

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

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Report of	HEAD OF INTERNAL AUDIT / CHIEF FINANCE OFFICER
Subject	INTERNAL AUDIT CHARTER
Date	TUESDAY 24 SEPTEMBER 2013 – 2.00 P.M.
Author :	MR D HARRIS / MR R VICKERS

Purpose of Report

1. This report provides JARAP members with information on the Internal Audit Charter.

Recommendation

2. The Panel is recommended to discuss the contents of the report.

Background

3. The Charter establishes the purpose, authority and responsibilities for the internal audit service for the Office of the Police and Crime Commissioner (OPCC) for Leicestershire and Office of Chief Constable (OCC) for Leicestershire.
4. The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards and RSM Tenon's Internal Audit Manual.
5. A copy of the Internal Audit Charter is attached as an Appendix to this report.

Implications

Financial: none. Legal: none. Equality Impact Assessment: none. Risks and Impact: none.
Link to Police and Crime Plan: none.

List of Attachments / Appendices

Appendix 1: Internal Audit Charter

Background Papers

None.

Persons to Contact

Mr R Vickers, Interim Chief Finance Officer – Tel 0116 229 8700
Email: robert.vickers@leics.pcc.pnn.gov.uk

Mr P Dawkins, Finance Director – Tel 0116 248 2244
Email: paul.dawkins@leicestershire.pnn.police.uk

Mr D Harris, RSM Tenon - Tel 07792 948767
Email: daniel.harris@rsmtenon.com



Office of the Police and Crime Commissioner for Leicestershire and Office of the Chief Constable for Leicestershire

Internal Audit Charter

June 2013

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1 The Internal Audit Charter

- 1.1 This Charter establishes the purpose, authority and responsibilities for the internal audit service for the Office of the Police and Crime Commissioner (OPCC) for Leicestershire and Office of Chief Constable (OCC) for Leicestershire.
- 1.2 The internal audit service is provided by RSM Tenon. Your key internal audit contacts are as follows:

	Head of Internal Audit	Senior Manager
Name	Daniel Harris	Suzanne Lane
Telephone	07792 948767	07720 508148
Email address	daniel.harris@rsmtenon.com	suzanne.lane@rsmtenon.com

- 1.3 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards and RSM Tenon's Internal Audit Manual.
- 1.4 From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.
- 1.5 In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Office of the Police and Crime Commissioner for Leicestershire and OCC for Leicestershire to achieve their objectives. The opinion may also be used by their Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statements. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit, Risk and Assurance Panel.
- 1.6 The requirements for internal audit, and for Joint Audit, Risk and Assurance Panels, for both PCCs and Chief Constables, are set out within the Financial Management Code of Practice published by the Home Office. To support this, RSM Tenon deliver a joint audit plan to the PCC and Chief Constable which maps each assurance assignment to the PCC, the Chief Constable, or reflects where an assurance may be of particular benefit to both.

2 Role and Definition of Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Public Sector Internal Audit Standards

- 2.1 Internal Audit is a key part of the assurance cycle for the Office of the Police and Crime Commissioner for Leicestershire and OCC for Leicestershire and, if used appropriately, can assist in informing and updating the risk profile of the organisations. Internal Audit provides management with assurance on whether the organisation’s risk management, control and governance processes are adequate and operating effectively.
- 2.2 As public sector organisations, both the OPCC and OCC are required to have an internal audit service in place which conforms with the Public Sector Internal Audit Standards.

3 Independence and Ethics

- 3.1 To provide for the independence of Internal Audit, its personnel report direct to the Head of Internal Audit. The independence of the Head of Internal Audit is assured by him reporting to the Chief Finance Officer for the PCC and the Finance Director for the OCC, with further reporting lines to the Chair of the Joint Audit, Risk and Assurance Panel.
- 3.2 The Head of Internal Audit has unrestricted access to the Chair of Joint Audit, Risk and Assurance Panel, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

4 Responsibilities

- 4.1 The Head of Internal Audit has a responsibility to:
- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Joint Audit, Risk and Assurance Panel for review and approval each year before work commences on the delivery of that plan.
 - Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.
 - Implement the audit plan as approved, including any additional tasks requested by management and the Joint Audit, Risk and Assurance Panel.
 - Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
 - Establish a Quality Assurance and Improvement Programme to ensure the quality and effective operation of internal audit activities.
 - Perform advisory activities where appropriate, beyond internal audit’s assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
 - Bring a systematic, disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
 - Evaluate and assess significant merging or consolidating functions and new or changing services, processes and/or operations within the organisation.
 - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
 - Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
 - Provide a list of significant measurement goals and results to the Joint Audit, Risk and Assurance Panel.

5 Reporting

- 5.1 The Head of Internal Audit shall issue progress reports to the Joint Audit, Risk and Assurance Panel and management summarising outcomes of audit activities, including follow up reviews. These will be presented at every Joint Audit, Risk and Assurance Panel.
- 5.2 As your internal audit provider, the assignment opinions that RSM Tenon Ltd provides the organisation during the year are part of the framework of assurances that assist the Police and Crime Commissioner and Chief Constable in preparation of the annual governance statements on internal control.
- 5.3 As the provider of the internal audit service to the Office of the Police and Crime Commissioner for Leicestershire and Leicestershire OCC we are required to provide the PCC, the Chief Constable, and the Joint Audit, Risk and Assurance Panel with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Tenon Ltd at the financial year end.
- 5.4 Any reports are prepared solely for the use of Office of the Police and Crime Commissioner for Leicestershire and Office of the Chief Constable for Leicestershire. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent from the OPCC, OCC and RSM Tenon.

6 Authority

- 6.1 The Head of Internal Audit and internal audit staff are authorised to:
 - Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
 - Have full and free access to the Joint Audit, Risk and Assurance Panel.
 - Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives. Resources will be agreed with the Joint Audit, Risk and Assurance Panel each year as part of the agreement of the annual internal audit plan.
 - Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.
- 6.2 The Head of Internal Audit and internal audit staff are not authorised to:
 - Perform any operational duties associated with the organisation
 - Initiate or approve accounting transactions on behalf of the organisation.
 - Direct the activities of any employee not employed by RSM Tenon unless specifically seconded to internal audit.

7 Data Protection

- 7.1 Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.
- 7.2 Personal data is not shared outside of RSM Tenon. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of

internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings.)

- 7.3 RSM Tenon has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.
- 7.4 All RSM Tenon staff working with the Office of the Police and Crime Commissioner for Leicestershire and the Office of the Chief Constable for Leicestershire are subject to the required security vetting checks prior to commencement of work.

8 Fraud

- 8.1 The Joint Audit, Risk and Assurance Panel, the PCC and the Chief Constable recognise that management are responsible for controls to reasonably prevent and detect fraud. Furthermore, the Joint Audit, Risk and Assurance Panel recognises that internal audit is not responsible for identifying fraud, however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Signature _____ Date _____

Chairman of the Joint Audit, Risk and Assurance Panel

Signature _____ Date _____

Chief Finance Officer for the Police and Crime Commissioner for Leicestershire

Signature _____ Date _____

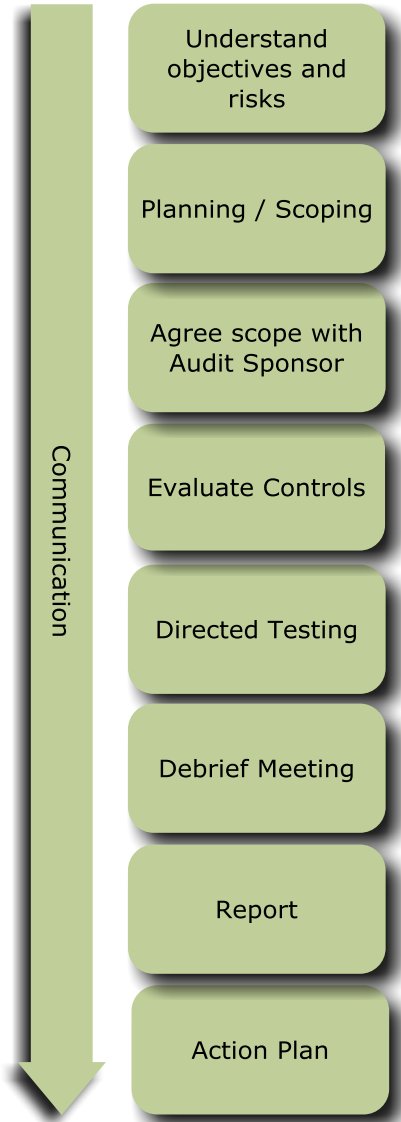
Finance Director for Leicestershire Police



Signature _____ Date: 19 July 2013

Head of Internal Audit, RSM Tenon Ltd

Appendix A: Overview of the Internal Audit Process



Planning the Assignment

Each audit will be planned individually to ensure that the scope addresses the risks facing your organisation, and is therefore a useful source of assurance, providing assurance on the controls that you rely on to manage your risks and deliver your objectives and to be able to draw conclusions on the wider application of the systems under review. We will meet with appropriate staff to understand the area under review and will then send you an Assignment Planning Sheet for your comment and sign off, so that we can discuss and agree the scope of each review; this provides the Audit Sponsor with an opportunity to comment on the scope of each audit. We will agree the audit date at the start of the year and you will receive a planning sheet at least two weeks before the audit commences.

Undertaking the Audit

Once the scope has been agreed, our audit fieldwork is carefully planned to ensure that we thoroughly test the right controls. Should we identify any major issues during the audit, we will bring these to the attention of management straight away. We will keep you informed through the audit, and our team will be happy to answer any questions you may have. We will provide a list of information we will need when we issue the planning sheet so that you can prepare for the audit.

Reporting our Findings

Before the internal audit team leaves site, we will hold a debrief meeting to discuss our findings and recommendations with the key sponsor for the audit.

Therefore, there will be no surprises when you receive the draft internal audit report, and you have an opportunity to comment on the report before it is issued for wider circulation.

Each formal assurance report will contain a clear opinion, so you know instantly if your risk management of this area is effective.

Agreeing Actions for Improvement

Every internal audit report contains an action plan which will be completed by management. Once the action plan is completed the report is issued as a final report. This provides the Joint Audit, Risk and Assurance Panel with a clear view of management's response to each recommendation, and also enables recommendation tracking. We will undertake follow up work to provide the Joint Audit, Risk and Assurance Panel with an overview of progress in implementing actions that management have agreed.

Appendix B: Key Performance Indicators

The following performance Indicators have been agreed with the Office of the Police and Crime Commissioner for Leicestershire and Office of the Chief Constable for Leicestershire and will be reported to the Committee throughout the year:

1. Days to issue draft report following debrief meeting: 15 working days (RSM Tenon)
2. Day to provide management responses to draft report: 15 working days (Management)
3. Days to finalise report once management responses have been received: 5 working days (RSM Tenon)