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Office of the Police & Crime Commissioner for Leicestershire and Leicestershire Police

Draft Internal Audit Plan 2016/17

January 2016

This report has been prepared on the basis of the limitations set out on page 10.

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1. Introduction

1.1   An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime Commissioner for Leicestershire and Leicestershire Police (the OPCC and Force) for the period 1 April 2016 to 31 March 2017.

1.2   As part of fulfilling the Joint Audit, Risk & Assurance Panel's (JARAP) responsibilities, the JARAP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

1.3   **Appendix A** contains our proposed **Annual Audit Plan 2016 – 2017**.

2. The Scope and Purpose of Internal Audit

2.1   Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPCC and Force with assurance that they have in place effective processes for the management of risk.

2.2   In drawing up the internal audit work programme it should be noted that:

- The OPCC and Force are accountable for internal control. The OPCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;

- The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;

- The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and

- The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

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2.3   As set out in the Audit Charter, Internal Audit fulfils its role by:

- Coordinating assurance activities with other assurance providers (such as the external auditors and HMIC) such that the assurance needs of the OPCC and Force, regulators and other stakeholders are met in the most effective way.

- Evaluating and assessing the implications of new or changing systems, products, services, operations and control processes.

- Carrying out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the Joint Audit, Risk & Assurance Panel (JARAP).

- Providing the Police & Crime Commissioner and Chief Constable with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.

- Issuing periodic reports to the JARAP and Senior Management Team summarising results of assurance activities.

- Re-enforcing an anti-fraud, anti-bribery and anti-corruption culture within the OPCC and Force to aid the prevention and detection of fraud.

- Assisting in the investigation of allegations of fraud, bribery and corruption within the OPCC and Force and notifying management and the JARAP of the results.

- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JARAP. Responsibility for remedial action in response to audit findings rests with line management.

3.   Approach

3.1   As part of fulfilling the Joint Audit, Risk & Assurance Panel's (JARAP) responsibilities, the JARAP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

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3.2   The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JARAP, and aims to provide a co-ordinated view of the activity of the various assurance providers and therefore the right combination of direct, risk and independent assurance activities as shown below:

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Departments	Compliance and Legal	Audit Functions
Departmental control activities	Corporate Risk	
	Security, Investigations etc	

3.3   In drawing up the operational audit plan, the assurance review of the OPCC / Force risk register identified where the OPCC / Force obtained assurance it was managing its key risks, with the aim of aligning the Internal Audit plan with other sources of assurance. The review was carried out through discussions with appropriate staff and review of documents to confirm the adequacy of the assurance processes in place. In particular we:

➢   Reviewed the key strategic risks (OPCC and Force) that the JARAP require assurance on.

➢   Through discussions and the review of relevant documents, using the 'three lines of defence' model referred to above, considered the key sources of assurance that the risks are being effectively managed.

➢   Identified and agreed gaps in assurance.

➢   Agreed whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPCC / Force Strategic Risk Register, and is required to provide assurance on the systems of internal control, risk management and governance arrangements. For this reason, we also considered other key areas of assurance, including those relating to Finance, Governance, Procurement, Information Technology and Risk Management.

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3.4　　Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:

- support the OPCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
- look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
- work along side other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
- through risk-based auditing, focus internal audit resource on what is really important to each organisation.

3.5　　Further to the above risk identification process, it should also be remembered that Leicestershire have recently agreed to become part of a Strategic Alliance with the Police Forces in Nottinghamshire and Northamptonshire, whilst also form part of the wider East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the Strategic Alliance / region in order to secure efficiencies through collaborative auditing.

4　External Audit Consultation

4.1　　We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.

4.2　　We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.

4.3　　Internal audit forms a significant part of the organisation's governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:

- a willingness and commitment to working together;
- clear and open lines of communication; and
- avoidance of duplication of work where possible.

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Appendix A – Annual Audit Plan 2016-17

AUDITABLE AREA	PROPOSED TIMING	JARAP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Core Assurance					
Core Financial Systems Assurance: • General Ledger • Payroll (incl Pensions & Expenses) • Cash & Bank • Payments & Creditors • Income & Debtors	Nov 2016		22	Core	To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to: • Policies and procedures • Access controls • Amendments to standing data • Reconciliations • Authorisation routines • Reporting
Payroll Provider	Jan 2017		5	Core	To provide assurance that the payroll provider, Kier, has effective controls in place for delivering the collaborative service with Derbyshire. The scope of the work will include, but will not be limited to, access controls, payroll reporting and approval / sign-off routines, and will involve on-site coverage at Keir. The audit will also provide assurance with regards the monitoring routines within the Force to ensure that the service is being effectively provided.
Pensions Provider	Oct 2016		5	Core	To provide assurance that the pensions provider has effective controls in place. The scope of the work will include, but will not be limited to, access controls, pensions reporting and approval / sign-off routines, and may involve on-site coverage at the provider. The audit will also provide assurance with regards the monitoring routines within the Force to ensure that the service is being effectively provided.

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AUDITABLE AREA	PROPOSED TIMING	JARAP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Strategic & Operational Risk Assurance					
Information Technology	Dec 2016		14	STR1844/ 1519 / 1818/ 1922/ 1764/ 523/ 325	High level review of the overall IT arrangements in place to support service delivery and, in particular, the impact of the Strategic Alliance. Consideration will be given to providing assurance with regards key IT risks, such as those relating to data security, IT policies and procedures, network infrastructure and application controls.
Seized & Found Property	Feb 2017		8	STR1904	To provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized and found property.
Business Continuity	May 2016		10	STR11 & STR1706	To provide assurance that the Force has effective controls in place with regards business continuity arrangements. The scope will consider such areas as Business Continuity Policies and Procedures and templates; Incident Escalation & Emergency Action Procedures; Business Continuity Test Plans; Continuous Improvement \ Lessons Learnt; and Monitoring and Reporting.
Complaints Management	June 2016		8	STR1521	To provide assurance that the Force have effective processes in place for the management of complaints and these are being consistency applied. The audit will include the role of the Ethics Committee and that of the OPCC.
Victims Code of Practice	May 2016		8	STR458	Following recent changes to the Code with regards how victims are dealt with, and new procedures brought in by the Force, the audit will look to provide assurance with regards the extent to which these changes are being consistently applied.

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AUDITABLE AREA	PROPOSED TIMING	JARAP	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Vetting Procedures	July 2016		8	STR473	The audit will provide assurance with regards the controls and processes in place to ensure that the Force complies with the ACPO national vetting policy.
Commissioning	Feb 2017		8	OPCC1699	The audit will provide assurance with regards the controls and processes in place to ensure that there is an effective Commissioning Framework in place that contributes to the delivery of the Police & Crime Plan.
Strategic Alliance & Collaboration					
Strategic Alliance	Ongoing		7	STR1608 & STR520	Resources have been set aside within the three Forces' audit plans to support the implementation of the Strategic Alliance. This may take the form of advice or specific audits and may involve governance arrangements, project assurance and specific testing in areas of change.
Collaboration	Sept 2016 & Jan 2017		10	STR520 & OPCC1698	Resources have been allocated across each OPCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPCC / Force perspective, for monitoring and managing the service.
Other					
Audit Management	Ongoing		14		This includes audit planning, production of progress and annual reports, and attendance at progress and JARAP meetings.
Follow Up of Recommendations			5		To provide assurance that management have implemented audit recommendations.
Contingency			8		Time set aside for ad hoc requests.
TOTAL			**140**		

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Appendix B – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	**Adequacy of system design**	**Effectiveness of operating controls**
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	While there is a basically sound system of internal control, there are weaknesses which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
Limited Assurance:	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
No Assurance:	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	**Description**
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

Appendix C – Contact Details

Contact Details

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Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars LLP

London

January 2016

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