

**Lancashire Constabulary and  
Police and Crime Commissioner for Lancashire  
Internal Audit Service**

**Monitoring report for the period ended 30 November  
2016**

## **1 Introduction**

### **Purpose of this report**

- 1.1 The Audit Committee agreed the Annual Audit Plan for 2016-17 in June 2016. 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 2016 to 30 November 2016.

### **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 From the work completed to date on both operational service areas and key financial systems, there are no implications for the overall control environment that need to be highlighted to the Committee.

## **3 Internal audit work undertaken**

- 3.1 Work carried out during the period 1 April 2016 to 30 November 2016 was in accordance with the agreed audit plan. To date, 73 days have been spent this financial year on delivering the 2016-17 audit plan, equating to 37% of the total planned audit activity of 200 days.
- 3.2 A number of the outstanding audit reviews have already been scoped with client management and these are due to commence during December and January. Anticipated commencement dates for the remaining audit reviews is recorded in the table at page 4. At this stage, we are confident that all planned work can be completed during the financial year.
- 3.3 The audit plan includes a contingency provision of 20 days. To date, we have not agreed with the Constabulary or the Office of the Police and Crime Commissioner how these days can best be utilised to inform the overall assurance we can provide over the arrangements for risk management, governance and internal control.

### **2015-16 Audit Plan**

### **Key financial systems**

- 3.4 Our audits of the accounts payable, accounts receivable and general ledger processes and controls has recently been completed and we have provided an opinion of substantial assurance on the control arrangements operating over the accounts payable and accounts receivable systems, and an opinion of full assurance on the general ledger system. There are no findings to report that

would have a significant impact on the achievement of objectives and a strong control environment continues to be maintained.

- 3.5 Some areas have been identified where controls can be strengthened further and actions have been proposed in this regard. These areas include reinforcing the use of the 'No PO No Pay' policy, consistent verification of supplier details and monitoring of aged debts.
- 3.6 Our testing also concluded that although actions agreed following our previous compliance review reported in December 2015 had been implemented, there were still anomalies occurring in some areas. In particular, our current year testing again identified issues with the updating and amending of supplier information which included duplicate supplier details; source documentation not being updated and out of date supplier information not being deactivated.
- 3.7 Our audit of Constabulary procurement commenced on the 27 November and the results and report are currently being compiled.
- 3.8 Engagement particulars have also been agreed for our audit of human resources and payroll which is scheduled to commence this week.

### **Operational reviews**

- 3.9 Our audit of the Constabulary Code of Ethics has recently been finalised and we were able to provide an opinion of full assurance. Our review concluded that the Constabulary has fully endorsed the Code of Ethics, and the approach taken to implement the Code is consistent with the key considerations recommended by the College of Policing.
- 3.10 An appropriate ethical governance framework exists to ensure that ethical values permeate Constabulary business, such as inclusion in recruitment and promotion processes, training, decision making and engagement with external bodies. The Code is supported at the highest level, with Chief Officers actively promoting ethical behaviour and thinking. The framework is strengthened by robust internal and external scrutiny functions.
- 3.11 Systems are in place to monitor areas of strength with regards to implementing / adhering to the Code of Ethics, as well as identifying areas for improvement. Embedding ethics within local management performance and activity is currently under review.
- 3.12 The audit of Constabulary Health and Safety arrangements has also recently been completed and we are discussing our report and findings with management.
- 3.13 Scoping is currently underway for our reviews of OPCC Code of Ethics, Evidence Related Property, Vetting arrangements, Freedom of Information/ Subject Access Requests and Information Management and Security.

### **Overall summary and assurance provided**

- 3.14 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.
- 3.15 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.

- 3.16 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**

- 3.17 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	
<b>Key financial systems</b>						
Accounts payable	10	7	3	✓	✓	<p>These reviews have recently been finalised, and medium residual risk actions have been agreed as follows:</p> <ul style="list-style-type: none"> <li>The policy of 'Non PO, No pay' is to be reinforced;</li> <li>Staff are to be reminded to undertake verification checks when setting up new suppliers; and</li> <li>All debts, including instalment agreements and debts assigned to legal services will be subject to regular monthly review.</li> </ul>
				Substantial assurance 2 Medium and 1 Low residual risk actions agreed		
Accounts receivable	8	10	(2)	✓	✓	<p>Substantial assurance 1 Medium and 2 Low residual risk actions agreed</p>
General ledger	7	6	1	✓	✓	<p>Full assurance 2 Low residual risk actions agreed</p>
Procurement	10	7	3	-	-	Our fieldwork has been completed and we are currently summarising our findings for discussion with management.
HR/ Payroll	10	1	9	-	-	Scoping has been completed and audit fieldwork is due to start this week.

Lancashire Constabulary/ Police and Crime Commissioner for Lancashire  
Internal Audit Service  
Monitoring report for the period ended 30 November 2016

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Pensions administration	7	0	7	-	-	Work is scheduled for quarter 4.
Treasury management	5	0	5	-	-	Work is scheduled for quarter 4.
Expenses	3	0	3	-	-	Work is scheduled for quarter 4.
<b>Operational reviews</b>						
Evidence Related Property	15	1	14	-	-	Our initial scoping has been completed and work is scheduled for quarter 4.
Information security and management	15	1	14	-	-	Our initial scoping has been completed and work is scheduled for quarter 4.
Code of Ethics - Constabulary	14	12	2	✓	✓	The report was finalised in November. No areas for improvement were identified.  Full assurance
Code of Ethics - OPCC	6	1	5	-	-	
Health and Safety	20	19	1	-	-	Our fieldwork is complete and we are discussing our report and findings with management.
Vetting and barring	15	0	15	-	-	Scoping is due to commence this week.

Lancashire Constabulary/ Police and Crime Commissioner for Lancashire  
Internal Audit Service  
Monitoring report for the period ended 30 November 2016

Review area	Audit days			Assurance		Key issues/ comments
	Planned	Actual	Variation	Adequacy	Effectiveness	
Digital Media Investigation Unit	5	0	5	-	-	Work is scheduled for quarter 4.
Freedom of Information/ Subject Access Requests	15	1	14	-	-	Our initial scoping has been completed and work is scheduled for quarter 4.
Contingency	20	0	20	-	-	No decision has yet been made regarding how the contingency provision is to be utilised. Resources have been identified for work to be completed at the end of quarter 4.
<b>Other areas</b>						
General management activities and central reporting	15	7	8	-	-	Time incurred relates to attendance at the meetings of the Joint Audit and Ethics Committee, completion of the 2015-16 Annual Internal Audit Report, production of the quarterly monitoring report and support provided in relation to the National Fraud Initiative.
<b>Total days</b>	<b>200</b>	<b>73</b>	<b>127</b>			

## 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.