

## 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 31 August 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 31 August 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, 25 days have been spent delivering items within the 2019-20 audit plan, equating to 11% 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, including the results of those assignments remaining from the 2018-19 audit plan, which were still outstanding as at the time of our previous report to committee in June 2019.

### **Completion of the 2018-19 internal audit programme**

#### ***Health Services Review***

- 3.3 Overall we can provide *moderate* assurance regarding the overarching framework of control in relation to the Occupational Health and Wellbeing Service.
- 3.4 A robust Health and Wellbeing Strategy is in place, and health and wellbeing policies, procedures and guidance exist and are readily accessible. A regular reporting regime is in place and adequate manual and electronic systems exist to administer the service. We do however consider that the current performance management regime could be enhanced and actions have been agreed in this regard.

#### ***Pension administration***

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

- 3.6 In relation to their Pensions Administration audit for LPP, which included the calculations and payment of retirement benefit and lump sum calculations in relation to the Police Pension Schemes, Deloitte provided an overall engagement risk rating of *ineffective*, which is defined as 'Risk mitigation or control absent or ineffective'.

***Commencement of the 2019-20 internal audit programme***

- 3.7 Whilst the number of reviews completed to date represents only a small proportion of the total number of assignments contained within the overall Constabulary/ OPCC internal audit programme, we have agreed the timetable for completion of all remaining assignments, which is included in the table at Appendix 1.

***Treasury management***

- 3.8 Our work on Treasury management is complete, 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.

***Stock control***

- 3.9 Our work on Stock control is complete, and the draft report is currently with Constabulary management for consideration. The results of the work will be reported to committee as the report is finalised.

***Grants from the Community Action Fund***

- 3.10 The detailed audit scope has been agreed with OPCC management and we are now ready to commence fieldwork testing.

***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 then 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 will involve 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.
- 3.13 The tables at Appendix 2 provide a summary of the agreed actions raised following completion of the 2018-19 audit programme, and separately the actions outstanding from the 2017-18 audit programme, at the time our formal follow up work was conducted.
- 3.14 No follow up audit work has been completed to date, although the intended timing for this work is shown in the tables at Appendix 2.

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

- 3.15 The review of NFI matches, identified as part of the ongoing 2018-19 exercise is progressing to schedule, and to date, of the 956 matches processed (from a total of 1132), no errors or frauds have been identified.

## **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 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.

### **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/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Governance</b>						
Performance management arrangements	15	0	15	O/S	O/S	Work is scheduled to commence in quarter 3.
Risk management	2	0	2	O/S	O/S	Work is scheduled to commence in quarter 3.
<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	Work is scheduled to commence in quarter 3.
<b>Service delivery</b>						
Disclosure	25	0	25	O/S	O/S	Work is scheduled to commence in quarter 4.
Anti-fraud initiatives	12	0	12	O/S	O/S	Work is scheduled to commence in quarter 3.
Grants from the Community Action Fund	10	2	8	O/S	O/S	
Proceeds of Crime	12	0	12	O/S	O/S	Work is scheduled to commence in quarter 3.
Investigation Management Unit	12	0	12	O/S	O/S	Work is scheduled to commence in quarter 4.
<b>Service support</b>						
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	
Business continuity management	15	0	15	O/S	O/S	Work is scheduled to commence in quarter 3.
Stock control	12	11.5	0.5	O/S	O/S	Our fieldwork is complete and the draft report is currently with management for consideration.
<b>Business processes</b>						
Accounts payable	7	0.5	6.5	O/S	O/S	Work is scheduled to commence in quarter 3, and some initial fieldwork preparation has commenced.
Accounts receivable	8	0.5	7.5	O/S	O/S	Work is scheduled to commence in quarter 3, and some initial fieldwork preparation has commenced.
General ledger	5	0.5	4.5	O/S	O/S	Work is scheduled to commence in quarter 3, and some initial fieldwork preparation has commenced.
Human resources/ payroll processing	8	1	7	O/S	O/S	Work is scheduled to commence in quarter 3, and some initial fieldwork preparation has commenced.
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	3.5	0.5	✓	✓	Our report was finalised in August 2019.
				Substantial assurance		
<b>Follow up audit activity</b>						
See tables at Appendix 2	7	0	7	N/A	N/A	Our follow up work is scheduled to commence in quarter 3 and continue into quarter 4.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b><i>Other components of the audit plan</i></b>						
Management activity	13	3	10	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 quarterly monitoring report;</li> <li>• Attendance at meetings of the JAEC (and the associated Away day) during June 2019; and</li> <li>• Liaison with the Constabulary regarding agreement of outline audit scope and the timing of audit activity.</li> </ul>
National Fraud Initiative	5	2.5	2.5	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.
<b>Total days</b>	<b>220</b>	<b>25</b>	<b>195</b>			

**Follow up work**

**Appendix 2**

The table below identifies all 2018-19 agreed actions:

Assignment	Date of final report	Assurance	Actions raised
Constabulary contract monitoring	June 2019	Moderate	3
Victims Service contract monitoring	March 2019	Substantial	1
Budgetary control of overtime	February 2019	Moderate	3
Lancashire Road Safety Partnership	June 2019	Substantial	6
Firearms management	April 2019	Moderate	2
Early Intervention and Prevention	June 2019	Moderate	6
Occupational Health and Wellbeing Service	August 2019	Moderate	8
Child Protection Case Audit	October 2018	Moderate	12
Accounts Payable	November 2018	Substantial	1
General Ledger	November 2018	Substantial	2

The table below identifies actions not yet fully implemented from the 2017-18 audit programme:

Assignment	Timing of further follow up	Actions raised	Implemented	Ongoing	Not yet implemented or superseded
OPCC Governance and decision making	Quarter 4	3	2	1	0
Constabulary Governance and decision making	Quarter 4	2	1	1	0
OPCC risk management	Quarter 4	5	3	0	2
Management of CCTV systems	Alongside the current year work in this area	8	1	0	7

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<b>Assignment</b>	<b>Timing of further follow up</b>	<b>Actions raised</b>	<b>Implemented</b>	<b>Ongoing</b>	<b>Not yet implemented or superseded</b>
Readiness for GDPR	Quarter 4	4	0	1	3
Occupational Health and Wellbeing Service	Quarter 4	5	2	2	1
Accounts receivable	Alongside the current year work in this area	2	0	2	0

**Audit assurance levels and risk ratings**

**Appendix 3**

For 2019-20 the following audit assurance levels apply. These are consistent with the definitions applied to the 2018-19 audit assignments.

<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>