement of outline audit scope and the timing of audit activity;</li> <li>• Participation in the CIPFA Achieving Finance Excellence in Policing process.</li> </ul>
<b>Total days</b>	<b>220</b>	<b>78</b>	<b>142</b>			

**Follow up work**

**Table 1** below identifies all 2018/19 agreed actions that are to be initially followed up during 2019/20:

Assignment	Date of final report	Assurance	Number of actions raised	Dates when all actions should be implemented	Progress update
Constabulary contract monitoring	June 2019	Moderate	3	November 2019	We are currently in liaison with the Constabulary regarding the implementation of these actions.
Victims Service contract monitoring	March 2019	Substantial	1	October 2019	We are currently in liaison with the OPCC regarding the implementation of this action.
Budgetary control of overtime	February 2019	Moderate	3	September 2019	We are currently in liaison with the Constabulary regarding the implementation of these actions.
Lancashire Road Safety Partnership	June 2019	Substantial	6	September 2019	Arrangements have been made with the Constabulary to conduct this follow up work during March 2020.
Firearms management	April 2019	Moderate	2	May 2019	<i>Audit work not started.</i>
Early Intervention and Prevention	June 2019	Moderate	6	October 2019	<i>Audit work not started.</i>
Occupational Health and Wellbeing Service	August 2019	Moderate	8	April 2020	<i>Audit work not started.</i>
Child Protection Case Audit	October 2018	Moderate	12	November 2018	Arrangements have been made with the Constabulary to conduct this follow up work during December 2019.
Accounts Payable	November 2018	Substantial	1	November 2018	This follow up work is being completed alongside the current review of this area, which is nearing completion.
General Ledger	November 2018	Substantial	2	March 2019	This follow up work is being completed alongside the current review of this area, which is nearing completion.

**Table 2** below identifies actions, raised as a result of our 2017/18 internal audit programme that had not been implemented at the time the follow up audit work had been completed:

Assignment	Date of original report	Actions agreed	Date of follow up audit work	Actions not fully implemented or superseded at that time	Further progress update
OPCC Governance and decision making	December 2017	3	January 2019	1	The ongoing action related to updating the decision making framework, particularly in relation to the definition of what constitutes a 'key' decision. We have received confirmation from the OPCC that the definition of what constitutes a 'key' decision has now been incorporated into the governance framework documents which have been reviewed and revised and which are almost ready for approval and sign off by the PCC and CC. <i>Action implemented.</i>
Constabulary Governance and decision making	March 2018	2	February 2019	1	The one remaining action related to the enhancement of the overall governance and decision making arrangements of the Constabulary, including a review of the terms of reference of each of the Constabulary boards. We have received assurances from the Constabulary, that work has continued to progress, and a meeting is scheduled with the OPCC to finalise this work in mid- December. <i>Action implemented.</i>
OPCC risk management	December 2017	5	January 2019	2	Of the two actions not implemented as at January 2019, one action relates to enhancing the reporting arrangements, so that changes to the risk register are highlighted. The OPCC risk register was last presented to JAEC in June 2019. At that time, the OPCC CFO confirmed that there had been few changes warranting specific highlighting to members. The second action related to the further development of the risk management strategy, and in this regard, the OPCC risk management strategy has recently been updated and circulated to audit and JAEC members for comment. <i>Actions implemented.</i>

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Assignment	Date of original report	Actions agreed	Date of follow up audit work	Actions not fully implemented or superseded at that time	Further progress update
Constabulary risk management	March 2018	5	February 2019	1	The one outstanding action related to the enhancement of the committee risk management reporting arrangements, which we can confirm was introduced in June 2019. <i>Action implemented.</i>
Management of CCTV systems	July 2018	8	March 2019	7	At the time we completed our initial follow up work, we reported that whilst a single point of contact had been identified for CCTV, the CCTV Board had not been established, and as a result, no further progress had been made in addressing the remaining actions. A further progress update was provided by the Constabulary to the JAEC in June 2019, outlining the actions being taken to maintain momentum on implementation of the outstanding actions. In particular, a CCTV Governance Board had been established with responsibility for governance, monitoring and implementation of CCTV matters. Audit will re-visit these actions and provide a further update for JAEC in conducting our current year review of CCTV, scheduled for quarter 4.
Readiness for GDPR	July 2018	4	February 2019	4	We have requested an update from the Constabulary in relation to implementation of these actions.
Occupational Health and Wellbeing Service	May 2018	5	August 2019	3	The actions outstanding in August 2019 related to the review and update of the communication strategy, the implementation of a post project review and an analysis of the benefit realisation plan. We will obtain an update on implementation in conducting the current year follow up work of this area.
Accounts receivable	December 2017	2	November 2018	2	The two ongoing actions related to changes to the debt recovery process and the debt management policy. We will obtain an update on implementation of these actions in conducting the November 2019 review of this area.

## Audit assurance levels and risk ratings

## Appendix 3

For 2019/20 the following audit assurance levels apply.

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

<p><b>Extreme residual risk:</b> 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.</p>
<p><b>High residual risk:</b> 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.</p>
<p><b>Medium residual risk:</b> failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.</p>
<p><b>Low residual risk:</b> matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern.</p>