

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

PAPER MARKED

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Report of	CHIEF CONSTABLE and CHIEF FINANCE OFFICER (OPCC)
Subject	INTERNAL AUDIT PLAN 2018/19
Date	WEDNESDAY 21 FEBRUARY 2018 – 10:00AM
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Purpose of Report

1. This report provides an annual proposed Internal Audit Operational Plan for the period 1 April 2018 to 31 March 2019.

Recommendation

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

Background

3. None

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: as per individual reports.

Link to Police and Crime Plan: as per audit plan

List of Attachments / Appendices

Appendix 1: Draft Internal Audit Plan 2018-2019

Background Papers

None



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

Draft Internal Audit Plan 2018/19

February 2018

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 2018 to 31 March 2019.
- 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 2018 – 2019**.

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.

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 HMICFRS) 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.

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:



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.

- 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 form part of the 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 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.

Appendix A – Annual Audit Plan 2018-19

AUDITABLE AREA	PROPOSED TIMING ¹	JARAP ²	PLAN DAYS	Commentary on Coverage
Core Assurance				
Core Financial Systems Assurance: <ul style="list-style-type: none"> • General Ledger • Payroll (incl Pensions & Expenses) • Cash & Bank • Payments & Creditors • Income & Debtors 	Q3		22	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: <ul style="list-style-type: none"> • Policies and procedures • Access controls • Amendments to standing data • Reconciliations • Authorisation routines • Reporting
Payroll Provider	Q4		5	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.
Procurement	Q1		7	The audit will seek to provide assurance that value for money is being considered when procuring goods / services through the effective use of contract procurement rules.
Governance	Q1		6	To provide assurance with regards compliance with the Code of Corporate Governance. In particular, it will review the process for compiling the Annual Governance Statement and will provide a challenge with regards the evidence collected to support the declaration.

AUDITABLE AREA	PROPOSED TIMING ¹	JARAP ²	PLAN DAYS	Commentary on Coverage
Strategic & Operational Risk Assurance				
Seized & Found Property	Q4		10	To provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized and found property. Whilst an audit was carried out in January 2018 following the project to strengthen the Force's property management arrangements, this audit will follow-up on that audit and cover the introduction of Niche which was not in place at the time of the previous audit. This was a 'risk of note; (STR1935) reported to the JARAP in December 2017.
Health & Safety	Q4		7	This audit will follow-up on the audit carried out in 2017/18 where a limited assurance opinion was given. It will provide assurance that the Force has effective processes in place in respect of health and safety and these are being consistently applied.
Information Technology - GDPR	Q3		10	Using computer specialist resource, the objective will be to provide assurance with regards the force's implementation of, and adherence to, the new General Data Protection Regulations (GDPR) that will apply from 28 th May 2018. See STR1946.
Firearms Licensing	Q1		8	To provide assurance that the Force has effective controls in place for the management / issue of licences and the holding of firearms.
Archive Management	Q2		8	To provide assurance with regards the systems and controls in place to manage archives (crime case files, interview tapes, pocket notebooks, etc) following the transfer of responsibility to Corporate Services and the implementation of a number of work streams. A risk ins respect of archive management (STR2006) was reported to the JARAP in December 2017.
Fleet Management	Q3		7	To provide assurance with regards the systems and controls in place for managing the force fleet of vehicles.

AUDITABLE AREA	PROPOSED TIMING ¹	JARAP ²	PLAN DAYS	Commentary on Coverage
Data Quality	Q2		8	To provide assurance that effective governance, policies, procedures and data quality auditing routines are in place for ensuring data quality, for example, through such systems as Niche. A high risk (OPCC1696) was reported to the JARAP in December 2017 relating to the impact poor data quality has on decision making.
Information Technology Strategy	Q1		10	To provide assurance that a clear and effective IT Strategy has been developed and is being consistently delivered. See STR1990.
Collaboration				
Collaboration	Q3 & Q4		10	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. See OPCC1698.
Other				
Audit Management	Ongoing		14	This includes audit planning, production of progress and annual reports, and attendance at progress and JARAP meetings.
Contingency			8	Time set aside for ad hoc requests.
TOTAL			140	

¹ Proposed timings for each audit to be agreed, with any changes reported to the JARAP.

² Dates for delivery to the JARAP to be included within future progress reports when known.

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

February 2018

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