**APPENDIX A**



**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 2023**

1. **Introduction**

**Purpose of this report**

* 1. This report summarises the work that the Internal Audit Service undertook during 2022/23 and the key themes arising in relation to risk management, governance, and internal control.

**The role of internal audit**

* 1. 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.
	2. This report is based upon the work the Internal Audit Service completed as part of the 2022/23 audit plan, which was approved by the Joint Audit and Ethics Committee in March 2022. It should be noted that there have been some amendments to the Plan, and they are referred to below in both the key issues and themes (2.6 & 2.7) and the summary of findings and assurance opinion (3.2). The flexibility of the plan has added further value to the Constabulary and the Office of Police and Crime Commissioner and contributes to a robust annual audit opinion being provided.
	3. 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.
	4. An Internal Audit 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.

**Interim progress reports**

* 1. We have provided summaries of findings from audits completed throughout the year in progress reports to each Joint Audit and Ethics Committee meeting.

**Acknowledgements**

* 1. 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 2023

1. **Summary assessment of internal control**

**Overall opinion**

* 1. Overall, I can provide moderate assurance regarding the adequacy of the 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. 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**

* 1. The Constabulary is subject to inspection by His 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. Assurance is also provided by Grant Thornton as the external auditor for the Chief Constable and the Police and Crime Commissioner for Lancashire for 2022/23. In March 2023, Grant Thornton confirmed to members of the committee that the audit of the financial statements was ongoing. There had been no significant weaknesses identified from the work completed to date.
	3. Assurance over the operation of the Pension Fund has been obtained from work conducted directly by Lancashire County Council's Internal Audit Service, work undertaken by the Local Pensions Partnership (Administration) Ltd, (LPPA) Internal Audit, and by KPMG for the Local Pension Partnership (Investments) Ltd (LPPI).

**Key issues and themes**

* 1. It is important that the plan is flexible, therefore, in addition to the amendments to the planned audits detailed in the March 2023 progress report the Governance and Decision-Making audit has also been paused and moved to the 2023/24 audit plan. It was agreed that more value to the audit could be added once the revised governance process has been embedded.
	2. The additional work to the 2022/23 audit plan included expanding the scope on the key financial audits to incorporate areas that have been transferred from Lancashire County Council's responsibility to the Constabulary as a result of the Constabulary hosting the Oracle V12.2. ERP system. This included areas such as banking and Barclaycard. payments. Although the draft reports have not been finalised yet, preliminary findings have been positive. The Constabulary acknowledges that there is still some further work that needs to be carried out to enhance controls, and this is ongoing.
	3. Our overall assurance opinion reflects the fact that systems and processes are generally working effectively and ensures staff are aware of correct processes. The table in 3.1 indicates that we have given a higher proportion of 'substantial' than 'moderate' assurances in comparison to previous years which is due to the progress made by both the Constabulary and OPCC. In order for there to be a substantial overall opinion, certain key areas such as the Constabulary's governance and the audit process need to be embedded further. In addition to this, more progress needs to be seen in the implementation of actions from previous audits.
	4. We have discussed the issues we raised during the year with service managers and members of the Senior Management Team and agreed action plans to address the need for improved controls. Follow up work during 2022/23 indicates that risks identified in previous years are largely being addressed and we are satisfied that work is in hand to implement agreed actions, although some improvement work is still ongoing. The Senior Management Team also receive regular reports on implementation of audit actions.
1. **Summary of findings and assurance**
	1. The table below summarises the assurances we provided on finalised 2022/23 audits which contributed to our annual assurance opinion, including comparative figures from previous years. Please note that this is only made up of audits that have been finalised.

|  |  |  |  |
| --- | --- | --- | --- |
| **Assurance** **Levels** | **2022/23** | **2021/22** | **2020/21** |
| **No.** | **%** | **No.** | **%** | **No.** | **%** |
| Substantial | 8 | 73% | 10 | 63% | 8 | 57% |
| Moderate | 3 | 27% | 5 | 31% | 5 | 36% |
| Limited | 0 | 0% | 1 | 6% | 1 | 7% |
| None | 0 | 0% | 0% | 0% | 0% | 0% |
| **Total number of assignments** | 11 | 100% | 16 | 100% | 14 | 100% |
| **Overall Assurance Opinion given for year.** | Moderate | Moderate | Moderate |

* 1. The table below reports the status of each audit completed during the year and the assurance opinion. This shows that 166 (90%) days have been spent to date in delivering the audit plan against a provision of 185 days. This is 15 days less than the original plan agreed in March 2022.
	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 2023/24 audit plan.

| **Audit review** | **Audit days** | **Status & Date it went to Committee** | **Assurance Opinion/Conclusion** |
| --- | --- | --- | --- |
| **Planned** | **Actual** | **Variation** |
| ***Key Financial Systems and business processes***  |
| Accounts payable – interim testing | 10 | 10 | 0 | CompletedMarch 2023 | **●**Substantial |
| Accounts payable – Adequacy of the controls following the implementation of Oracle V12.2 | Report currently being drafted | N/A |
| Accounts receivable- interim testing | 10 | 9.5 | 0.5 | CompletedMarch 2023 | **●**Substantial |
| Accounts receivable- Adequacy of the controls following the implementation of Oracle V12.2 | Report currently being drafted | N/A |
| General ledger- interim testing | 7 | 7 | 0 | CompletedMarch 2023 | **●**Substantial |
| General ledger- Adequacy of the controls following the implementation of Oracle V12.2 | Report currently being drafted | N/A |
| Banking, Barclaycard payments, and Oracle V12.2 System Maintenance*This is additional audit work to the original agreed 2022/23 Audit Plan* | 8 | 7 | 1 | Report currently being drafted | N/A |
| Payroll*This is in the 2023/24 Audit Plan* | 0 | 0 | 0 | Out of Plan | N/A |
| Treasury management | 4 | 5 | (1) | CompletedDecember 2022 | **●**Substantial |
| ***Operational reviews and support services***  |
| Governance and decision making  | 12 | 2 | 10 | Initial scoping started then paused and moved to the 2023/24 Audit Plan | N/A |
| Risk management  | 10 | 5 | 5 | CompletedJune 2023 | **●**Substantial |
| Audit and assurance activity  | 8 | 8 | 0 | CompletedJune 2023 | **●**Moderate |
| Health and safety  | 20 | 16 | 4 | CompletedMarch 2023 | **●**Moderate |
| Contract monitoring  | 20 | 17 | 3 | CompletedDecember 2022 | **●**Substantial |
| Insourced catering contract*This is in the 2023/24 Audit Plan* | 0 | 0 | 0 | Out of Plan | N/A |
| Violence Reduction Network  | 20 | 22.50 | (2.5) | CompletedMarch 2023 | **●**Substantial |
| Data quality*This is in the2023/24 Audit Plan* | 0 | 0 | 0 | Out of Plan  | N/A |
| Public/ partnership engagement | 10 | 10 | 0 | CompletedMarch 2023 | **●**Substantial |
| Fleet Management-stores and service management*This is an additional audit to the original 2022/23 Audit Plan* | 15 | 12 | 3 | Progressing | N/A |
| Information assurance*The time for this was allocated in the 2021/22 Plan.* |  |  |  | CompletedSeptember 2022 | **●**Moderate |
| ***Other aspects of the audit plan*** |
| Pension fund assurance | 1 | 1 | 0 | As detailed in 2.5 |
| Follow up work | 18 | 18.5 | (0.5) | More information detailed below |
| Audit programme management activity | 10 | 13.5 | (3.5) | This includes a day for work shadowing support. |
| National Fraud Initiative | 2 | 2 | 0 | As detailed in 5.3 |
| **Total** | **185** | **166** | **19** |  |

***Follow up work***

* 1. 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.
	2. 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. Of 48 agreed actions, 28 (58%) have been implemented, with 12 (25%) in varying degrees of progress. The need for three actions (6%) has been superseded and 1 action (2%) will not now be implemented. The remaining 4 actions (8%) relate to an audit at draft report stage. These correlate with both the 2021/22 and 2020/21 figures, where respectively 50% and 58% of the actions were implemented.

| **Audit review** | **Date of original audit** | **Assurance opinion** | **Actions agreed** | **Audit progress** |
| --- | --- | --- | --- | --- |
| **High risk** | **Medium risk** | **Low** **risk** |
| Complaint reviews | September 21 | Substantial |  | 2 | 2 | Completed August 2022**All actions implemented.** |
| Addressing Covid risks | August 21 | Moderate |  | 2 | 1 | Completed August 2022**All actions implemented** |
| Management of the ICV Scheme | May 22 | Substantial |  | 1 | 2 | Completed April 2023**Two actions implemented and one superseded** |
| CCTV  | May 22 | Moderate |  | 3 | 1 | Completed December 2022**One action implemented and three progressing** |
| Premises compliance | September 21 | Limited |  | 6 | 1 | Completed August 2022**Three actions implemented, three progressing and one superseded** |
| Mental health | May 22 | Substantial |  | 1 | 2 | Completed February 2023**Two actions implemented and one superseded** |
| Child Sexual Exploitation | May 22 | Moderate |  | 3 | 1 | Completed May 2023**One action implemented , 2 progressing and one not to be implemented** |
| Public engagement processes | May 22 | Substantial |  | 1 | 4 | Completed November 2022**Three actions implemented and two progressing** |
| Neighbourhood policing | January 22 | Moderate |  | 2 | 5 | Completed December 2022**Six actions implemented and one progressing.** |
| Accounts payable | November 21 | Substantial |  | 0 | 2 | Completed November 2022 as part of interim testing**One action implemented and one progressing.** |
| General ledger | November 21 | Substantial |  | 0 | 2 | Completed November 2022 as part of interim testing**Two actions implemented** |
| PCRO Onboarding | May 22 | Moderate |  | 2 | 2 | Draft Report |
| **Total actions** |  |  |  | **23** | **25** |  |

1. **Extracts from Audit Reports**
	1. Extracts of assurance summaries are shown in Appendix A for the audits finalised since the March 2023 Joint Audit and Ethics Committee.
2. **Fraud/ special investigations**
	1. 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)**

* 1. 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.
	2. Following the submission of data in October and November 2022, the resulting matches were released by the Cabinet Office in January and February 2023. The table below details the total number of matches identified. Limited action has been taken on processing the matches due to the timing of the release and Constabulary operational pressures such as Oracle V12.2. Action will progress later in the year.

|  |  |
| --- | --- |
| **Category of data** | **Number of matches identified** |
| **2022/23** | **2021/22** |
| Pensions | 99 | 105 |
| Payroll | 55 | 30 |
| Creditors | 601 | 692 |
| Procurement | 4 | 11 |
| **Total** | **759** | **838** |

1. **Implications for the Annual Governance Statement**
	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.
	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 2022/23 that require specific identification in the annual governance statement.
2. **Internal audit quality assurance and improvement**

**Client satisfaction**

* 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.
	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**

* 1. In accordance with the Public Sector Internal Audit Standards (PSIAS) the Council’s Internal Audit function is required to have an external quality assessment (EQA) undertaken at least once every 5 years as part of its Quality Assurance Framework.
	2. To ensure compliance with this requirement the Chartered Institute of Internal Auditors (CIIA) completed an external quality assessment of Internal Audit in February 2023.~~”~~ The assessment included a full validation of the Internal Audit Service’s own self-assessment against the PSIAS and the International Professional Practices Framework (IPPF). Interviews with key stakeholders across the Council were held along with discussions with Internal Audit Service team members and a stakeholder survey was issued to managers.
	3. The Internal Audit Service conforms to 56 of the 64 relevant principles, with partial conformance on four principles. Four of the remaining principles were not relevant to Lancashire County Council's Internal Audit Service. This has resulted in an overall opinion that the Internal Audit team “generally conforms” to the IIA Standards. This is the same overall rating that the service achieved at the last assessment completed in November 2017 and is the highest of the three global grading definitions used in an EQA.
	4. Our performance was measured in the below five key areas:
* IIA Standards
* Focus on performance, risk and adding value
* Coordination and maximising assurance
* Operating with efficiency
* Quality Assurance and Improvement Programme.

Since our last assessment we have improved in one of these areas (operating with efficiency) moving from satisfactory to good. We have retained the same rating in the other four areas. The report has identified areas for improvement and the aim of the service is to achieve a good standard for all five areas.

* 1. The Chartered Institute of Internal Auditors (CIIA) have reported in their EQA annual performance report that on average the number of recommendations they make in an EQA to help improve an internal audit function is 14. Following our assessment, the CIIA have made five recommendations. The Internal Audit Service is working towards addressing these.
	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 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.
	3. 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.
	4. The Internal Audit Service has a hybrid approach to work, with staff predominantly being home-based but undertaking client site visits as the requirements of the audit has dictated. There are performance management and support arrangements in place to support this including the agreement of delivery timescales with clients and identifying the audits that will aim to be completed for each meeting of the Committee.

 **Appendix A**

**Risk Management**

|  |  |
| --- | --- |
| **Overall assurance rating** | **Audit findings requiring action** |
| **●** | **Extreme** | **High** | **Medium** | **Low** |  |
| **Substantial**  | 0 | 0 | 1 | 2 |  |
| *See Annex 2 for Rating Definitions* |
| We have conducted a review of the Constabulary Risk Management arrangements, considering the identification and escalation of risks and internal scrutiny processes, and overall, we can provide substantial assurance. A strong framework of control is in place over the production and maintenance of the Corporate Risk and Opportunity Register, with individual risks being reviewed and updated regularly, although we note that currently no opportunities have been identified and reflected in the register. There are however some areas where current practice is inconsistent with policy requirements, most notably in relation to the recording and reporting of departmental risks and opportunities, and additionally, internal horizon scanning could be enhanced to further strengthen the control framework. |

**Audit and Assurance Framework**

|  |  |
| --- | --- |
| **Overall assurance rating** | **Audit findings requiring action** |
| **●** | **Extreme** | **High** | **Medium** | **Low** |  |
| **Moderate**  | 0 | 0 | 3 | 3 |  |
| *See Annex 2 for Rating Definitions* |
| We can provide moderate assurance over the adequacy and effectiveness of the audit and assurance activity introduced by the Constabulary in support of His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection process and the promotion of a learning culture resulting in the continuous improvement of services and performance. The framework of control is adequately designed overall, but some action is required to enhance aspects of it.This review has focused on the activities undertaken by Corporate Development management in developing an overall audit and assurance framework and delivery of audit activity conducted by the Corporate Development Audit and Inspection Team (AIT). AIT work is thoroughly researched and well documented overall and is largely consistent with standard internal audit practice. Where minor enhancements have been identified to the current operational framework, actions have been agreed.Overall, a robust governance framework is in place in relation to the implementation of HMICFRS actions and recommendations, although a less formal approach is used for the management and reporting of the implementation of both our own audit actions and those identified as needed by the AIT. Going forward the development of an overall Assurance Map and the broadening of corporate oversight and reporting through the maintenance of an overarching audit workplan, aligned to the Police Efficiency, Effectiveness and Legitimacy (PEEL) question set, will strengthen the Force's ability to demonstrate compliance with its key priorities and support the effective allocation of audit resources. In our opinion, the introduction of a formal overarching assurance report, which provides a rating against the inspection question set and reports on auditor performance, based on client feedback, will further demonstrate the effectiveness and responsiveness of the Force's own audit function. |

**Management of the Independent Custody Visitor Scheme- Follow up**

|  |  |  |
| --- | --- | --- |
|  |  |  **Status of agreed actions**  |
| **Original audit assurance rating** |  | **Extreme** | **High** | **Medium** | **Low** |  |
| **●** **Substantial** *See Annex 2 for Rating Definitions* | **Number of actions** |  |  | **1** | **2** |  |
| Implemented |  |  | 1 | 1 |  |
| Superseded |  |  |  | 1 |  |
| A follow-up audit has been conducted to determine the progress made by The Office of the Police and Crime Commissioner to implement the actions agreed in the internal audit report; Management of the Independent Custody Visitor Scheme, issued in May 2022. Our original review provided **Substantial** assurance over the adequacy and effectiveness of the framework of control in place to ensure that the Independent Custody Visitor Scheme (ICV) Scheme is compliant with the Home Office Code of Practice on Independent Custody Visiting. Two low risk and one medium risk action were agreed with the ICV Scheme Manager to be implemented by September 2022. Based on the information and evidence provided to us, we are satisfied that these two of these actions have been implemented and one has been superseded with an amended action.  |

**Child Sexual Exploitation- Follow Up**

|  |  |  |
| --- | --- | --- |
|  |  |  **Status of agreed actions**  |
| **Original audit assurance rating** |  | **Extreme** | **High** | **Medium** | **Low** |  |
| **●****Moderate***See Annex 2 for Rating Definitions* | **Number of actions** |  |  | **3** | **1** |  |
| Implemented |  |  | 1 |  |  |
| Progressing |  |  | 1 | 1 |  |
| Not to be implemented |  |  | 1 |  |  |
| A follow-up audit has been conducted to determine the progress made by Lancashire Constabulary to implement the actions agreed in the internal audit report on Child Sexual Exploitation (CSE), issued in May 2022. Our original review provided moderate assurance that the control framework to support achievement of the Constabulary objectives in relation to CSE was adequately designed and effectively operated. One low and three medium risk actions were agreed to be implemented by December 2022, and the table above reflects Constabulary progress regarding implementation of the agreed actions. An exploitation problem profile has been developed to support an overarching performance management framework, although this is still subject to senior management review, and whilst a training review has been completed, a decision on how future training needs will be met, and indeed Force roles and responsibilities, including those of the vulnerability coaches (VC) is awaiting the outcome of a peer review of the governance and structure of PPU. As such the planned VC pilot at South BCU is now unlikely to proceed, and current arrangements may be subject to change.  |

**Annex 1: Scope, responsibilities and assurance**

**Approach**

1. The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards (PSIAS). 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**

1. 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.
2. 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 2022/23.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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**

1. 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**

1. There have been no limitations to the scope of our audit work.

**Limitations on the assurance that internal audit can provide**

1. 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.
2. 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**

1. 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 Committee. It is not therefore intended to include every matter that came to our attention during each internal audit review.
2. 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**

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all of these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

** 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.

**● Limited assurance**: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its 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 its objectives.

**Classification of residual risks requiring management action**

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

|  |
| --- |
|  |

**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 the Constabulary and/ or the Office of the Police and Crime Commissioner, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the Constabulary and/ or the Office of the Police and Crime Commissioner reputation. *Remedial action must be taken immediately.*

|  |
| --- |
|  |

**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 the Constabulary and/ or the Office of the Police and Crime Commissioner business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the Constabulary and/ or the Office of the Police and Crime Commissioner reputation.  *Remedial action must be taken urgently*.

|  |
| --- |
|  |

**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. *Prompt specific action should be taken*.

|  |
| --- |
|  |

**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. *Specific remedial action is desirable.*