

APPENDIX A



**Lancashire
Constabulary**
police and communities together

**The Chief Constable and the Police and Crime
Commissioner for Lancashire**

Internal Audit Service

**Annual report of the Head of Internal Audit for the year
ended 31 March 2021**

1 Introduction

Purpose of this report

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2020/21 and the key themes arising in relation to risk management, governance, and internal control.

The role of internal audit

- 1.2 The Internal Audit Service is an assurance function designed to evaluate and improve the effectiveness of risk management, control, and governance processes. The Public Sector Internal Audit Standards (PSIAS) require the head of internal audit to provide an opinion on the frameworks of governance, risk management and control of Lancashire Constabulary and the Office of the Police and Crime Commissioner and a written report to those charged with governance, timed to support the annual governance statement.
- 1.3 This report is based upon the work the Internal Audit Service performed during 2020/21 and 2021/22 in relation to the 2020/21 audit plan, approved by the Joint Audit and Ethics Committee in March 2020, and then revised in September 2020, as a result of the Covid-19 pandemic.
- 1.4 The scope of our work, management and audit's responsibilities, the basis of my assessment, and access to this report are set out in Annex 1. The levels of assurance the Internal Audit Service provides are set out in Annex 2.
- 1.5 An Internal Audit Service Charter is in place that establishes the framework within which Lancashire County Council's Internal Audit Service operates to best serve the Chief Constable and the Police and Crime Commissioner and to meet its professional obligations under applicable professional standards. This is attached at Appendix B.

Acknowledgements

- 1.6 I am grateful for the assistance that has been provided to the Internal Audit Service by the staff of Lancashire Constabulary and the Office of the Police and Crime Commissioner in the course of our work during the year.

Ruth Lowry
Head of Internal Audit, Lancashire County Council
June 2021

2 Overall opinion on governance, risk management and internal control

Overall opinion

- 2.1 Overall, I can provide moderate assurance regarding the adequacy of design and effectiveness in operation of the frameworks of governance, risk management and control of the Chief Constable and the Police and Crime Commissioner.
- 2.2 In forming my opinion, I have considered the work undertaken by the Internal Audit Service throughout the year as well as the work of external assurance providers.

Wider sources of assurance available to the Chief Constable and the Police and Crime Commissioner for Lancashire

- 2.3 The Constabulary is subject to inspection by Her Majesty's Inspector of Constabulary and Fire and Rescue Services (HMICFRS) either solely or in conjunction with other agencies. Regular feedback is provided to the committee on the results of these inspections and the implications for Lancashire Constabulary, and as appropriate the actions being taken to address any recommendations raised, which are monitored internally by the Constabulary's HMICFRS Board.
- 2.4 Assurance is also provided by Grant Thornton as the external auditor for the Chief Constable and the Police and Crime Commissioner for Lancashire for 2020/21. Grant Thornton issued an unqualified opinion on the 2019/20 financial statements and they were also satisfied that in all significant respects the Chief Constable and Police and Crime Commissioner had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

3 Internal audit work undertaken

Positive Action

- 3.1 We can provide moderate assurance over the framework of control established to support delivery of the Positive Action approach operated by the Constabulary. We consider the control framework to be adequately designed, although some action is required to enhance aspects of it and to ensure that it is effectively operated throughout. These areas include consideration of ways to address identified areas of underrepresentation for future campaigns; recording how applicants found out about a role and support available; recording details of quality assurance reviews; and development and introduction of formal reporting.

Project Management

- 3.2 We can provide substantial assurance over the adequacy and effectiveness of the project management control framework operated by the Constabulary.
- 3.3 Our testing has not identified any specific control weaknesses, and areas for improvement have been identified by the Constabulary. These include the development and implementation of a consolidated approach to project management across the Force by standardising documentation and methodology and establishing a document library facility accessible to all relevant staff. Also, benefits realisation will be integrated into the planning process for all projects with monitoring and analysis schedules and reporting arrangements established and confirmed.

Partnership working

- 3.4 Based on our review we can provide an opinion of moderate assurance over the adequacy and effectiveness of the controls in place to manage the risks associated with the MASH partnership working. We consider the control framework to be adequately designed, although some action is required to enhance aspects of it and to ensure that it is effectively operated throughout.
- 3.5 Whilst a governance framework and information sharing agreements are in place, and operating protocols are working satisfactorily, we confirmed that the Police Team and wider MASH partnership have identified some areas for improvement which are being worked on. These include the update and reissue of the terms of reference and memorandum of understanding; review and update of information sharing agreements; resolution of performance data issues and improvements to reporting. In addition, we also consider that some enhancements to the quality assurance process will enable improved data analysis.

Disclosure

- 3.6 A great deal of activity is continuing across the Constabulary to ensure that all police staff case builders, officers and investigators involved in completing disclosure schedules are adequately skilled to ensure disclosure schedules are complete and accurate and produced on a timely basis and in line with statutory requirements.
- 3.7 We can accordingly provide moderate assurance on the adequacy and effectiveness of the current control framework for managing the disclosure process. Whilst significant progress has been made to date in introducing the revised Attorney General guidelines to the relevant workforce, it is still too early to determine the impact on the overall robustness of disclosure practices.

Accounts Payable/ Accounts Receivable and General Ledger systems

- 3.8 There is a sound system of internal control in place across each of these systems and processes are designed to meet the Constabulary objectives and controls are being consistently applied. As a result, we have provided substantial assurance for each of the above key financial systems.
- 3.9 We have identified several areas of good practice and areas where improvements have been made to existing processes since our last review as the teams have embedded post restructuring, and whilst we have identified some areas where controls can be strengthened further these are areas for enhancement rather than to address areas of weakness.

Payroll processing

- 3.10 Overall, we can provide substantial assurance that there is a sound system of internal control over payroll processing, which is adequately designed to meet objectives and is effective in that controls are being consistently applied.
- 3.11 We did not identify any specific areas for improvement. We discussed one low priority action with the Pay and Pensions Manager, which had already been identified and is in progress.

Treasury management

- 3.12 We can provide substantial assurance over the controls in place surrounding treasury management. The treasury service at LCC carries out the treasury function for the Police and Crime Commissioner in line with the agreed Treasury Management strategy and practices.
- 3.13 Investments made and loans carried out on behalf of the PCC comply with prudential indicators set out within the strategy and are approved by senior officers. Cash flow forecasting is carried out daily to support investment and borrowing decisions made.

On Call and standby allowances

- 3.14 We can provide substantial assurance regarding the adequacy and effectiveness of the current control framework, which is adequately designed and operating effectively overall. We have proposed a small number of areas for improvement regarding updating the guidance for both schemes, the introduction of additional review or dip sampling arrangements and minor enhancements to the claim forms.

III Health retirement payments and injury awards

- 3.15 Overall, we can provide substantial assurance regarding the adequacy and effectiveness of the current control framework which is adequately designed and effectively operated overall. Whilst we have proposed several actions, these are in the main enhancements to existing controls.

Officer/ staff performance development review

- 3.16 We completed a review to consider the adequacy and effectiveness of controls in place to manage risks and assess compliance with officer and staff performance and development review policy and procedures, regarding the frequency of reviews and recording of outcomes. We also considered if and how individuals had been supported to perform optimally in their roles, and if and how skills and training needs had been identified and recorded.
- 3.17 We can provide moderate assurance over the performance appraisal process for officers and staff. The control framework is adequately designed and effectively operated overall, but some action is required to enhance aspects of it and to ensure that it is effectively operated throughout. These areas include more regular review, revision, and update of individual records; and use of dip sampling or ad hoc reporting.

Antifraud/ POCA

- 3.18 We assessed the adequacy and effectiveness of the risk and control framework in place to manage the Constabulary antifraud activities, including processes to maximise revenue collection from the Proceeds of Crime Act, and the robustness of the claims' identification process.
- 3.19 Our audit fieldwork was completed during January and February 2020, and at that time we were only able to provide limited assurance on the adequacy and effectiveness of the control framework as the overall governance framework required improvement. Our draft report was issued in March 2020, but due to the onset of the pandemic, we were unable to progress finalisation of the report until November 2020. Whilst no further audit procedures have been conducted, we received a management response to each of the areas for improvement identified in our report, and we are pleased to note that at that time a number of the actions raised had already been implemented or were currently being progressed.
- 3.20 In summary, strategic, and operational fraud investigation policies were found to be lacking and supervisory and case management controls required strengthening, to increase both efficiency and accountability. Additionally, systems were required to obtain fraud related data to evidence demand and determine whether the force had the required capacity and capability to respond efficiently and provide a quality service to victims of fraud. Financial data and management information relating

to asset recovery was additionally not used effectively to drive up performance.

Investigation Management Unit (IMU)

- 3.21 We conducted a light touch review to assess the adequacy and effectiveness of the risk and control framework associated with the IMU, and overall, we provided moderate assurance regarding the adequacy and effectiveness of the current controls. Whilst we were satisfied that the framework of control should result in improvements in data quality, there was insufficient information available to us at the time we conducted our audit, as a result of the pandemic, to confirm that this was actually the case.
- 3.22 Roles and responsibilities within the IMU are clearly defined, and are adequate and appropriate to support service objectives, and a training framework exists ensuring that staff are, and remain, sufficiently skilled.
- 3.23 In accordance with College of Policing authorised professional practice, investigations are categorised to create investigation links to other crimes or cases. This and consideration of whether the correct crime category has been recorded in line with the Home Office Counting Rules is covered in the IMU Quality Assurance process.
- 3.24 Systems to facilitate lessons learned and share best practice across the force exist and we have seen various examples of this, although we note that whilst feedback provided to officers is logged, this is not analysed for common themes to identify future training needs or to assess whether the number of errors at point of entry are reducing as a result of the IMU.
- 3.25 Whilst we have not undertaken any additional audit procedures since the draft report was issued (April 2020), we are pleased to note that at the time the report was finalised (October 2020), good progress had been made in implementing the areas for improvement identified from our review.

Pension administration

- 3.26 Independent assurance over the benefit administration processes operated by the Local Pension Partnership Administration Ltd is available from work commissioned by Lancashire County Council on behalf of the Pension Fund from PricewaterhouseCoopers, and work undertaken by Deloitte for the Local Pension Partnership Ltd group. Assurance is also provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service.

Follow up work

- 3.27 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.

3.28 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.

3.29 The table below provides a summary of the progress made by the Constabulary and OPCC in implementing the agreed actions raised as part of the 2019/20 audit programme.

| Audit | Agreed actions | Implemented | Superseded | In Progress | Not yet implemented | Note |
|---------------------------------|-----------------|----------------|---------------|---------------|---------------------|------|
| Performance management | 1M, 1L | 1L | | 1M | | 1 |
| Business continuity | 8M, 4L | 3M, 1L | | 4M, 2L | 1M, 1L | 2 |
| Stock control | 2M, 2L | 1M, 1L | | | 1M, 1L | 3 |
| Grants from the CAF | 4M, 4L | 2M, 4L | 1M | 1M | | 4 |
| Accounts payable | 3L | 2L | 1L | | | |
| Accounts receivable | 4L | 2L | 1L | 1L | | 5 |
| General ledger | 1L | 1L | | | | |
| Payroll processing | 2L | 2L | | | | |
| Treasury management | 2L | 2L | | | | |
| Totals | 15M, 23L | 6M, 16L | 1M, 2L | 6M, 3L | 2M, 2L | |
| M= medium risk/ priority | | | | | | |
| L= low risk/ priority | | | | | | |

Notes on items 'in progress' or 'not yet implemented'

1. Performance management

Whilst not yet finalised, progress continues to be made in developing the Performance Management Framework, that will enable the Constabulary to demonstrate performance against both internal and external measures, taking into consideration any changes resulting from both the appointment of a new Chief Constable and the election of a new Police and Crime Commissioner.

2. Business continuity

The Constabulary have to date been unable to progress to completion a high proportion of the actions agreed following our original review of January 2020. Whilst Covid has undoubtedly hindered progress, there have been changes in senior management responsibilities due to retirement and other absences of key personnel which have created unavoidable additional delays.

3. Stock control

Full implementation of one of the agreed actions was delayed due to Covid related pressures where resources had been directed to supporting critical functions. The remaining item 'not yet implemented' is due to the action being applied to all departments force wide who hold stock items.

4. Grants from the Community Action Fund (CAF)

At the time of our audit, the OPCC had yet to introduce a formal quarterly reconciliation process between the PCC decision records, the payments made to LANPAC and the grants awarded.

5. Accounts receivable

The approval of the revised debt management policy had been delayed due to Covid-19.

Fraud/ special investigations

- 3.30 There have been no incidences of fraud or irregularity brought to our attention that are either a result of a weakness in the control environment of the Constabulary or OPCC or have had a financial impact on them.

National Fraud Initiative (NFI)

- 3.31 The NFI is a statutory data matching process for health, local government and other public sector providers managed by the Cabinet Office. It flags inconsistencies in data within payroll, pensions, creditors, and procurement which may indicate fraud or highlight emerging fraud risks.
- 3.32 Following the submission of data in October 2020, the resulting matches were released by the Cabinet Office in January 2021. The table below provides details of the total number of matches identified, processed, cleared to date and the errors found alongside the resultant savings on recovery. None of the errors were as a result of fraud.

| Category of data | Number of matches identified | Number of matches processed | Number of matches in progress | Errors and value of savings identified |
|------------------|------------------------------|-----------------------------|-------------------------------|--|
| Pensions | 103 | 100 | 3 | 1 @ £752.31 (see Note 1) |
| Payroll | 27 | 10 | 16 | - |
| Creditors | 692 | 49 | 0 | 1 @ £3,918.00 (see Note 2) |
| Procurement | 11 | 0 | 0 | - |
| | 833 | 159 | 19 | 2 @ £4,670.31 |

Notes:

1. A pensioner died and the overpayment is in the process of being recovered.
2. A duplicate payment has been identified and the money is being recovered.

4 Implications for the Annual Governance Statement

- 4.1 In making its annual governance statement the Constabulary and the Office of the Police and Crime Commissioner should consider this report in relation to internal control, risk management and corporate governance.
- 4.2 Whilst we have agreed actions in a number of areas to enhance the controls in place for the audit reviews we have completed, we do not consider there are any matters arising from the audit work conducted during 2020/21 that require specific identification in the annual governance statement.

5 Internal audit inputs and performance

- 5.1 Work carried out during 2020/21 was in accordance with the audit plan presented and approved by the Joint Audit and Ethics Committee in March 2020, as amended in September 2020 and March 2021, because of the ongoing Covid-19 pandemic.
- 5.2 Details of the assurance provided, and key issues identified for each of the areas covered is set out in the 'Summary of findings and assurance' table which forms part of Section 7. This shows that 173 days have been spent to date in delivering the audit plan against a provision of 155 days. One audit assignment is still progressing.
- 5.3 Action plans have been agreed in respect of all audit reports where applicable. These indicate that positive action has been, or will be, taken to address any areas for improvement identified. Implementation of these plans will be followed up as part of our 2021/22 audit plan.

6 Internal audit quality assurance and improvement

- 6.1 PSIAS requires that the quality of internal audit activity is assessed through a combination of ongoing internal monitoring, periodic self-assessments, or internal assessments by others with sufficient knowledge, and independent external review at least once every five years.
- 6.2 The Internal Audit Service has designed procedures and an audit methodology that conform to PSIAS and are regularly reviewed. Every auditor in the team is required to comply with these or document the reasons why not, and to demonstrate this compliance on every audit assignment. The audit managers assess the quality of each audit concurrently as it progresses, and each year a post-audit file review process is conducted by the head of internal audit, with any learning points being shared with the team.
- 6.3 An external assessment of the Internal Audit Service's self-assessment of its compliance with PSIAS was last conducted in November 2017 which confirmed that the service fully meets nearly all the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the IPPF. All actions arising from the review were addressed by June 2018.

7 Summary of findings

Overall summary and assurance provided

- 7.1 The table on the following pages sets out a summary of each review undertaken during the year. This sets out the planned and actual days we have spent on each review, the variance between the days reported, and a summary of the assurance we have been able to provide in relation to each system or operational area of business. This also sets out the level and number of actions agreed for each review, where the report has been finalised. They reflect the findings at the time the work was carried out.
- 7.2 We have distilled the assurance 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.

Summary of our findings and assurance

| Review area | Audit days | | | Assurance | | Comments/ timing |
|--|------------|--------|-----------|-----------------------|---------------|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| Operational and support service reviews | | | | | | |
| Positive Action (b/f from 2019/20) | 10 | 17 | (7) | ✓ | ✓ | Our audit was completed in March 2021. Three medium and one low risk actions were agreed to enhance the control environment and ensure it is operated effectively throughout. |
| | | | | Moderate assurance | | |
| Project management | 15 | 18 | (3) | ✓ | ✓ | Our audit was completed in June 2021. The Constabulary had identified two low risk areas for improvement that they are progressing. |
| | | | | Substantial assurance | | |
| Partnership working | 15 | 17 | (2) | ✓ | ✓ | Our audit was completed in June 2021. Three medium and one low risk actions have been agreed to further enhance the control environment. |
| | | | | Moderate assurance | | |
| Disclosure (b/f from 2019/20) | 20 | 16 | 4 | ✓ | ✓ | Our audit was completed in June 2021. Five medium and two low risk actions have been agreed to enhance and improve the effectiveness of the control environment going forward. |
| | | | | Moderate assurance | | |
| Facilities management – premises compliance | 20 | 17 | 3 | O/S | O/S | Our fieldwork is currently being finalised. The results of this audit will be reported during 2021/22 on completion. |
| Business processes | | | | | | |
| Accounts payable | 9 | 9 | 0 | ✓ | ✓ | Our audit was completed in November 2020. Four low residual risk actions were agreed to further improve the control environment. |
| | | | | Substantial assurance | | |
| Accounts receivable | 8 | 8 | 0 | ✓ | ✓ | Our audit was completed in November 2020. Three low residual risk actions were agreed to further improve the control environment. |
| | | | | Substantial assurance | | |

| Review area | Audit days | | | Assurance | | Key issues/ comments/ timing |
|--|------------|--------|-----------|-----------------------|---------------|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| General ledger | 6 | 6 | 0 | ✓ | ✓ | Our audit was completed in November 2020. One low residual risk action was agreed to further improve the control environment. |
| | | | | Substantial assurance | | |
| Payroll processing | 9 | 9 | 0 | ✓ | ✓ | Our audit was completed in December 2020. One low residual risk action was agreed to further improve the control environment. |
| | | | | Substantial assurance | | |
| Treasury management | 4 | 6 | (2) | ✓ | ✓ | Our audit was completed in January 2021. No areas for improvement were identified. |
| | | | | Substantial assurance | | |
| On Call and standby allowances | 6 | 10 | (4) | ✓ | ✓ | Our audit was completed in June 2021. Four low risk actions have been agreed to enhance the existing control framework. |
| | | | | Substantial assurance | | |
| Ill health retirement payments and injury awards | 10 | 20 | (10) | ✓ | ✓ | Our audit was completed in June 2021. Six low risk actions have been agreed to enhance the existing control framework. <i>The scope of this audit was changed post plan production to include injury awards.</i> |
| | | | | Substantial assurance | | |
| Pension administration | 1 | 0 | 1 | Not yet available | | See paragraph 3.26. |
| Finalisation of reviews in 2020/21 completed to draft report stage in 2019/20 | | | | | | |
| Officer/ staff PDR | 1 | 0.5 | 0.5 | ✓ | ✓ | Our report was completed in September 2020. Three medium risk actions were agreed to address the areas for improvement identified. |
| | | | | Moderate assurance | | |
| Antifraud/ POCA | 1 | 0.5 | 0.5 | X | X | Our report was completed in November 2020. Ten medium and three low residual risk actions were agreed to address the weaknesses identified. |
| | | | | Limited assurance | | |
| Investigation Management Unit | 1 | 0.5 | 0.5 | ✓ | ✓ | Our report was completed in October 2020. Five medium and two low residual risk actions were agreed to address the areas for improvement identified. |
| | | | | Moderate assurance | | |

| Review area | Audit days | | | Assurance | | Key issues/ comments/ timing |
|--|------------|------------|-------------|-----------|---------------|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| <i>Follow up audit activity</i> | | | | | | |
| Performance management | 1 | 1.5 | (0.5) | N/A | N/A | Our follow up work was completed in May 2021. |
| Business Continuity | 2 | 1 | 1 | N/A | N/A | Our follow up work was completed in June 2021. |
| Stock control | 2 | 2 | 0 | N/A | N/A | Our follow up work was completed in June 2021. |
| Grants from the CAF | 1 | 1 | 0 | N/A | N/A | Our follow up work was completed in October 2020. |
| <i>Other components of the audit plan</i> | | | | | | |
| National Fraud Initiative | 3 | 1 | 2 | N/A | N/A | The data sets for the current matching exercise were submitted to the Cabinet Office in October 2020, and the results have now been received and the matches have started to be investigated. |
| Management activity | 10 | 12 | (2) | N/A | N/A | Time spent to date includes: <ul style="list-style-type: none"> • Attendance at meetings of the JAEC and preparation of the resultant monitoring reports. • Revisions to the original 2020/21 Annual Audit Plan. • Preparation of the 2019/20 Annual Report. • Preparation of the 2021/22 Annual Audit Plan. |
| Total days | 155 | 173 | (18) | | | |

Annex 1: Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit encompasses all the governance, risk management and control processes of the Constabulary and the Office of the Police and Crime Commissioner including where they are provided by other organisations on their behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control, and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls.
- 3 Lancashire Constabulary and the Office of the Police and Crime Commissioner have taken the decision to outsource their internal audit provision, and Lancashire County Council's Internal Audit Service was the appointed service provider for 2020/21.
- 4 It is the role of the Internal Audit Service to provide independent assurance that these risk management, control, and governance processes are adequately designed and effectively operated. The PSIAS makes clear that the provision of this assurance is internal audit's primary role and that this requires the head of internal audit to provide an annual opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 This assessment will be supported by the identification, analysis, evaluation, and documentation of sufficient information on each individual audit assignment, and the completion of sufficient assignments to support an overall opinion for both organisations.
- 6 Internal auditors cannot be held responsible for internal control failures. However, we have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to you as they have become known to us, without undue delay, and have worked with you to develop proposals for remedial action.
- 7 The requirement to be independent and objective means that the Internal Audit Service cannot assume management responsibility for risk management, control, or governance processes. However, the Internal Audit Service may support management by providing consultancy services. These are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and will also contribute to the overall assurance opinion.
- 8 Accountability for responses to the Internal Audit Service's advice and recommendations for action lies with the Senior Management Teams of the

Constabulary and the Office of the Police and Crime Commissioner, who either accept and implement the advice or accept the risks associated with not taking action. Audit advice, including where the Internal Audit Service has been consulted about significant changes to internal control systems, is given without prejudice to the right of the Internal Audit Service to review and recommend further action on the relevant policies, procedures, controls and operations at a later date.

- 9 The head of internal audit will provide an annual report incorporating an overall opinion, a summary of the work that supports that opinion, and a statement of conformity with the PSIAS and the results of the quality assurance and improvement programme.
- 10 The Internal Audit Service is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

Basis of our assessment

- 11 Our opinion on the adequacy of control arrangements is based upon the result of internal audit reviews undertaken and completed during the period in accordance with the plan approved by the Joint Audit and Ethics Committee. We have obtained sufficient, reliable, and relevant evidence to support the improvements that we proposed and that have been accepted by management.

Limitations to the scope of our work

- 12 There have been no limitations to the scope of our audit work, except that have resulted because of the Coronavirus pandemic and which are noted in the main body of the report where applicable.

Limitations on the assurance that internal audit can provide

- 13 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also, there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 14 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 15 This report has been prepared solely for the Constabulary and the Office of the Police and Crime Commissioner. This report forms part of a continuing dialogue between the Internal Audit Service, senior officers within both organisations and the Joint Audit and Ethics Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
- 16 We acknowledge that this report may be made available to other parties, such as the external auditors. We accept no responsibility to any third party who may receive this report 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.

Annex 2: Audit assurance levels and categories of risk

For 2020/21 the following audit assurance levels apply.

| |
|--|
| Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall. |
| 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. |
| 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. |

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. |
| 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. |
| 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. |
| 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. |