

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

PAPER MARKED

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Report of	OFFICE OF THE POLICE AND CRIME COMMISSIONER AND OFFICE OF CHIEF CONSTABLE
Subject	INTERNAL AUDIT STRATEGY 2014/15
Date	WEDNESDAY 26 MARCH 2014 – 1.00 P.M.
Author	CHIEF FINANCE OFFICER

Purpose of Report

1. To present the approach taken to develop the internal audit strategy for 2013/14 – 2015/16 and the annual plan for 2014/15.

Recommendation

2. The Panel is recommended to discuss the contents of the report and agreed the annual plan for 2014/15.

Commentary

3. In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), Baker Tilly plan and perform internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Leicestershire Police and Crime Commissioner and Leicestershire Police have in place, focusing in particular on how these arrangements help the organisations to achieve the objectives of the Police and Crime Plan.
4. The report will be presented by the Head of Internal Audit.

Implications

Financial :	None.
Legal :	It is a statutory requirement to have audit arrangements in place.
Equality Impact Assessment :	None identified
Risks and Impact :	The implementation of effective audit arrangements will seek to mitigate risks.
Link to Police and Crime Plan :	None direct, but sound systems and unqualified accounts are fundamental to developing and delivering upon the Plan.

List of Appendices

Appendix 1: Internal audit Strategy 2014/15

Background Papers

None

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Leicestershire Police and Crime Commissioner and Leicestershire Police

Internal Audit Strategy 2014/15

Presented at the Joint Audit, Risk and Assurance
Panel meeting of: 26th March 2014

Contents

1	Developing the Internal Audit Strategy.....	2
1.1	Role of Internal Audit	2
1.2	Factors influencing Internal Audit coverage.....	2
2	Assurance Resources	4
2.1	Your Internal Audit Team	4
2.2	Internal Audit Fees	4
2.3	Working with other assurance providers.....	4
2.4	Considerations for the Joint Audit, Risk and Assurance Panel	4
	Appendix A: Issues affecting Leicestershire Police and Crime Commissioner and Leicestershire Police	5
	Appendix B: Internal Audit Strategy 2013/14 – 2015/16	6
	Appendix C: Internal Audit Plan 2014/15	6

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1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 – 2015/16 and the annual plan for 2014/15.

1.1 Role of Internal Audit

Internal auditing 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 bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Definition of Internal Audit: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Leicestershire Police and Crime Commissioner and Leicestershire Police have in place, focusing in particular on how these arrangements help the organisations to achieve the objectives of the Police and Crime Plan. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit, Risk and Assurance Panel. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Police and Crime Commissioner and Chief Constable to support their Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy. Appendix A reflects the range of potential issues that may affect the organisations, some of which are included on your risk registers. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Chief Finance Officer (OPCC);
- Chief Finance Officer (CC);
- Joint meeting of the Chief Finance Officers for the East Midlands Region (OPCC & CC).

In addition, we have reviewed the Corporate Risk Registers for the Office of the Police and Crime Commissioner and Chief Constable to ensure the Internal Audit Plan aligns to this document to provide assurance in the key areas.

The key areas / factors are summarised below.

Key areas discussed and their impact on the 2014/15 internal audit plan	
1	In relation to the following risk from the Corporate Risk Register <i>Missed Opportunity: Failure to accurately record crime</i> . Following discussion with management it was agreed not to include a review of Data Quality and Crime Recording in 2014/15 as planned due to the reviews being undertaken by HMIC in this area in the year, and to ensure we maximise and do not duplicate assurances. This area will be kept under review throughout the year as we may for example be required to undertake some follow up work in this area.
2	We have removed the review of Energy Use from the three year strategy following the removal of this as a corporate risk (previously planned for 2015/16)
3	Due to the delayed implementation of the National Police Procurement Hub (Zanzibar) and ongoing issues, we have carried forward the assurance review from 2013/14 into 2015/16 to allow time for implementation and allow for other priorities in the audit plan.

The strategy is set out at Appendix B, with the detailed internal audit plan for 2014/15 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- Planned assurance on core areas of activity;
- Time to follow up previous recommendations and actions to provide the Joint Audit, Risk and Assurance Panel with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used by the Partner and Senior Manager for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at the Joint Audit, Risk and Assurance Panel.

2 Assurance Resources

2.1 Your Internal Audit Team

Your internal audit team is led by Dan Harris as Head of Internal Audit.

Your Senior Manager is Suzanne Lane.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.2 Internal Audit Fees

The fee for your internal audit service for 2014/15 is £54,095.

2.3 Working with other assurance providers

We have already met with the External Auditor to ensure we plan our work to avoid any duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Joint Audit, Risk and Assurance Panel is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

We have also been in discussions with the Force on the internal work programmes and we also continue to liaise with management regarding the HMIC inspection programme to ensure assurances are not duplicated.

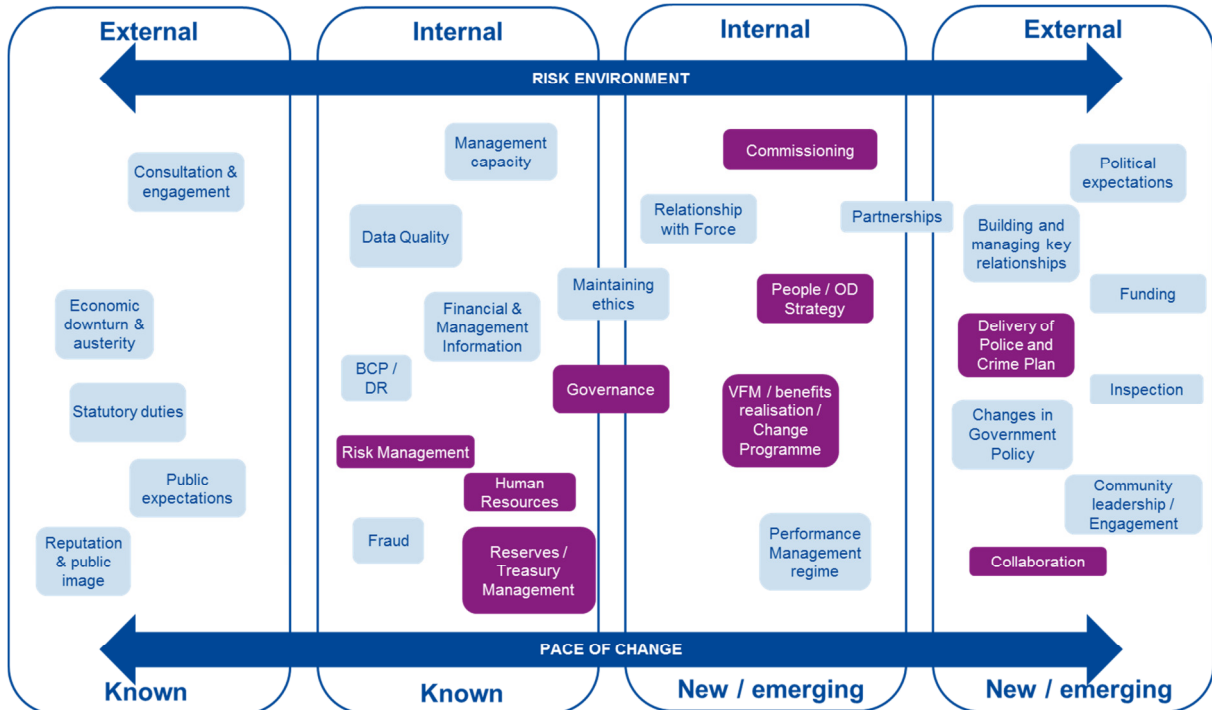
2.4 Considerations for the Joint Audit, Risk and Assurance Panel

- Is the Joint Audit, Risk and Assurance Panel satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?
- Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Joint Audit, Risk and Assurance Panel?
- Does the internal audit plan for 2014/15 (Appendix C) reflect the areas that the Joint Audit, Risk and Assurance Panel believes should be covered as priority?

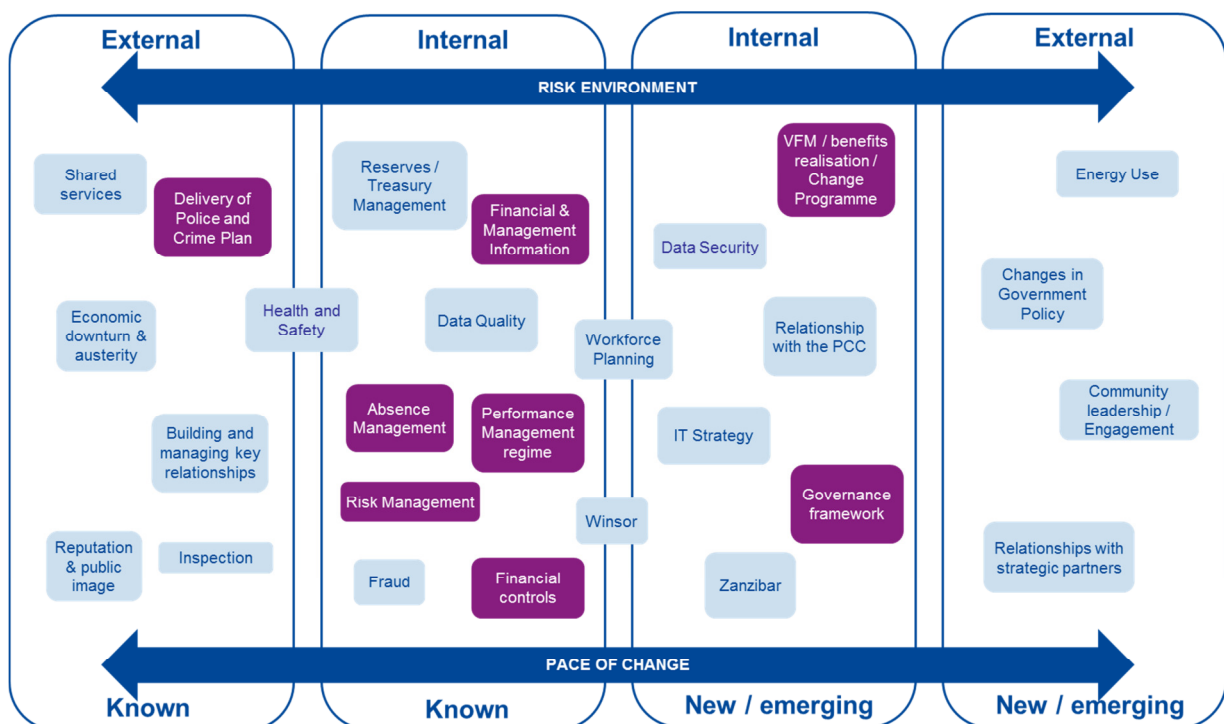
Appendix A: Issues affecting Leicestershire Police and Crime Commissioner and Leicestershire Police

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in purple) are those where internal audit coverage is planned in the coming year.

Leicestershire Office of the Police and Crime Commissioner



Leicestershire Police



Appendix B: Internal Audit Strategy 2013/14 – 2015/16

Risk Based Assurance

Auditable Areas	Relevant Risks from the OPCC and CC Risks Registers	2013/14	2014/15	2015/16
Change Programme	Transforming Services – Fit for 2017 (CC)	✓	✓	✓
Data Security	Unauthorised use / misuse of IT systems, loss of information. (CC)	✓		
Governance and Delivery of the Police and Crime Plan	Failure to deliver the Police and Crime Plan during period of reduced funding (OPCC) Failure to meet requirements of the Police and Crime Plan	✓		
Partnerships / Engagement	Failure to consult and engage sufficiently with public (OPCC) Failure to maintain relationships with key partners (OPCC)	✓ (included in review of the Governance and Delivery of the Police and Crime Plan)		✓
Commissioning	Failure to produce and maintain a commissioning framework (OPCC)		✓	
Governance	OPCC Stage 2 Transfer (OPCC & CC)	✓	✓	See core assurance
Data Quality	Missed Opportunity: Failure to accurately record crime (CC)			✓
Integrity and Standards	Publication of HMIC Integrity report (CC)			✓
Critical Incidents	Failure to recognise & respond to critical incidents & 'lessons learned' (CC)			✓
Collaboration	Failure to provide governance to all East Midlands Police collaboration projects (OPCC) Governance of collaborative arrangements (CC)	✓	✓	✓
ICT Review	IT Strategy at risk if each department requirement is not captured (CC) Impact of Loss of I.T and/or Communications Infrastructure (CC) High risk of virus introduction and data loss (CC)		✓	✓

Core Assurance

Audit Area	Outline scope	2013/14	2014/15	2015/16
Governance	Annual Review of the Governance Arrangements in place.	See risk based	See risk based	✓
Risk Management	Annual Review of the Risk Management Arrangements in place.	✓	✓	✓

Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
Budgetary Control	Review to provide assurance on the key finance systems. In addition, external audit will place reliance on our work to inform their audit.	✓		
General Ledger		✓		✓
Cash, Banking & Treasury Management			✓	
Payroll (including Pensions and Expenses)		✓		✓
Payments, Creditors & Procurement			✓	
Income & Debtors				✓
Asset Management			✓	
Payroll Provider Review		✓	✓	✓
Key Financial Controls Walkthrough	Review of the systems notes of the Key Financial Systems to confirm or identify any changes in the control framework and document these.	✓	✓	✓

Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Winsor Review	Review of the Force's processes as a result of the Winsor Review.	✓		
Zanzibar	A review of the implementation of Zanzibar within the Force including the impacts on the other finance systems. This may include both an advisory and assurance element to the project.	✓		✓
Human Resources	This is a key area for the organisation to be able to deliver their priorities, This could include: <ul style="list-style-type: none"> • Recruitment, • Training, • Absence Management, • Appraisals, • Modernisation / Utilisation, • Workforce Planning, • Succession Planning. 	✓	✓	✓
Performance Management	This is a key area to ensure that management decisions made are based on accurate and timely Key		✓	

Activity	Rationale	2013/14	2014/15	2015/16
	Performance Indicators and information and any poor performance is appropriately identified and actioned.			
Estates Management	Operational review of the management of the Force's estates including implementation of the estates strategies, the management of repairs and maintenance, and contract management.		✓	
Health and Safety	A key risk to the Force in how it manages Health and Safety including monitoring of implementation of the Health and Safety Policies and handling of accidents and incidents.	✓		
Seized / Found Property	Sensitive Property in Police possession is lost, stolen or deteriorates.		✓	
Follow Up	To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Audit Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	✓	✓	✓

Appendix C: Internal Audit Plan 2014/15

Audit	Internal Audit Coverage	Internal Audit Approach	Days	Assurance to	Proposed Timing
Assurance and Advisory Work to Address Specific Risks within the Corporate Risk Register					
Change Programme	<p><i>Transforming Services – Fit for 2017 (CC)</i></p> <p>The change programme is key to the delivery of the required savings and ensuring the Force is fit for 2017. This audit will include a review of the change programme and a sample of programmes within this to ensure that a clear methodology is being used, benefits, outcomes and cash savings are being identified and the achievement of these tracked and regularly monitored.</p>	Assurance	20	OPCC & Force	Q2
Commissioning	<p><i>Failure to produce and maintain a commissioning framework (OPCC)</i></p> <p>This review will incorporate the development and use of the commissioning framework, to include areas such as the adequacy of the framework in place, who is used for commissioning and how services are commissioned, completion of due diligence before commissioning and monitoring of achievement against commissioning objectives.</p>	TBC	16	OPCC	Q4
Governance	<p><i>OPCC Stage 2 Transfer (OPCC & CC)</i></p> <p>To review the Governance arrangements in place post Stage 2 transfer. This will include compliance with the Scheme of Consent.</p>	Assurance	8	OPCC & Force	Q4
Collaboration – Efficiency Savings Plans (to be completed as part of a joint review with the East Midlands)	<p>We will undertake a joint review to include each member of the East Midlands Collaboration.</p> <p>A review of the joint efficiency savings plans within the East Midlands to ensure that these are clearly defined, aligned within the Group, monitored for achievement including an assessment of benefits realisation</p>	Assurance	5	OPCC & Force	Q3
ICT Review	<p><i>IT Strategy at risk if each department requirement is not captured (CC)</i></p> <p><i>Impact of Loss of I.T and/or</i></p>	Assurance	10	Force	Q2

	<p><i>Communications Infrastructure (CC)</i></p> <p><i>High risk of virus introduction and data loss (CC)</i></p> <p>To cover one of the risk areas identified above, specific area of coverage to be agreed with management prior to the start of the review.</p>				
Core Assurance					
Risk Management	Annual Review for both the Force and OPCC to inform the Head of Internal Audit opinion. The focus of these reviews will include a deep dive into a sample of risks on the registers.	Assurance	10	OPCC & Force	Q3
Financial Controls					
Cash, Banking & Treasury Management	<ul style="list-style-type: none"> ▪ Receipt of cash; ▪ Processing of cash payments; ▪ Bank mandate; ▪ Bank reconciliation; ▪ Control over loans and investments 	Key Control Review	6	OPCC & Force	Q3
Payments, Creditors & Procurement	<ul style="list-style-type: none"> ▪ Placing of orders; ▪ Obtaining quotes & tenders; ▪ Confirmation of goods being received; ▪ Authorisation of Invoices; ▪ Processing of credit notes; ▪ Verification of changes to supplier details; ▪ Preparation and authorisation of payment runs; ▪ Maintenance of contracts / tender registers. 	Key Control Review	10	OPCC & Force	Q3
Asset Management	<ul style="list-style-type: none"> ▪ Authorisation of capital projects; ▪ Maintenance of the asset register; ▪ Internal verification of assets; ▪ Disposals of assets; 	Key Control Review	6	OPCC & Force	Q3
Payroll Provider Review	<p>Review of the controls operated within Mouchels for the processing of the Payroll. This will include the following areas:</p> <ul style="list-style-type: none"> ▪ Access controls; ▪ Processing of employee data; ▪ Payroll Reporting; ▪ Payroll runs. 	Key Control Review	5	OPCC & Force	Q1
Key Financial Controls Walkthrough (If changes are identified this may result	Review of the systems notes of the Key Financial Systems to confirm or identify any changes in the control framework and	Key Controls Walkthrough	3	OPCC & Force	Q3

in addition work required for the External Audit)	document these in the following areas: <ul style="list-style-type: none"> ▪ Budgetary Control; ▪ General Ledger; ▪ Payroll; ▪ Income & Debtors. 				
Other Internal Audit Coverage					
Human Resources	This is a key area for the organisation to be able to deliver their priorities. The scope of this review will be agreed with management prior to the start of the review.	Assurance	8	Force	Q2
Performance Management	Review of the performance management framework to ensure that performance is being reported accurately and action is taken to identify and rectify any poor performance. In addition, as part of our review we will verify the accuracy of a sample of KPIs reported.	Assurance	10	OPCC & Force	Q4
Estates Management	Review of the Estates Strategy and implementation of this. In addition, as part of our review we will include the completion of stock conditions surveys on properties and the development and monitoring of maintenance programmes developed from these.	Assurance	8	OPCC & Force	Q1
Seized / Found Property	Compliance with policies and procedures in relation to the recording, storage and disposal of either seized and found property (this will not include drugs).	Assurance	10	Force	Q1
Follow Up	To meet internal auditing standards and to provide management with assurance regarding implementation of recommendations.	Follow up	6	OPCC & Force	Q4
Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning. ▪ Preparation for, and attendance at, Audit Committee meetings. ▪ Regular liaison and progress updates. ▪ Liaison with external audit. ▪ Preparation of the annual internal audit opinion. 	N/A	14	N/A	Ongoing
Total			155		