



**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 2022**

## 1 Introduction

### **Purpose of this report**

- 1.1 This report summarises the work that the Internal Audit Service undertook during 2021/22 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 2021/22 and 2022/23 in relation to the 2021/22 audit plan, approved by the Joint Audit and Ethics Committee in March 2021 and then revised in December 2021.
- 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.

### **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.

Andrew Dalecki  
Head of Internal Audit, Lancashire County Council  
May 2022

## **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 2021/22. In March 2022, Grant Thornton confirmed to members of the committee that the audit of the financial statements had largely been completed and they anticipated being able to provide an unmodified opinion, and whilst work on Value for Money arrangements was still in progress at that time, there had been no significant weaknesses identified from the work completed to date.

## **3 Internal audit work undertaken**

### ***Neighbourhood Policing (NHP) – Moderate assurance***

- 3.1 We reviewed the Constabulary's NHP processes and how they adhere to the College of Policing (CoP) principles and guidance. We considered the training provided in relation to recording, reviewing, and evaluating problem solving activity; the use of the Power Bi dashboard in identifying problem properties and the use of Civil Orders where these are deemed appropriate.
- 3.2 The framework of control is adequately designed and effectively operated overall, but some action is required to enhance aspects of it and ensure that it is effectively operated throughout.

### ***Mental Health – Substantial assurance***

- 3.3 In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:
- Governance

- Officer and staff training and support
- Identifying and managing Mental Health demand
- Performance management and continuous improvement

3.4 Overall, we are satisfied that the Constabulary collaborative working arrangements that support the development and delivery of initiatives aimed at reducing mental health demand are adequately designed and effectively operated overall.

3.5 Demands on police time, resulting from mental health incidents are continuing to rise, with the majority of calls being health rather than crime related. In response, the Force Mental Health leads are training the workforce and are actively collaborating with health and social care partners on a routine and frequent basis, across locality, regional and national footprints.

3.6 A strong multi-agency governance structure is in place, supported by operational policy, procedures and protocols which ensure that individual agency roles and responsibilities and expectations are clear. A number of collaborative working arrangements aimed at reducing overall mental health demand are currently being progressed.

#### ***Child Sexual Exploitation – Moderate assurance***

3.7 We have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Officer and staff training and support
- Raising public awareness
- Multi-agency collaborative working and governance arrangements
- Identification and analysis of demand
- Continuous improvement activity
- Internal accountability

3.8 At a local level there is effective partnership working to support the most 'at risk' children, and the Constabulary actively contributes at a strategic level to improve the effectiveness of the multi-agency working arrangements. Additionally, a range of mechanisms are in place to support the broader Constabulary workforce in identifying and responding appropriately to exploitation incidents.

3.9 We have proposed actions to support the increased use of Power Bi in the identification and analysis of emerging local threats and more can be done to understand whether the learning and support being provided to the workforce is sufficient and appropriate. Additionally, whilst a formal reporting mechanism is in place to ensure that items on the Constabulary exploitation action plan are being addressed, the force does not have an overarching performance management framework in place that is able to demonstrate that its CSE related activity is improving outcomes for vulnerable children.

***Officer uplift on-boarding – Substantial assurance***

- 3.10 In this audit we reviewed the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:
- Training strategy and pathways
  - Training progression and completion
  - Support and supervision
  - Staff surveys, feedback and management information
  - Monitoring and training completion (including exit interviews)
- 3.11 The Constabulary has appointed UCLAN to deliver the academic training elements of their Officer training programmes. Recruits' progression through both academic and operational aspects is monitored through regular supervision with support from assigned tutors and managed via the OneFile learning system using individual Operational Competence Portfolios aligned to the College of Policing's Policing Education Qualifications Framework (PEQF). Assessment deadlines are scheduled at key stages during training for competency to be evaluated by accredited PEQF assessors from the Force's Supported Development Units (SDU) to enable progression, including clearance for Independent Patrol.
- 3.12 Feedback obtained from recruits established that 89% felt most of their learning had occurred whilst working operationally and this was more beneficial than any of the other learning approaches utilised during training. Also, that recruits felt they would prefer more time spent with tutors to learn, develop and gain more experience although acknowledging that this was not always possible due to resourcing issues.
- 3.13 There is however a focus on continuous improvement with action being taken on feedback already received from recruits. Processes are in place to analyse and monitor training information and there is an established structure to report performance and management information to senior leaders and training partners.

***PCRO on-boarding***

- 3.14 We are currently awaiting a response to our draft report.

***CCTV compliance – Moderate assurance***

- 3.15 This audit has involved a review of the controls and processes in place to mitigate the key risks to achieving compliance with the Surveillance Camera Commissioners (SCC) Code of Practice (CoP), and has involved consideration of the following areas, primarily in relation to site CCTV.
- Governance framework
  - Policies and Procedures, Privacy notices (PNs), DPIAs and the SCC Self-Assessment Tool
  - CCTV signage
  - Restricting access to footage

- Image quality

- 3.16 Whilst overall the overt surveillance systems are not yet considered compliant with the SCC CoP, good progress is now being made by the CCTV manager, in conjunction with the other designated CCTV asset owners.
- 3.17 A governance framework is in place and operating effectively to ensure that progress in meeting the requirements of the SCC COP is managed and monitored and CCTV issues are discussed, with actions being agreed, and implementation monitored by the Overt Surveillance Governance Board (OSGB), which meets on a quarterly basis. The CCTV document set, is however in various degrees of completion across the CCTV asset types.
- 3.18 Access to site CCTV footage is appropriately restricted, and arrangements are in place to address camera faults promptly when they arise.

***Information assurance***

- 3.19 We are currently finalising our audit procedures.

***Public engagement processes – Substantial assurance***

- 3.20 An adequate and effective control environment surrounds the arrangements in place to facilitate victims to report crimes on-line and appropriate systems and resources exist to ensure reports received are effectively triaged and recorded on the Connect crime recording system. Performance monitoring and reporting regimes are also established with regards to online reporting activity.
- 3.21 The audit has however identified opportunities to strengthen controls in some areas, and in particular around quality assuring the work undertaken by the Digital Engagement Team to ensure accurate and efficient processing of incident reports.

***Complaint review process – Substantial assurance***

- 3.22 This review sought to determine the adequacy and effectiveness of the OPCC complaint review process, considering case management, policy compliance, timeliness of response, management and reporting, and overall, the framework of control is adequately designed and effectively operated to meet its objectives.

***Management of the Independent Custody Visitor Scheme – Substantial assurance***

- 3.23 In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:
- Independent Custody Visitors Association (ICVA) Scheme Compliance
  - Roles and responsibilities
  - Recruitment and training
  - Holding the force to account

3.24 Overall, the OPCC has an adequate framework of control in place, that is operated effectively, to ensure that the ICV Scheme is compliant with the ICVA Quality Assurance Framework, and whilst we have proposed actions to address outdated scheme documents and templates, and to enable the scheme to be delivered more efficiently by the OPCC, we are satisfied that the current scheme ensures detainees in custody are being treated in accordance with the Police and Criminal Evidence Act, and that where issues are identified by the Independent Custody Visitor, these are being appropriately addressed by the Constabulary.

***Addressing Covid risks – Moderate assurance***

3.25 We completed a review to consider the adequacy and effectiveness of the control arrangements put in place to support the continued operational activity of the OPCC as it was impacted by the Covid-19 pandemic.

3.26 The scope of the audit included consideration of:

- Whether policy and procedure documents had been amended.
- If and how operational processes and the IT infrastructure had been adapted, including supporting staff to work from home, and ensuring the office was Covid safe for those that needed to work from an office base on some days.
- How employee health and wellbeing had been supported.
- The impact of the pandemic on OPCC finances.
- Whether there had been implementation and compliance with the OPCC business continuity framework.

3.27 The OPCC Senior management team supported staff through the pandemic, in relation to both health and wellbeing and ensuring they were able to work efficiently and effectively, and operational activity continued as a result of utilising technology effectively to conduct much of its business virtually. Our review found however that the requirements of the OPCC overarching Business Continuity Plan framework had not been followed. Additionally, whilst we have seen examples of the risk management arrangements put into practice by the senior management team, we note that as their meetings are not minuted, we cannot provide assurance over the background and context in which key decisions were discussed and agreed.

***Accounts payable, Accounts receivable and General ledger – Substantial assurance***

3.28 Our audit work sought to assess whether:

- Accounts payable controls are adequate and effective in ensuring that purchase ordering and creditor payment processes are valid, accurate, and timely.
- Debt management processes ensure that income is maximised, collected on a timely basis and accounted for correctly.
- There are adequate and effective controls in place within the general ledger system in relation to journal input, system access, separation of duties, account code set up and budget monitoring and reporting.

- 3.29 Across each of the above system, there is a sound system of internal control, adequately designed to meet process objectives, and controls are being applied consistently.

***Payroll processing – Substantial assurance***

- 3.30 The review sought to assess the adequacy and effectiveness of the controls in place to ensure that officers and staff are paid the right amount at the right time. Additionally, we have verified that appropriate pre-employment checks are completed and payments to starters and leavers, and amendments to pay have been accurately processed.

- 3.31 Overall, there is a sound system of internal control in place, which is adequately designed to meet process objectives and is effective in that controls are being consistently applied.

***Treasury management – Substantial assurance***

- 3.32 The review determined the adequacy and effectiveness of the treasury management procedures operated on behalf of the OPCC by Lancashire County Council to ensure that cash flow management and the resultant borrowing, and investment activities are conducted in accordance with the approved Treasury Management Strategy.

- 3.33 No areas for improvement were identified.

***Premises compliance – Limited assurance***

- 3.34 We conducted a review to assess the adequacy and effectiveness of the arrangements in place to obtain assurance that Constabulary premises comply with relevant health and safety and other legislative requirements.

- 3.35 The audit review involved:

- Consideration as to whether there is clarity on roles and responsibilities of the various teams involved in aspects of premises compliance.
- Maintenance of the property register and inspection schedules.
- Guidance and training for staff with responsibility for premises compliance.
- Inspection checklists and summary reporting for in house compliance checks.
- Arrangements in place for technical inspections and certifications carried out by approved contractors.
- Overall premises compliance reporting.
- Compliance testing of a sample of premises, conducted in accordance with Covid safe guidance from the Constabulary.

- 3.36 Whilst our audit testing and work shadowing did not identify any significant weaknesses in the Facilities Management (FM) divisional arrangements for conducting weekly premises compliance checks and the reporting and resolution of faults, we have found that the overarching assurance framework for premises compliance across FM and Estates overall is lacking. The reporting mechanisms currently in place do not provide an overall picture of the extent of premises compliance checks

undertaken or missed, nor the impact of faults waiting to be remedied, or delays in approved contractor inspections, or indeed whether third party properties occupied by the Constabulary are compliant with statutory health and safety requirements.

- 3.37 The FM and Estates departments do not currently have access to any ICT software which would allow them to bring together the work activity of both areas, providing managers with the tools necessary to be able to plan, deliver, monitor and report on all aspects of premises management and to become more proactive instead of reactive.
- 3.38 We do acknowledge that there are many planned improvements in progress which will address some of the inadequacies in the current control framework, although these are not yet implemented or embedded, with some aspects having been delayed due to recruitment activity and also Covid-19 related priorities.

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

- 3.39 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.
- 3.40 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.
- 3.41 The table at Appendix 2 provides a summary of the progress made by the Constabulary and OPCC in implementing the agreed actions raised as part of the 2020/21 audit programme.
- 3.42 Of 71 agreed actions, 33 (46%) have been implemented, with 24 (34%) in progress and four (6%) have not yet started to be implemented. The need for four actions (6%) has been superseded and 2 actions (3%) will not now be implemented. We have yet to report on the remaining four actions.

#### ***Fraud/ special investigations***

- 3.43 There have been no incidences of fraud or irregularity brought to our attention that are a result of a weakness in the control environment of the Constabulary or OPCC.

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

- 3.44 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.
- 3.45 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 and processed, and the errors found alongside the resultant savings on recovery. One of the errors has been categorised as fraud, which we reported to the Constabulary. All overpayments are in the process of being recovered.

Category of data	Number of matches identified	Number of matches processed	Number and value of frauds identified	Errors and value of savings identified
Pensions	105	105	1 @ £2106.52	1 @ £752.31
Payroll	30	30	-	-
Creditors	692	115	-	1 @ £3,918.00 1 @ £0.00
Procurement	11	11	-	-
	<b>838</b>	<b>261</b>	<b>1 @ £2106.52</b>	<b>3 @ £4,670.31</b>

## 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.
- 4.1 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 2021/22 that require specific identification in the annual governance statement.

## 5 Internal audit inputs and performance

- 5.1 Work carried out during 2021/22 was in accordance with the audit plan presented and approved by the Joint Audit and Ethics Committee in March 2021, as amended in December 2021.
- 5.1 Details of the assurance provided, and key issues identified for each of the areas covered is set out in Appendix 1: Summary of findings and assurance. This shows that 245 days have been spent to date in delivering the audit plan against a provision of 235 days. One audit assignment is still progressing, and we are awaiting Constabulary feedback on three draft reports.
- 5.2 Action plans have been agreed in respect of all audit reports where applicable. Implementation of these plans will be followed up as part of our 2022/23 audit plan.

## **6 Internal audit quality assurance and improvement**

### **Client satisfaction**

- 6.1 Internal Audit invites feedback on the quality of service provided by issuing a 'satisfaction questionnaire' at the end of each audit. This is an important process in terms of identifying how the audit was received and it is also an important means of identifying aspects of the audit process that can be improved.
- 6.2 Our auditees have told us in every case that, overall, they were satisfied with the way we conducted our work with them. We also seek more detailed feedback in relation to our audit planning, the audit process and reporting, our behaviour, and our management and service to our auditees. Our auditees have provided positive feedback across all these areas. There were no common themes in the responses received that highlighted any particular areas for improvement.

### **Ongoing and periodic assessments**

- 6.3 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.
- 6.4 The findings of the last external quality assessment undertaken by the Chartered Institute of Internal Auditors were reported to the committee in January 2018. This confirmed that the Internal Audit Service 'generally conforms' to the full range of standards set out in the International Professional Practice Framework, PSIAS and Local Government Application Note. There were no departures from these arrangements in 2021/22. Another external review is due to be completed in 2022/23 the findings of which will be reported to this committee.
- 6.5 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 a post-audit file review process has been undertaken. These reviews indicate that there is good evidence of compliance with our audit methodology and input from the audit managers to support the work of the auditors.
- 6.6 In addition to these periodic file reviews, the service's methodology includes a step which requires the Head of Internal Audit to read each report as it is finalised. This does not entail an additional detailed review and the auditors' reports remain theirs, using their own style and wording, but is intended to ensure that each assignment can be adequately understood and is properly communicated.

- 6.7 This year the Internal Audit team has adopted a hybrid approach to work, with staff predominantly being home-based but undertaking client site visits as the requirements of the audit has dictated. In response to this, some revised performance management and support arrangements have been put in place for the Internal Audit team, including the agreement of delivery timescales with clients and identifying the audits that will aim to be completed for each meeting of the Committee.

## 7 Summary of findings

### Overall summary and assurance provided

- 7.1 The table in Appendix 1 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.

## Appendix 1: Summary of our findings and assurance

Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Operational and support service reviews - Constabulary</b>						
Neighbourhood Policing	20	22	(2)	✓	✓	<p>Our review was completed in January 2022. Two medium and five low risk actions were agreed in relation to:</p> <ul style="list-style-type: none"> <li>• Publication of the Force Strategic Plan for Community Engagement.</li> <li>• Creating an additional Terms of Reference and agreement of a formal meeting schedule to support overall governance arrangements.</li> <li>• Development of an activity analysis to determine how much proactive time individual officers dedicate to problem solving and engagement.</li> <li>• A quarterly assessment and monitoring process is also to be introduced.</li> </ul>
				<b>Moderate assurance</b>		
Mental Health	10	10	0	✓	✓	<p>Our review was completed in May 2022. One medium and two low risk actions have been agreed relating to the establishment of the multi-agency Mental Health Tactical Board and Performance Management Framework, a refresh of the Constabulary Mental Health intranet and internet pages, and an assessment of the suitability and quality of the training provision.</p>
				<b>Substantial assurance</b>		
Child Sexual Exploitation	15	15	0	✓	✓	<p>Our review was completed in May 2022. Three medium and one low risk actions have been agreed regarding the need to seek feedback on the quality and suitability of training provision, enhancements to the Vulnerability Coach role, the further development of a CSE performance management framework and attendance at multi-agency meetings.</p>
				<b>Moderate assurance</b>		

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Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
Officer uplift on-boarding	20	24	(4)	✓	✓	Our review was completed in June 2022. No areas for improvement were identified.
<b>Substantial assurance</b>						
PCRO on-boarding				O/S	O/S	Our draft report was issued to the Constabulary on 12 May 2022.
CCTV compliance	15	16	(1)	✓	N/A	Our audit was completed in May 2022. Three medium and one low risk actions have been agreed relating to the introduction of a periodic compliance audit process, an update of the Terms of Reference for the Overt Surveillance Governance Board, determining roles and responsibilities going forward for the approval of access requests and extraction of data, and considering introduction of a regular camera testing and cleaning routine.
<b>Moderate assurance</b>						
Information assurance	15	18	(3)	O/S	O/S	Our fieldwork is currently being finalised and the draft report produced.
Public Engagement processes	15	14	1	✓	✓	Our review was completed in May 2022. One medium and four low risk actions were agreed in relation to reviewing and updating the social media policy, standardising the advertisement of the on-line reporting process on Facebook pages, capturing training completion rates and gauging customer satisfaction with the on-line reporting process.
<b>Substantial assurance</b>						
<b>Operational and support service reviews - OPCC</b>						
Complaints review process	8	10	(2)	✓	✓	Our review was finalised in September 2021. Two medium and two low risk actions have been agreed in relation to formally documenting the methodology and decision-making processes and maintaining an action log to evidence learning arising from the review process.
<b>Substantial assurance</b>						

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Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
Grants from the reducing reoffending fund	10	1	9	N/A	N/A	This audit has been removed from the audit programme.
Management of the Independent Custody Scheme	8	11	(3)	✓	✓	The audit was completed in May 2022. One medium and two low risk actions have been raised regarding the need to update the ICV document set, and to conduct a workflow analysis to determine if a more efficient allocation of responsibilities between ICV co-ordinators and the ICV scheme administrator can be facilitated, and to consider how training provision can be supported by signposting to ICVA material.
				<b>Substantial assurance</b>		
OPCC Public/ partnership engagement	7	0.5	6.5	N/A	N/A	This audit has now been deferred until 2022/23.
Addressing Covid risks	7	6.5	0.5	✓	✓	Our review was finalised in August 2021. Two medium and one low risk actions have been agreed in relation to: <ul style="list-style-type: none"> <li>• Updating the homeworking risk assessments.</li> <li>• Creating and maintaining a record of equipment removed from the office.</li> <li>• Updating the Business Continuity Plan with the lessons learned from Covid and taking forward actions for the recovery phase.</li> </ul>
				<b>Moderate assurance</b>		
<b>Key financial systems</b>						
Payroll processing	9	10	(1)	✓	✓	Our audit work was completed in November 2021. One low risk action has been carried forward from 2020/21 re the rationalisation of the monthly payroll checklist and development of an expanded audit checking mechanism.
				<b>Substantial assurance</b>		
Treasury management	4	4.5	(0.5)	✓	✓	Our audit work was completed in November 2021. No areas for improvement were identified.
				<b>Substantial assurance</b>		

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Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
Accounts payable	9	9	0	✓	✓	<p>Our audit work was completed in November 2021. Across these three financial systems, four low risk actions were raised relating to:</p> <ul style="list-style-type: none"> <li>Updating the authorised signatory list for known changes in personnel.</li> <li>The issuing of a reminder re the importance of conducting additional Oracle checks before processing reminder or copy invoices.</li> <li>Ensuring there is sufficient clarity of individual roles and responsibilities in the Constabulary/ LCC Financial Services Memorandum of Understanding.</li> <li>Checking that LCC staff with access permissions to Constabulary accounting systems no longer required are removed.</li> </ul>
				<b>Substantial assurance</b>		
Accounts receivable	8	9.5	(1.5)	✓	✓	
				<b>Substantial assurance</b>		
General ledger	6	6	0	✓	✓	
				<b>Substantial assurance</b>		
<b>Finalisation of reviews started in 2020/21</b>						
Facilities management – premises compliance	20	25	(5)	X	✓	<p>Our review was finalised in August 2021. Six medium and one low risk actions have been agreed in relation to:</p> <ul style="list-style-type: none"> <li>Finalising the leases and licenses register and obtaining assurance re premises compliance from third party landlords.</li> <li>Finalising and issuing detailed guidance notes to support a consistent and robust compliance checking process.</li> <li>Creating a training matrix applicable to each job role.</li> <li>Enhancing the compliance checklist in use.</li> <li>Introducing a system to record the number of compliance checks conducted, visits missed, and faults logged.</li> <li>Enhancing the communication arrangements between departments associated with premises compliance.</li> <li>Developing an overall workplan to support monitoring of progress in implementing the improvement activity currently ongoing.</li> </ul>
				<b>Limited assurance</b>		

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Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<b>Other components of the audit plan</b>						
Follow up audits	15	16	(1)	N/A	N/A	<i>Refer Appendix 2 for details.</i>
Pension arrangements	1	1	0	<b>Moderate assurance</b>		Our assurance on pension arrangements is derived from our own audit activity in relation to pension overpayments, admission of employers to the fund, accounting through the council's general ledger and employers' contributions (follow up) and is additionally informed by information made available to us from other external assurance providers.
National Fraud Initiative	3	4	(1)	N/A	N/A	Time relates to support provided to the Constabulary for their involvement in the NFI process.
Management activity	10	12	(2)	N/A	N/A	Time spent to date includes: <ul style="list-style-type: none"> <li>• Attendance at meetings of the JAEC and preparation of monitoring reports and the 2020/21 Annual Report.</li> <li>• Quarterly client meetings.</li> <li>• Reissue of the Internal Audit Charter and Engagement Letter.</li> <li>• Ad hoc activity: group meeting in June 2021 <i>Sharing audit experiences</i></li> </ul>
<b>Total days</b>	<b>235</b>	<b>245</b>	<b>(10)</b>			

## Appendix 2: Follow up audit activity – 2021/22 audit programme

Audit review	Date of original audit	Assurance opinion	Actions agreed		Date of follow up audit	Audit results	Comments
			Medium risk	Low risk			
Officer/ staff PDR	September 2020	Moderate	3	0	March 2022	One action implemented, one not yet implemented and one superseded	Progress has been slower than anticipated due to revisions being introduced to the overall PDR process.
Antifraud/ POCA	November 2020	Limited	10	3	April 2022	10 actions implemented, 3 in progress	Positive progress to implement the agreed actions has been made, with most of the actions having been implemented to date.
Business Continuity	January 2020	Limited	8	4	February 2022	Four actions implemented, eight in progress	Business Continuity management is currently being overhauled, with the introduction of new governance arrangements and operational leads.
Disclosure	June 2021	Moderate	5	2	February 2022	Five actions implemented, two superseded	Alternative control mechanisms have been introduced to replace the superseded actions.
Investigation Management Unit	October 2020	Moderate	5	2	March 2022	Two actions implemented, two in progress, one superseded and two not to be implemented	The remaining actions to be implemented will be facilitated through use of the Power Bi software that is now in place.
Ill health pension & injury benefits	June 2021	Substantial	0	6	February 2022	Two actions implemented, four in progress	Whilst many of the actions are still ongoing, good progress is being made.
On Call allowances	June 2021	Substantial	0	4	February 2022	Two actions implemented, two in progress	The remaining actions are being progressed in conjunction with other Constabulary teams.

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Audit review	Date of original audit	Assurance opinion	Actions agreed		Date of follow up audit	Audit results	Comments
			Medium risk	Low risk			
Partnership working (MASH)	June 2021	Moderate	3	1	March 2022	Two actions implemented and two in progress	Implementation is slower than anticipated due to the remaining actions requiring input from other partner agencies.
Project Management	June 2021	Substantial	0	2	March 2022	Neither action has yet been implemented	The actions will be progressed through the Change Governance Board established as part of the revised Constabulary governance arrangements.
Positive Action	March 2021	Moderate	3	1	May 2022	O/S	Our draft audit report was issued to the Constabulary on 11 May 2022.
Accounts Payable	December 2020	Substantial	0	4	November 2021	Three implemented, one in progress	The suite of formal governance documents still require final approval.
Accounts receivable	December 2020	Substantial	0	3	November 2021	Two implemented, one in progress	The debt management policy had still to be formally approved.
General Ledger	December 2020	Substantial	0	1	November 2021	Action not yet implemented	The action to remove access permissions for a small number of individuals has been repeated in the 2021/22 audit report.
Payroll	December 2020	Substantial	0	1	November 2021	Action in progress	The payroll audit framework is still under development.
<b>Total actions</b>			<b>37</b>	<b>34</b>			

## **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 2021/22.
- 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.

#### **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 2021/22 the following audit assurance levels apply.

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

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:

<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.
<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.
<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.
<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.