



**Lancashire
Constabulary**
police and communities together

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

Monitoring report for the period ended 24 February 2017

1 Introduction

Purpose of this report

- 1.1 The Joint Audit and Ethics Committee agreed the annual Internal 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.
- 1.2 This report covers the period 1 April 2016 to 24 February 2017.

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 Based on the work completed to date in relation to key financial systems, we have not identified any significant areas of control weakness that need to be highlighted to the Committee.
- 2.2 We have however recently completed the review of Constabulary health and safety arrangements, which has identified some weaknesses in the control environment, which are noted in paragraphs 3.12 to 3.14 below.

3 Internal audit work undertaken

- 3.1 Work carried out during the period 1 April 2016 to 24 February 2017 was in accordance with the agreed audit plan. To date, 127 days have been spent this financial year on delivering the 2016-17 audit plan, equating to 64% of the total planned audit activity of 200 days.
- 3.2 Anticipated completion dates for the outstanding audit reviews are recorded in the table at page 5. Whilst the majority of fieldwork will be completed in the financial year, there will inevitably be some time spent during the first quarter of the new financial year associated with completion procedures and finalising reports. All work will however be completed in advance of the June committee meeting, when the full year results will be reported.

Key financial systems

- 3.3 Our audits of the accounts payable, accounts receivable and general ledger processes and controls were completed in December 2016 and we were able to provide substantial assurance on the control arrangements operating over the accounts payable and accounts receivable systems, and full assurance for 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 is in place.

- 3.4 Similarly, the audit of payroll and human resources is complete, and substantial assurance was provided. Our audit identified several areas of good practice including the accurate and prompt processing of amendments to pay, leavers' final payments being correctly established, a payroll closure timetable is followed to ensure that officers and staff are paid on their due dates and standard error and exception reports are obtained and reviewed promptly. We also followed up the three actions agreed following our previous review of this area completed in February 2016, and all were found to have been fully implemented.
- 3.5 Our testing did however identify a new starter whose initial salary had been underpaid, and three examples where starter forms had not been evidenced as being appropriately verified. Immediate action was however taken to remedy the issues and actions have been implemented to prevent/ detect similar such errors in the future.
- 3.6 Our audit of the Constabulary procurement arrangements was undertaken during November and December 2016, and we are currently finalising our procedures and discussing the report with management.
- 3.7 Our audit of treasury management has commenced and will be ongoing during March.
- 3.8 Engagement particulars are currently being drawn up in relation to our work on expense payments and pension administration arrangements.

Operational reviews

- 3.9 Our audit of the Constabulary Code of Ethics was finalised in November 2016 and we were able to provide 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 The audit of the OPCC Code of Ethics has also now been finalised, and we were again able to provide full assurance. Effective controls exist to ensure that the OPCC Ethics and Integrity Framework is effectively promoted, and embedded, facilitating an ethical culture within the OPCC. This includes delivery of Code of Ethics training to the PCC and all staff, the publication of business interests, gifts and gratuities in the interests of transparency, and appropriate whistleblowing procedures being available.
- 3.11 Whilst significant progress has been made to implement the actions within the Ethics and Integrity Framework Action Plan, it was noted that the document itself had not been updated. As a result, an action was agreed with management to update the plan at least biannually, and report progress made against implementation to the subsequent JAEC.
- 3.12 Our review of the Constabulary health and safety arrangements was conducted during November and December 2016 and the report has recently been finalised.
- 3.13 Whilst we are satisfied that the Constabulary has a range of processes and controls in place to obtain assurance that key health and safety risks are being

appropriately managed, we found a number of inconsistencies in the working practices adopted which in our opinion reduces the overall effectiveness of the health and safety risk management arrangements. Additionally, our primary concern is the lack of an overarching health and safety plan developed from an analysis of both the operational and organisational risks to health and safety from across the various divisions, work areas and activities of the Constabulary. As a result, we were only able to provide limited assurance over the framework of controls in place.

- 3.14 We do however acknowledge that there have been a number of managerial changes affecting the overall management of health and safety within the Constabulary which has contributed to the variations in practice adopted by the divisions, and that a revised operational approach is already being developed by the HR and Wellbeing Service.
- 3.15 Fieldwork visits have recently been completed in relation to our audit of Evidence Related Property, and the results are currently being summarised for reporting to management. Fieldwork is also underway in relation to each of the audits of Vetting, Freedom of Information/ Subject Access Requests and Information Management and Security.
- 3.16 It has been agreed that the contingency provision incorporated into the current year audit programme would be used to complete a review of the Connect Case and Custody system. We have recently commenced the scoping process in conjunction with Constabulary management.

Overall summary and assurance provided

- 3.17 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.
- 3.18 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.

- 3.19 The assurance we can provide over any area of control falls into one of four categories and these are defined at Appendix 1.
- 3.20 In completing our audits, we categorise the issues we raise in the context of the residual risk to which the service is exposed. The definitions of our residual risk categories are also shown in Appendix 1.

Use of this report

- 3.21 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 | |
| Key financial systems | | | | | | |
| Accounts payable | 10 | 7 | 3 | ✓ | ✓ | These reviews were finalised in December 2016, and medium residual risk actions have been agreed as follows: <ul style="list-style-type: none"> • The policy of 'No PO, No pay' is to be reinforced; • Staff are to be reminded to undertake verification checks when setting up new suppliers; and • All debts, including instalment agreements and debts assigned to legal services will be subject to regular monthly review. |
| | | | | Substantial assurance 2 medium and 1 low risk actions agreed | | |
| Accounts receivable | 8 | 10 | (2) | ✓ | ✓ | |
| | | | | Substantial assurance 1 medium and 1 low risk actions agreed | | |
| General ledger | 7 | 6 | 1 | ✓ | ✓ | |
| | | | | Full assurance 2 low risk actions agreed | | |
| Procurement | 10 | 10 | 0 | - | - | The draft account and findings are being discussed with management. |

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| Review area | Audit days | | | Assurance | | Key issues/ comments |
|-------------------------------------|------------|--------|-----------|---|---------------|---|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| HR/ Payroll | 10 | 10 | 0 | ✓ | ✓ | Our report was finalised earlier this month. Two actions have been introduced to address minor areas of weakness identified in the completion of new starter forms and in the checking of starter salaries. |
| | | | | Substantial assurance 2 medium risk actions agreed | | |
| Pensions administration | 7 | 0.5 | 6.5 | - | - | The audit is currently being scoped. |
| Treasury management | 5 | 0.5 | 4.5 | - | - | The audit scope has been agreed and fieldwork is currently underway. |
| Expenses | 3 | 1 | 2 | - | - | The audit is being scoped and some initial data analysis has been completed. |
| Operational reviews | | | | | | |
| Evidence Related Property | 15 | 13 | 2 | - | - | Our fieldwork is complete and the findings are being collated. |
| Information security and management | 15 | 3 | 12 | - | - | The audit work has been scoped and fieldwork recently commenced with completion during March. |
| Code of Ethics - OPCC | 6 | 8 | (2) | ✓ | ✓ | Our report was finalised earlier this month, with actions agreed relating to the update of the published gifts and hospitality register and the Ethics and Integrity Framework action plan. |
| | | | | Full assurance 2 low risk actions agreed | | |

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| Review area | Audit days | | | Assurance | | Key issues/ comments |
|-------------------------------|------------|--------|-----------|-------------------|---------------|--|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| Code of Ethics - Constabulary | 14 | 12 | 2 | ✓ | ✓ | The report was finalised in November. No areas for improvement were identified. |
| | | | | Full assurance | | |
| Health and Safety | 20 | 20 | 0 | x | x | <p>Our report is currently being finalised and a number of actions have been agreed to address the areas for improvement identified. These include:</p> <ul style="list-style-type: none"> • The development of an overarching health and safety plan to ensure health and safety risks are clearly identified, managed and controlled by staff with defined roles and responsibilities, who are appropriately trained to perform their duties; • Updating the health and safety policy and supporting working practices to ensure that there is a clear methodology in place for the reporting and follow up of incident investigations and the completion and reporting of health and safety compliance visits; • A review of access permissions for the computerised accident reporting system; and • The development of a performance management framework to determine whether health and safety outcomes are being achieved. |
| | | | | Limited assurance | | |

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| Review area | Audit days | | | Assurance | | Key issues/ comments |
|---|------------|------------|-----------|-----------|---------------|---|
| | Planned | Actual | Variation | Adequacy | Effectiveness | |
| Vetting and barring | 15 | 7 | 8 | - | - | The audit scope has been agreed and fieldwork commenced on the 20 February. |
| Digital Media Investigation Unit | 5 | 0.5 | 4.5 | - | - | Our initial scoping visit has been completed and a further site visit is to be scheduled for mid-March. |
| FOI/ Subject Access Requests | 15 | 5.5 | 9.5 | - | - | Our initial scoping has been completed and off site fieldwork has commenced, with our on-site testing to be undertaken during March. |
| Case and custody system | 20 | 2 | 18 | - | - | The scope of the case and custody review is currently being discussed with management. Fieldwork is due to commence in March. |
| Other areas | | | | | | |
| General management activities and central reporting | 15 | 11 | 4 | N/A | N/A | Time incurred relates to: <ul style="list-style-type: none"> • Attendance at meetings of the Joint Audit and Ethics Committee; • Completion of the 2015-16 annual Internal Audit Report; • Production of the quarterly monitoring reports; • Liaison with external audit; • Support provided in relation to the National Fraud Initiative; and • Production of the 2017-18 Combined Audit Plan. |
| Total days | 200 | 127 | 73 | | | |

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.

Risks

We categorise the issues we raise in the context of the residual risk to which the service is exposed. The agreed actions 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:

Extreme residual risk: Critical and urgent in that failure to address the risk could lead to one or more of the following occurring: catastrophic loss of the service, loss of life, significant environmental damage or huge financial loss, with related national press coverage and substantial damage to the service's reputation.

High residual risk: Critical in that failure to address the issue or progress the work could lead to one or more of the following occurring: failure to achieve organisational objectives, disruption to the business, financial loss, fraud, inefficient use of resources, failure to comply with law or regulations, or damage to the service's reputation.

Medium residual risk: Less critical, but failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management.

Low residual risk: Areas that individually have no major impact on achieving the service's objectives or on the work programme, but where combined with others could have an effect at the process level, which could give cause for concern.