

**Lancashire Constabulary and
Police and Crime Commissioner for Lancashire
Internal Audit Service
Monitoring report for the period ended 30 November
2015**

1 Introduction

Purpose of this report

- 1.1 The Audit Committee agreed the Annual Audit Plan for 2015/16 in June 2015. This report details the progress to date in undertaking the agreed coverage and highlights any significant issues from the audit work performed in this period.
- 1.2 This report covers the period 1 April 2015 to 30 November 2015.

Acknowledgements

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

2 Key issues and themes arising

- 2.1 The work completed during the year on operational service areas for both the Constabulary and the Police and Crime Commissioner identified weaknesses in the control environment which resulted in our providing no assurance and limited assurance following our audits of the evidence related property and OPCC commissioning areas respectively. A further update on progress made in addressing the matters arising from these audits is noted below.
- 2.2 From the work conducted to date on key financial systems, there are no implications for the overall control environment.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2015 to 30 November 2015 was in accordance with the agreed audit plan. To date, 90 days have been spent this financial year on delivering the 2015/16 audit plan, equating to 45% of the total audit activity of 200 days planned. Additionally, we have spent a further 26 days during this period in completing reviews outstanding from our 2014/15 audit plan.

2015/16 Audit Plan

Key financial systems

- 3.2 Our audits of the accounts payable, accounts receivable and general ledger systems have been completed and our composite audit report has recently been finalised with no significant matters to report. Overall a strong control environment exists. A couple of areas have been identified where controls can be strengthened further and actions have been agreed in this regard.
- 3.3 Our audit of procurement processes and controls has now also been completed and a draft report is currently with management for consideration. Our review has evidenced several areas of best practice that indicate improved control and transparency over Constabulary spending.

3.4 Fieldwork has recently started on the audit of payroll.

Operational reviews

3.5 Our audit of the management and control of evidence related property, revealed non-compliance with policy requirements and inconsistent application of controls which meant that we could give no assurance over this area.

3.6 A detailed action plan was agreed and this is currently being monitored at the highest levels of seniority within the Constabulary. Based on recent information, we are satisfied that good progress is being made against delivering individual agreed actions.

3.7 Our review of information security arrangements is currently ongoing.

3.8 The Chief Executive of the OPCC has asked us to review the completeness and appropriateness of the policies, strategies and protocols in place within the OPCC to govern the strategic, financial, operational, scrutiny and reporting functions and responsibilities of the Police and Crime Commissioner and his statutory officers. This work is currently ongoing and has been funded from 'contingency'.

Follow up reviews

3.9 Follow up reviews of the operational audits undertaken in 2014/15 have been scheduled for quarter 4 of the financial year. We will follow up the actions agreed in 2014/15 on the key financial systems as part of our work on these during 2015/16.

Completion of the 2014/15 audit programme

3.10 Our audit of OPCC commissioning arrangements found that whilst the services commissioned were aligned with the priorities in the Police and Crime Plan, there were a number of areas where controls could be improved, and as a result, a limited audit opinion was given.

3.11 The Office of the Police and Crime Commissioner has confirmed that good progress is being made against the individual areas for improvement identified, and we have agreed that we will conduct our follow up audit of OPCC commissioning arrangements in February 2016, in order to be able to formally report on progress to the Committee by the end of the financial year.

Overall summary and assurance provided

3.12 We have set out in the table on the attached pages 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.

3.13 On the completion of individual reviews we distil the assurance we are able to provide 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.

- 3.14 The assurance we can provide over any area of control falls into one of four categories and these are defined at Appendix 1.

Use of this report

- 3.15 This report has been prepared solely for the use of Lancashire Constabulary and the Police and Crime Commissioner for Lancashire, and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, 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.

Summary of our findings and assurance

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
2015/16 Audit Plan						
Key financial systems						
Accounts payable	10	11	(1)	✓	✓	These reviews have been finalised in November 2015.
				Substantial assurance 1 medium and 2 low actions agreed		
Accounts receivable	10	11	(1)	✓	✓	
				Substantial assurance 1 medium and 1 low action agreed		
General ledger	10	10	0	✓	✓	
				Full assurance No areas for improvement identified		
Procurement	10	7	3	-	-	Our fieldwork has been completed and the draft report has been issued to management.
Payroll	10	1	9	-	-	Our fieldwork started on 30 November and is currently ongoing.
Pensions	5	0	5	-	-	This review is scheduled for quarter 4.

Lancashire Constabulary/ Police and Crime Commissioner for Lancashire
Internal Audit Service
Monitoring report for the period ended 30 November 2015

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Expenses	5	0	5	-	-	This review is scheduled for quarter 4.
Treasury management	5	0	5	-	-	This review is scheduled for quarter 4.
Operational reviews						
Evidence Related Property	25	25	0	X	X	The report was finalised in September 2015. A detailed action plan has been developed to address the areas of weakness identified.
				No assurance 6 high, 13 medium and 4 low actions agreed		
Information security	20	11	9	-	-	Fieldwork is currently ongoing.
Review of OPCC policies, strategies and procedures	10	4	6	-	-	Fieldwork is currently ongoing.
Vetting and barring	15	0	15	-	-	This review is scheduled for quarter 4.
Hi-tech crime unit	20	0	20	-	-	With agreement of the Director of Resources and the Chair of the Audit Committee, this review has been deferred for the time being, pending completion of an internal departmental review. We will liaise with the Constabulary later in the financial year

Lancashire Constabulary/ Police and Crime Commissioner for Lancashire
Internal Audit Service
Monitoring report for the period ended 30 November 2015

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
						regarding the benefit of conducting a light touch review to provide assurance regarding any revised processes and controls implemented as a result of this internal review.
OPCC grant funding and monitoring arrangements	20	0	20	-	-	This review is scheduled for quarter 4, and will provide assurance as to whether the weaknesses identified from the 2014/15 review of this area have been satisfactorily addressed.
Other areas						
Follow up reviews	10	0	10	-	-	These follow up audit reviews are scheduled for quarter 4: <ul style="list-style-type: none"> • Covert assets • Basic Command Unit Operations • Complaints
NFI	3	1	2	-	-	Ongoing progress monitoring in relation to processing of data matches identified.
General management activities and central reporting	12	9	3	-	-	Time incurred to date relates to attendance at the meetings of the Joint Audit Committee and completion of the 2014/15 Annual Internal Audit Report.
2015/16 days	200	90	110			

Lancashire Constabulary/ Police and Crime Commissioner for Lancashire
Internal Audit Service
Monitoring report for the period ended 30 November 2015

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Completion of 2014/15 audit plan						
OPCC commissioning arrangements	13	13	0	X	X	Our report was finalised in September 2015 and an action plan has been agreed to address the areas of weakness identified.
				Limited assurance 1 high, 8 medium and 2 low actions agreed		
Basic Command Unit*	1	1	0	✓	✓	Our report was finalised in April 2015. Action is already being taken by management to address the issues identified for consideration following our review.
				Substantial assurance 2 high and 6 medium actions agreed		
Treasury Management*	2	2	0	✓	✓	A final report was issued in May 2015. No areas for improvement were identified from this review.
				Substantial assurance		
Pensions*	5	5	0	✓	✓	A final report was issued in June 2015. No areas for improvement were identified from this review.
				Full assurance		
Follow up: ICT service management*	5	5	0	-	-	Good progress has been made in implementing the agreed actions. Our final report was issued in June 2015.
Total days	226	116	110			

*Findings previously reported to the Joint Audit Committee as part of the 2014/15 Annual Report

Audit assurance levels

Appendix 1

The assurance we can provide over any area of control falls into one of four categories as follows:

Full assurance: there is a sound system of internal control which is designed to meet the service objectives and controls are being consistently applied.

Substantial assurance: there is a generally sound system of internal control, designed to meet the service objectives, and controls are generally being applied consistently. However some weakness in the design and/ or inconsistent application of controls put the achievement of particular objectives at risk.

Limited assurance: weaknesses in the design and/ or inconsistent application of controls put the achievement of the service objectives at risk.

No assurance: weaknesses in control and/ or consistent non-compliance with controls could result/ have resulted in failure to achieve the service objectives.