



Lancashire Constabulary and the Office of the Police and Crime Commissioner for Lancashire

Internal Audit Service - Monitoring report for the period ended 26 November 2021

1 Introduction

Purpose of this report

- 1.1 The Joint Audit and Ethics Committee approved the Combined Internal Audit Plan for 2021/22 in March 2021. 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 2021 to 26 November 2021.

Acknowledgements

- 1.3 We are grateful for the assistance that has been provided to us by officers and staff contacted in the course of our work.

2 Key issues and themes arising

- 2.1 In August 2021, we concluded our work on *Premises' compliance*, and a summary of our findings was reported to Committee in September 2021. This confirmed that at the time of our audit we could only provide *limited* assurance, primarily due to gaps in the control framework for collating and reporting compliance rates and faults.
- 2.2 No other areas of concern have come to our attention in conducting our assurance work to date that requires bringing to the attention of committee members.

3 Internal audit work undertaken

- 3.1 To date, 125 days have been spent delivering items within the 2021/22 audit plan, equating to 57% of the total revised audit programme of 218¹ days.
- 3.2 An outline of the scope and findings from the work completed since we last reported to committee in September 2021 is included in the following paragraphs.
- 3.3 The table at Appendix 1 provides an overall summary of progress and identifies where we have agreed dates for starting the audit work with the Constabulary or Office of the Police and Crime Commissioner (OPCC).

Accounts payable, Accounts receivable and General ledger

- 3.4 Our audit work sought to assess whether:
 - Accounts payable controls are adequate and effective in ensuring that purchase ordering and creditor payment processes are valid, accurate, and timely.
 - Debt management processes ensure that income is maximised, collected on a timely basis and accounted for correctly.

¹ This comprises the approved audit plan of 215 days, and the 20 days associated with the Premises Compliance review carried forward from 2020/21, less 17 days removed per paragraphs 3.13-3.15.

- There are adequate and effective controls in place within the general ledger system in relation to journal input, system access, separation of duties, account code set up and budget monitoring and reporting.

3.5 Based on our review we can provide an opinion of *substantial* assurance on each of these three key financial systems. There is a sound system of internal control, adequately designed to meet process objectives, and controls are being applied consistently.

Payroll

3.6 The review sought to assess the adequacy and effectiveness of the controls in place to ensure that officers and staff are paid the right amount at the right time. Additionally, we have verified that appropriate pre-employment checks are completed and payments to starters and leavers, and amendments to pay have been accurately processed.

3.7 Overall, we can provide *substantial* assurance that there is a sound system of internal control which is adequately designed to meet process objectives and is effective in that controls are being consistently applied.

Treasury management

3.8 The review determined the adequacy and effectiveness of the treasury management procedures operated on behalf of the OPCC by Lancashire County Council to ensure that cash flow management and the resultant borrowing and investment activities are conducted in accordance with the approved Treasury Management Strategy.

3.9 An opinion of *substantial* assurance was provided, and no areas for improvement were identified.

Follow up work

3.10 Under the Public Sector Internal Audit Standards, management has responsibility for ensuring that agreed actions in audit reports are implemented. Internal Audit should then obtain assurances that actions have been implemented as agreed or that senior management has accepted the risk of not acting.

3.11 Our follow up audit work involves obtaining explanations and evidence where appropriate that actions have been implemented. We do not re-perform any testing on controls which were found to be adequately designed and operating effectively at the time of our original review, and neither do we re-assess the overall control environment.

3.12 The table at Appendix 2 identifies the follow up audit activity that forms part of the 2021/22 internal audit programme. To date, we have completed follow up activity in relation to the Accounts payable, Accounts receivable, General ledger and Payroll financial systems.

Proposed changes to the audit plan

3.13 The internal audit programme for 2021/22 originally approved by members in March 2021 included provision for an audit of the *Grants awarded from the Reducing Reoffending Fund*. The intention is now to remove this item from the audit programme, as the scheme in place at the end of 2020/21, when the audit plan was developed has not reopened during 2021/22.

- 3.14 Following the appointment of Mr Snowden as the new Police and Crime Commissioner for Lancashire in May 2021, activity has been ongoing in developing his priorities, and producing his Police and Crime Plan, and whilst it is envisaged that a Fund will be made available for the purposes of fighting crime, the details have yet to be developed.
- 3.15 The internal audit programme also includes a review of *Public/ Partnership Engagement*, which additionally is an area that has naturally been impacted by the appointment of the new Police and Crime Commissioner and the launch of the new Police and Crime Plan. The OPCC Communication and Engagement team will be developing strategies and workplans aligned to the new Police and Crime Plan during quarter 4 of this financial year, and therefore it is considered appropriate to defer this audit until 2022/23, in order that we can review the adequacy and effectiveness of the new arrangements once implemented and embedded.

4 Overall summary and assurance provided

- 4.1 We have set out in the table at Appendix 1 the planned and actual days we have spent on each review, and a summary of the assurance we have been able to provide where work has been finalised.
- 4.2 On completion of the individual reviews, we assess the adequacy of each system, and its effectiveness in operation.
- System adequacy:** We define 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.
- 4.3 The assurance we can provide over any area of control falls into one of four categories and these are defined at Appendix 3.

Summary of our findings and assurance

Appendix 1

Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
<i>Operational and support service reviews - Constabulary</i>						
Neighbourhood Policing	20	9	11	O/S	O/S	Audit fieldwork is progressing.
Mental Health	10	2	8	O/S	O/S	Audit fieldwork is progressing.
Child Sexual Exploitation	15	6.5	8.5	O/S	O/S	Audit fieldwork is progressing.
Public Engagement processes	15	0	15	O/S	O/S	We have agreed with the Constabulary that this work will be progressed during quarter 4.
Information assurance	15	5	10	O/S	O/S	Our initial scoping is complete on both these assignments and our engagement e-mails have been issued. Some documentation review has already been completed with the main compliance testing scheduled for quarter 4.
CCTV compliance	15	4.5	10.5	O/S	O/S	
Officer and staff on-boarding	20	2	18	O/S	O/S	We have held initial scoping meetings with the Constabulary and audit fieldwork is now due to start.
<i>Operational and support service reviews – OPCC</i>						
Management of the Independent Custody Scheme	8	2.5	5.5	O/S	O/S	An initial scoping meeting has been held with the OPCC and audit fieldwork is now due to start.
Complaints review process	8	10	(2)	✓	✓	Our review was finalised in September 2021. Two medium and two low risk actions have been agreed in relation to formally documenting the methodology and decision-making processes and maintaining an action log to evidence learning arising from the review process.
				Substantial assurance		

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	Planned	Actual	Variation	Adequacy	Effectiveness	
Grants from the reducing reoffending fund	10	1	9	N/A	N/A	It is now proposed that this assignment is removed from the audit programme. <i>Refer paragraphs 3.13 and 3.14.</i>
Public/ partnership engagement	7	0.5	6.5	N/A	N/A	It is now proposed that this assignment is deferred until 2022/23. <i>Refer paragraph 3.15.</i>
Addressing Covid risks	7	6.5	0.5	✓	✓	Our review was finalised in August 2021. Two medium and one low risk actions have been agreed in relation to: <ul style="list-style-type: none"> Updating the homeworking risk assessments. Creating and maintaining a record of equipment removed from the office. Updating the Business Continuity Plan with the lessons learned from Covid and taking forward actions for the recovery phase.
				Moderate assurance		
Key financial systems						
Accounts payable	9	9	0	✓	✓	Our audit work was completed in November 2021. Across these three financial systems, four low risk actions were raised relating to: <ul style="list-style-type: none"> Updating the authorised signatory list for known changes in personnel. The issuing of a reminder re the importance of conducting additional Oracle checks before processing reminder or copy invoices. Ensuring there is sufficient clarity of individual roles and responsibilities in the Constabulary/ LCC Financial Services Memorandum of Understanding. Checking that LCC staff with access permissions to Constabulary accounting systems, no longer required are removed.
				Substantial assurance		
Accounts receivable	8	9.5	(1.5)	✓	✓	
				Substantial assurance		
General ledger	6	6	0	✓	✓	
				Substantial assurance		

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	Planned	Actual	Variation	Adequacy	Effectiveness	
Payroll processing	9	10	(1)	✓	✓	Our audit work was completed in November 2021. One low risk action has been carried forward from 2020/21 re the rationalisation of the monthly payroll checklist and development of an expanded audit checking mechanism.
				Substantial assurance		
Treasury management	4	4.5	(0.5)	✓	✓	Our audit work was completed in November 2021. No areas for improvement were identified.
				Substantial assurance		
Finalisation of reviews started during 2020/21						
Facilities management – premises compliance	20	25	(5)	X	✓	<p>Our review was finalised in August 2021. Six medium and one low risk actions have been agreed in relation to:</p> <ul style="list-style-type: none"> • Finalising the leases and licenses register and obtaining assurance re premises compliance from third party landlords. • Finalising and issuing detailed guidance notes to support a consistent and robust compliance checking process. • Creating a training matrix applicable to each job role. • Enhancing the compliance checklist in use. • Introducing a system to record the number of compliance checks conducted, visits missed, and faults logged. • Enhancing the communication arrangements between departments associated with premises compliance. • Developing an overall workplan to support monitoring of progress in implementing the improvement activity currently ongoing.
				Limited assurance		

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Review area	Audit days			Assurance		Comments/ timing
	Planned	Actual	Variation	Adequacy	Effectiveness	
Other components of the audit plan						
Follow up audits	15	1.5	13.5	N/A	N/A	<i>Refer Appendix 2 for details.</i>
National Fraud Initiative	3	1.5	1.5	N/A	N/A	Time incurred relates to support provided to the Constabulary in taking part in the NFI process.
Pension administration	1	0.5	0.5	N/A	N/A	Assurance over pension administration arrangements will be collated and reported during quarter 4.
Management activity	10	8	2	N/A	N/A	Time spent to date includes: <ul style="list-style-type: none"> • Attendance at meetings of the JAEC and preparation of monitoring reports. • Quarterly client meetings. • Preparation of the 2020/21 Annual Report. • Reissue of the Internal Audit Charter and Engagement Letter. • Ad hoc activity: group meeting in June 2021 <i>Sharing audit experiences</i>
Total days	235	125	110			

Outline of Progress (by number of assignments)

	Complete	In Progress	Not started	Removed
Operational and support service reviews and Key financial systems	8	7	1	(2)
Follow up reviews	1	0	9	0
Total assignments	9	7	10	(2)

Follow up audit activity – 2021/22 audit programme Appendix 2

Audit review	Date of original audit	Assurance opinion	Actions agreed		Planned date of follow up audit	Audit results
			Medium risk	Low risk		
Officer/ staff PDR	September 2020	Moderate	3	0	Quarter 3	N/A
Antifraud/ POCA	November 2020	Limited	10	3	Quarter 3/4	N/A
Business Continuity	January 2020	Limited	8	4	Quarter 4	N/A
Disclosure	June 2021	Moderate	5	2	Quarter 4	N/A
Investigation Management Unit	October 2020	Moderate	5	3	Quarter 4	In progress
Ill health pensions & injury benefits	June 2021	Substantial	0	6	Quarter 4	N/A
On Call allowances	June 2021	Substantial	0	4	Quarter 3	N/A
Partnership working (MASH)	June 2021	Moderate	3	1	Quarter 3	N/A
Project Management	June 2021	Substantial	0	2	Quarter 3/4	N/A
Positive Action	March 2021	Moderate	3	1	Quarter 4	N/A
Accounts Payable	December 2020	Substantial	0	4	Quarter 3	Three complete; one ongoing.
Accounts receivable	December 2020	Substantial	0	3	Quarter 3	Two complete; one ongoing.
General Ledger	December 2020	Substantial	0	1	Quarter 3	Incomplete. The action is repeated in the 2021/22 audit report.
Payroll	December 2020	Substantial	0	1	Quarter 3	Action ongoing.
Total actions			37	35		

Audit assurance levels and risk ratings

Appendix 3

For 2021/22 the following audit assurance levels apply:

<p>Substantial assurance: the framework of control is adequately designed and/ or effectively operated overall.</p>
<p>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 the service, system or process.</p>
<p>Limited assurance: there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of the service, system or process' objectives at risk.</p>
<p>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 the service, system or process' objectives.</p>

We categorise the issues we raise in the context of the residual risk to which the Constabulary and/ or the Office of the Police and Crime Commissioner are exposed. Actions agreed in our reports 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:

<p>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 services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the Constabulary's and/ or the Office of the Police and Crime Commissioner's reputations.</p>
<p>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 business or to service users, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the Constabulary's and/ or the Office of the Police and Crime Commissioner's reputations.</p>
<p>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.</p>
<p>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.</p>