



**Lancashire
Constabulary**
police and communities together

Lancashire Constabulary

Police and Crime Commissioner for Lancashire

Internal Audit Service

Monitoring report for the period 1 April 2014 to 16
February 2015

1 Introduction

Purpose of this report

- 1.1 The Audit Committee agreed the Annual Audit Plan for 2014/15 on 24 February 2014. This report details the progress made over the period 1 April 2014 to 16 February 2015 and highlights any significant issues from the audit work performed.

Acknowledgements

- 1.2 We are grateful for the assistance that has been provided to us by the staff of the Constabulary and the Office of the Police and Crime Commissioner (OPCC) in the course of our work.

2 Key issues and themes arising

- 2.1 No issues have been identified from the internal audit work undertaken over the period that have any significant implications for the internal control environment as a whole.

3 Internal audit work undertaken

- 3.1 Details of the work carried out for the period to 16 February 2015 and the planned timing of reviews during the remainder of the year are set out in the summary table attached. This shows that 165 days have been spent in delivering the audit plan to date, with the remaining assignments being due for completion before the end of the financial year.

Core financial systems

- 3.2 As reported in November 2014, our audit of the accounts payable, accounts receivable and general ledger financial systems confirmed that appropriate controls are established within each of the systems, although we identified a small number of areas where accounts receivable controls could be strengthened and actions have been agreed to address these. Our final report was issued in December 2014.
- 3.3 Our audit of the payroll system has also been recently completed and the final report issued. Several areas of good practice were identified including the prompt set up and removal of starters and leavers from the payroll system, accurate salary payments and deductions and the prompt review of exception reports. A small number of areas for improvement have been agreed, associated with the independent authorisation of on-call payments, ensuring the accuracy of data within the HR system and the reconciliation of the HR establishment with the payroll system.
- 3.4 Separate reviews of the expenses systems operated by the Office of the Police and Crime Commissioner (OPCC) and Constabulary have been completed and final reports have now been issued. As noted below, there are a number of weaknesses in the system that mean we can provide only limited assurance that the system is adequately designed and effectively operated, but these are being addressed. We are currently discussing the Constabulary's expenses system with management.

3.5 Our reviews of the treasury management and pension systems will begin in early March.

Operational reviews

3.6 Our review of complaints has been finalised and, as we reported in November, overall controls are adequate and are applied consistently.

3.7 Our review of covert assets is complete and a draft report has been issued: there are no issues to raise in this area.

3.8 Similarly, work on Basic Command Unit (BCU) operations has been completed and the draft report has recently been issued for discussion with management.

3.9 In conjunction with officers in the OPCC a risk and control evaluation matrix has been completed in relation to gifts, hospitality and declarations of interest and the need for further work in this area is being considered.

3.10 As previously reported, we have also undertaken an additional review which provided substantial assurance over the procedures operated to complete the Carbon Reduction Commitment (CRC) annual return.

Follow up reviews

3.11 Work has begun on to follow up the actions previously agreed in relation to the new governance arrangements and the OPCC's financial procedures.

National Fraud Initiative

3.12 We have facilitated the collection of the data required for the next NFI exercise in conjunction with the OPCC and Constabulary, and have distributed the data matches received in January 2015 for routine investigation.

Special investigations

3.13 No further investigations have been brought to our attention by the Professional Standards Department.

4 Summary of findings

Overall summary and assurance provided

4.1 We have set out in the table below a brief summary of each review undertaken during the period. This sets out the planned and actual days we have spent on each review, and a summary of the assurance we have been able to provide in relation to each system or operational area of your business.

4.2 We have distilled this assurance into an assessment of the adequacy of each system, and its effectiveness in operation.

4.3 The table below indicates briefly with simple ticks (✓) and crosses (x) our overall assessment of each system we have reviewed during the year and the assurance you may take from its operation in supporting effective internal control.

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Summary of our findings and assurance

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Core financial systems						
Payroll	10	14	(4)	✓	✓	A small number of actions have been agreed and will be taken forward as the HR Transactional Services and Payroll teams are amalgamated on 1 April 2015 to become the Pay and Process team. Prior year actions have been implemented.
				Substantial assurance		
Accounts payable	10	9	1	✓	✓	Our final report was issued in December 2014. Very few issues were identified, and a small number of actions have been agreed to further strengthen controls following the recent restructure of the Constabulary's finance department.
				Substantial assurance		
Accounts receivable	10	11	(1)	✓	✓	Prior year actions have been implemented.
				Substantial assurance		
General ledger	10	6	4	✓	✓	Prior year actions have been implemented.
				Substantial assurance		
Expenses: - Constabulary	10	18	(8)	-	-	This work is almost complete but is being discussed with management.
Expenses: - OPCC				x	x	There were some weaknesses in the processes for administering lease car and redeployment mileage, and some claimants were submitting accumulated mileage claims contrary to policy. There were also weaknesses associated with the accuracy and efficiency with which expense claims are completed and processed, and anomalies in relation to the formal recording of entitlement to expense allowances. These have now been addressed
				Limited assurance		

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions	5	0	5	-	-	This review will commence in early March 2015.
Treasury management	5	0	5	-	-	This review will commence in early March 2015.
Operational reviews						
Complaints procedures	10	18	(8)	✓	✓	A number of the actions agreed will further improve the Constabulary's customer focus and more closely align its procedures with championing the rights of victims, one of the PCC's key priorities.
				Substantial assurance		
Covert assets	25	20	5	✓	✓	Good control is operated over the arrangements for authorising, recording, monitoring and managing cash drawn from the headquarters contingent account to fund covert operations, including the purchase and sale of covert vehicles.
				Substantial assurance		
Basic Command Unit operations	25	19	6	-	-	Fieldwork has been completed and a draft report has been issued to management for discussion.
OPCC commissioning arrangements	20	7	13	-	-	This work has begun, and will focus on the OPCC's Victim Support funding.
OPCC gifts/ hospitality and declaration of interests	10	2	8	-	-	A risk and control evaluation has been developed and discussed with staff in the OPCC.
Other areas						
Follow up audits: - New governance arrangements - OPCC financial procedures	15	10	5	-	-	We have followed up the actions agreed during 2013/14 in relation to the core financial systems as part of our work in 2014/15. Fieldwork is ongoing on governance arrangements, but work on the OPCC's financial procedures has been completed and we are preparing a report.

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Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
- ICT service management						Follow-up of ICT service management is scheduled but not yet begun.
National Fraud Initiative	3	6	(3)	-	-	The data matches have been received and distributed for routine further investigation.
Reporting and general management	17	16	1	-	-	
Contingency	10	4	6	✓	✓	Time has been spent on the carbon reduction commitment annual return
				Substantial assurance		
Support to management	5	5	0	-	-	
Total	200	165	35			