

**Joint Audit and Ethics Committee
8 March 2021**

Item 10- Appx A



**Lancashire
Constabulary**
police and communities together

**Lancashire Constabulary and the Office of the
Police and Crime Commissioner for Lancashire
Internal Audit Service
Combined Internal Audit Plan 2021/22**

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire: Combined Internal Audit Plan 2021/22

1 Introduction

- 1.1 This paper sets out a proposed plan of work to be undertaken by the Internal Audit Service for the Police and Crime Commissioner and the Chief Constable for the coming financial year. The plan amounts to a total resource of 215 audit days, which equates to an overall cost of £72,025 (ex VAT) at our daily rate of £335.

2 The purpose of the audit plan

- 2.1 Responsibility for maintaining and reviewing the system of internal control and for implementing a system of governance and risk management rests with the Police and Crime Commissioner and the Chief Constable. However the process by which the Annual Governance Statement is produced includes obtaining assurances on the effectiveness of key controls and internal audit provides one of the key sources of such assurance.
- 2.2 The head of internal audit is required by professional standards to provide an opinion addressing governance, risk management and control and thereby to provide assurance that the risks to the objectives of the Police and Crime Commissioner and Chief Constable are being adequately and effectively controlled.
- 2.3 The Joint Audit and Ethics Committee's terms of reference require it to review and approve the internal audit plan.

3 Statutory and professional requirements relating to internal audit

- 3.1 Internal audit's function is established by the Accounts and Audit Regulations 2015, which are supported by professional standards for internal audit in the public sector and an advisory note specifically for local government in the United Kingdom. The key requirements of the regulations and of the Public Sector Internal Audit Standards (PSIAS) are set out below.

Internal audit: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance."

Regulation 5. (1)

Review of internal control system: "A relevant authority must, each financial year (a) conduct a review of the effectiveness of the system of internal control [...] and (b) prepare an annual governance statement."

Regulation 6. (1)

Definition of internal auditing

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

"The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire: Combined Internal Audit Plan 2021/22

annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control."

"Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes."

Public Sector Internal Audit Standards, 2017 published by the Relevant Internal Audit Standard Setters

- 3.2 The regulations therefore establish the requirement for an internal audit function and its provision of an opinion on governance, risk management and control processes, following public sector internal auditing standards. Professional standards likewise mandate the provision of such an opinion. They also recognise that internal audit involves the provision of both assurance and consultancy services, but assurance is its primary function and any consultancy work must inform the assurance opinion.

4 Internal audit coverage to support an annual overall opinion

- 4.1 An internal audit plan designed to provide the evidence necessary to support an opinion on governance, risk management and control needs to encompass the following:
- Coverage of the key components of each part of the opinion, namely, governance, risk management and control;
 - Sufficient coverage over operations as a whole so that a fair assessment may be made;
 - Coverage of the controls that serve to mitigate the most significant risks to an acceptable level;
 - Coverage of the controls that operate most broadly to mitigate the most significant risks in the greatest number of individual instances to an acceptable level; and
 - Follow up of the actions agreed by management to mitigate risks identified through previous audit activity.

5 Relationship to the risk management process

- 5.1 A risk-based audit plan will take into consideration the risks assessed as most significant by the organisation's managers, and should seek to provide assurance over the operation of the controls that serve to reduce the most significant risks to the greatest degree.
- 5.2 Referencing the corporate risk registers and working with senior management from the Constabulary and the Office of the Police and Crime Commissioner, we have sought to identify the areas with the greatest inherent risk, where these risks are regarded as having been effectively mitigated by strong controls. These are the controls on which the Police and Crime Commissioner and Chief Constable is placing the greatest reliance and over which it therefore needs the greatest assurance.

Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire: Combined Internal Audit Plan 2021/22

6 The 'lines of defence' and other sources of assurance available to the Chief Constable and the Police and Crime Commissioner (PCC)

- 6.1 The Internal Audit Service is only the Chief Constable's and PCC's third line of defence in a model that represents management as the first line, responsible for directly assessing, controlling and mitigating risks; and any in-service compliance activity that confirms these controls as the second. Where such 'second line' compliance functions are available, we focus our audit work on assessing the control exerted by them rather than on repeating their work.
- 6.2 Where it is known that assurance will be provided from another body, (for example, Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, or the external auditors), the Internal Audit Service will not duplicate work but will take it into account if it is relevant to the overall opinion on governance, risk management and control. We will ensure as far as possible that the committee is made aware of such assurance.

7 The audit approach adopted by the Internal Audit Service

- 7.1 The Internal Audit Service follows a risk-based audit methodology, working closely with managers to understand the risks to the service, system or process being audited and then testing the controls in place. The audit process therefore involves two phases.
- 7.2 Whilst a service is in the process of transformation or remodelling we can support the managers in the design of a control framework that will manage the risks to service objectives. This would represent consultancy rather than assurance work.
- 7.3 Where assurance is required over a control system that has not previously been audited in its present form we undertake a full review including both audit phases, and we will provide an opinion on both the adequacy of design and the effectiveness in operation of the controls in place.
- 7.4 Finally we may undertake compliance testing annually of systems we have previously audited because they are fundamental to the overall control framework.
- 7.5 Where managers can confirm that action has been taken as agreed during a previous audit to mitigate any extreme, high or medium risks identified we will seek evidence to support this, but other than obtaining management assurances, we will not generally follow up actions designed to mitigate only low risks.

8 Degrees of assurance

- 8.1 For 2021/22 we will categorise our assurance levels using one of the following four definitions:

<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.</p>
<p>Moderate assurance: the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance</p>

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2021/22**

aspects of it and/ or ensure that it is effectively operated throughout the service, system or process.

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.

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.

9 Deployment of audit resources

9.1 The plan is stated in terms of days input, which represents our current best estimate of the way in which the audit resources will be deployed. The plan itself should however be viewed as a fluid document, with the specific content of individual reviews being subject to revision if required following the more detailed scoping meetings held with client management teams prior to formal commencement of individual audit reviews.

9.2 The content and outline scope of each audit within the proposed plan, as well as an estimate of the number of audit days considered appropriate, is provided in the table below:

Short title	Key elements for consideration	Audit days
<i>Key Financial Systems and business processes</i>		
Accounts payable	The review will consider whether controls are effective in ensuring that purchase ordering and creditor payment processes are valid, accurate, and timely.	9
Accounts receivable	The review will consider the adequacy and effectiveness of the debt management processes in ensuring that income is maximised, collected on a timely basis and accounted for correctly.	8
General ledger	The review will consider the adequacy and effectiveness of the controls over journal input, system access, separation of duties, account code set up and budget monitoring and reporting.	6
Treasury management	The review will determine the adequacy and effectiveness of the treasury management procedures operated by or on behalf of the OPCC to ensure that cash flow management and the resultant borrowing and investment	4

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2021/22**

Short title	Key elements for consideration	Audit days
	activities are conducted in accordance with the approved Treasury Management strategy.	
Payroll	<p>We will review the adequacy and effectiveness of the controls in place to ensure that officers and staff are paid the right amount at the right time.</p> <p>In particular we will verify that appropriate pre-employment checks have been completed and payments to starters and leavers, and amendments to pay have been accurately processed.</p>	9
Pension administration	<p>Assurance will be obtained from two sources:</p> <ul style="list-style-type: none"> • the Head of Internal Audit's assessment of the assurance over the operation of the Pension Fund; and • the annual assurance report, to be prepared by the Local Pensions Partnership Administration Limited in relation to compliance with the Code of Practice 14: Governance and administration of public service pension schemes, issued by the Pensions Regulator in April 2015. 	1
<i>Operational reviews and support services</i>		
CCTV Compliance	Our work will consider the effectiveness of the control framework in ensuring compliance with the Surveillance Commissioner's Code of Practice.	15
Information assurance	<p>The review will consider:</p> <ul style="list-style-type: none"> • The adequacy and effectiveness of the Constabulary's internal control framework over the safe, secure and accurate management of police information. • We will consider the robustness of the training and guidance provided to information asset owners and the mechanisms in place to ensure the information asset register is complete and up to date. • The scope and coverage of the internal assurance arrangements operated within the Constabulary, considering the Information 	15

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2021/22**

Short title	Key elements for consideration	Audit days
	<p>Compliance and MOPI audit teams, and including the identification of lessons learned and areas for improvement, as well as follow up processes.</p> <ul style="list-style-type: none"> • The governance, support and oversight provided by the SIRO, the DPO and the Information Governance Board. 	
<p>Recruitment and on-boarding – Officer uplift and Police Control Room Operators</p>	<p>A review to assess the adequacy and effectiveness of the training and induction offer provided via a mixture of classroom sessions; team mentoring and coaching and supervision, to determine whether officers and staff are equipped with sufficient knowledge and skills to undertake their role efficiently and effectively.</p>	<p>20</p>
<p>Neighbourhood policing</p>	<p>We will consider the adequacy and effectiveness of the control framework supporting achievement of the key objectives of the Modernising Neighbourhood Policing plan. This will include consideration of:</p> <ul style="list-style-type: none"> • The training provided in relation to recording, reviewing and evaluating problem solving activity; • The use of the Power BI dashboard in identifying repeat offenders and problem properties; • The use of Civil Orders where these are deemed appropriate; • Utilisation of the new 'Community Champion' volunteer role; and • Evaluating the success of the Modernising Neighbourhood Policing plan in reducing victimisation. 	<p>20</p>
<p>Public Engagement Processes</p>	<p>The review will assess the adequacy and effectiveness of the arrangements in place to encourage victims to report crimes on-line, and will consider:</p> <ul style="list-style-type: none"> • How responsive / user friendly the system is to use; • The timeliness with which crimes reported are being triaged and then updated; • If and how feedback is being obtained from users and is used to support improvement. • Response to 'none-crime' contacts to the Constabulary. 	<p>15</p>

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2021/22**

Short title	Key elements for consideration	Audit days
Child Sexual Exploitation	The review will look at the work done by the Constabulary that assists in the identification of repeat locations; repeat victims, suspects and the links across CSE and Missing From Home cases, considering whether the current control framework and officer uplift is having the desired impact on outcomes, including officer awareness and support for victims.	15
Mental Health	The review will consider the adequacy and effectiveness of the Immediate Response Pilot in East division, as a tool to influence learning and future policy decisions and the development of the Power BI product to identify mental health demand. The review will additionally consider how the Constabulary and Lancashire and South Cumbria NHS Foundation Trust are working together to develop the approach.	10
Management of the Independent Custody Visitor Scheme.	The review will consider role definition and responsibilities, training and support, operational management and achievement of objectives.	8
Public/ partnership engagement	The review will consider: <ul style="list-style-type: none"> • Methods used to publicise the work of the PCC and the OPCC including whether there is an assessment on the success of different forms of engagement; • Ease of which the public/ partners can make contact/ provide feedback; • Timeliness and robustness of response to comments/ queries received. 	7
Grants from the Reducing Reoffending Fund	The review will examine the management and monitoring of grants made from the Reducing Reoffending Fund, with a focus on considering the adequacy and effectiveness of the control framework that ensures monies are used for the purposes intended and to determine if the scheme is delivering the benefits intended.	10
Addressing Covid risks	The review will consider the adequacy and effectiveness of the control arrangements put in place to support the continued operational activity of the OPCC as it is impacted by the ongoing Covid 19 pandemic.	7

**Lancashire Constabulary and the Office of the Police and Crime
Commissioner for Lancashire: Combined Internal Audit Plan 2021/22**

Short title	Key elements for consideration	Audit days
Appeals process	Examination of the OPCC complaint appeals process, considering case management; policy compliance; timeliness of response; management and reporting.	8
<i>Other aspects of the audit plan</i>		
Follow up audits	<p>These reviews will comprise a self-assessment by management of the progress made in implementing agreed actions, and selective test checking of controls and review of documentary evidence.</p> <p>Specific follow up audits will be conducted in relation to the following assignments completed during 2020/21:</p> <ul style="list-style-type: none"> • Officer/ staff PDR • Positive action • Disclosure • Partnership working • Project management • Antifraud/POCA • Investigation Management Unit • Ill health pensions • On call allowances • Facilities management <p>Additionally, we will follow up actions arising from our work on Key Financial Systems as part of the 2021/22 audits of these areas.</p>	15
Audit programme management activity	<ul style="list-style-type: none"> • Attendance at meetings of the Joint Audit and Ethics Committee; • Production of the annual audit plan; • Preparation of the periodic monitoring reports; • Preparation of the annual report of the head of internal audit; • Liaison with external audit; and • Ad hoc advice or support as required. 	10
National Fraud Initiative	<ul style="list-style-type: none"> • Support to Constabulary staff as required with the testing of data matches identified. • Selective test checking of matches as agreed with the Constabulary. 	3
<i>Total days</i>		215