

**THE OFFICE OF POLICE AND CRIME COMMISSIONER  
FOR DERBYSHIRE  
DECISION RECORD**

<b>Request for PCC Decision</b>	<b>Received in OPCC Date: 26/06/17</b>	<b>OPCC Ref: DN25</b>
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**INTERNAL AUDIT PLAN 2017/2018**

**Executive Summary:**

The comments and recommendations on the draft Internal Audit Plan for 2017/18 from the Joint Audit Risk Assurance Committee (JARAC) was included in the attached report for approval by the Police and Crime Commissioner and the Chief Constable.

**Decision**

- **The Chief Constable noted that the JARAC had made no recommendations for changes to the content of the plan and the working joint Internal Audit Plan 2017/18 was approved.**
- **The Commissioner noted that the JARAC had made no recommendations for changes to the content of the plan and the working joint Internal Audit Plan 2017/18 was approved.**

**Declaration**

I confirm that I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct for the Police and Crime Commissioner for Derbyshire. Any such interests are recorded below.

None

The above request has my approval.

<b>Signature</b> Hardyal Dhindsa	<b>Date 26 June 2017</b>
<b>PUBLICATION SCHEME CONSIDERATIONS</b>	
<b>Is the related Section B report to be published Yes</b> The report contains commercially sensitive information.	

<b>Is the publication of this approval to be deferred No</b> If Yes, provide reasons below <b>Date to be deferred to –</b> NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: <i>all decisions made by a PCC are in the types of information that must “be published as soon as practicable after it becomes available to the elected local policing body”.</i>
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<b>OFFICER APPROVAL</b>
<b>Chief Executive or Nominee:</b> I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner
Name Andrew Dale Date 26 June 2017

**STRATEGIC GOVERNANCE BOARD**  
**26 JUNE 2017**  
**REPORT OF THE CHIEF FINANCE OFFICER / CHIEF CONSTABLE**

**10E: INTERNAL AUDIT PLAN 2017/18**

**1. PURPOSE OF THE REPORT**

- 1.1 To receive the comments and recommendations on the draft Internal Audit Plan for 2017/18 from the Joint Audit Risk and Assurance Committee (JARAC)
- 1.2 To approve a joint Police and Crime Commissioner and Chief Constable Internal Audit Plan for 2017/18.

**2. INFORMATION AND ANALYSIS**

- 2.1 The Police Reform & Social Responsibility Act introduced in November 2012 the legal concept of 2 corporations sole for the Police and Crime Commissioner and the Chief Constable with two Annual Governance Statements to support the relevant statements of accounts and the group accounts.
- 2.2 As part of a robust risk management and assurance process, internal controls are reviewed in several ways; one such assurance is provided by the work of the internal audit function. Internal audit is provided by Mazars under a regional framework contract.
- 2.3 Given that the systems and process for both corporations sole are aligned, it has been agreed, in consultation with internal and external auditors and in line with the guidance in the Home Office Financial Management Code of Practice, that there should be one common audit plan addressing all internal control review requirements.
- 2.4 Following the completion of the assurance maps for the Chief Constable and the Commissioner, a draft internal audit plan has been compiled which the

JARAC reviews and may make appropriate changes, prior to recommending the final version to the Chief Constable and to the Commissioner for their approval.

- 2.5 At the meeting of the JARAC on 9 March 2017, that Committee reviewed the proposed Internal Audit plan, with the purpose of ensuring that it
- is consistent with professional standards;
  - meets the audit needs of Commissioner and the Chief Constable; and
  - provides the JARAC with adequate coverage for the purpose of obtaining appropriate levels of assurance over the adequacy of the risk management, governance and internal control environment of both the Commissioner and the Chief Constable.
- 2.6 The draft plan was discussed in detail and the committee made no recommendations for changes to the content and that the plan should be recommended to the Chief Constable and the Commissioner as a final plan.
- 2.7 Attached at **APPENDIX A** to this report is the draft working Internal Audit Plan 2017/2018 as recommended by the JARAC.
- 2.8 Following consideration of the recommendations of the JARAC, the Chief Constable and the Commissioner are each recommended to approve the Internal Audit Plan 2017/18.

### **3. RECOMMENDATIONS**

- i. That the Chief Constable consider the recommendations of the JARAC and approve a working joint Internal Audit Plan 2017/18
- ii. That the Commissioner consider the recommendations of the JARAC and approve a working joint Internal Audit Plan 2017/18

**4. IMPLICATIONS**

All implications are assessed and scored to the table below.

**HIGH** – supporting explanation and narrative required and to be contained within the report

**MEDIUM** – narrative to be contained within the report at the discretion of the author

**LOW** – no narrative required

	LOW	MEDIUM	HIGH
Crime & Disorder	√		
Environmental	√		
Equality & Diversity	√		
Financial		√	
Health & Safety	√		
Human Rights	√		
Legal		√	
Personnel	√		

<p><b>Contact details in the event of enquiries</b></p>	<p><b>Name: Andrew Dale</b></p> <p><b>External telephone number: 0300 122 6005</b></p> <p><b>Email address: <a href="mailto:andrew.dale.16973@derbyshire.pnn.police.uk">andrew.dale.16973@derbyshire.pnn.police.uk</a></b></p>
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**BACKGROUND PAPERS**

None

**ATTACHMENTS**

**Appendix A . Internal Audit Plan 2017/18 Issued by Mazars February 2017.**



# Office of the Police & Crime Commissioner for Derbyshire and Derbyshire Police Draft Internal Audit Strategy 2017/18 to 2019/20 and 2017/18 Internal Audit Plan

February 2017

This report has been prepared on the basis of the limitations set out on page 13.

This report and the work connected therewith are subject to the Terms and Conditions of the Framework Agreement dated 21 April 2015 between The Police and Crime Commissioner for Nottinghamshire and Mazars LLP and Order Form dated 12 May 2015 between Police and Crime Commissioner for Derbyshire and Mazars LLP. This report is confidential and has been prepared for the sole use of Police and Crime Commissioner for Derbyshire. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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## 1. Introduction

- 1.1 A three-year proposed Strategic Audit Plan has been prepared on behalf of the Police and Crime Commissioner for Derbyshire and Derbyshire Police (the OPCC and Force) for the period 1 April 2017 to 31 March 2020.
- 1.2 As part of fulfilling the Joint Audit, Risk & Assurance Committee's (JARAC) responsibilities, the JARAC 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 were requested to carry out an assurance mapping exercise which would identify 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 2017 – 2018**.
- 1.4 **Appendix B** sets out our proposed **Strategic Audit Plan 2017 – 2020**.

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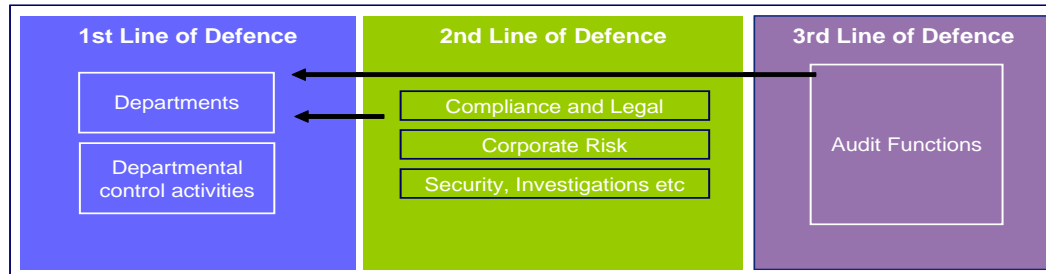
2.3 As set out in the Audit Charter, Internal Audit fulfils its role by:

- 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 Committee (JARAC).
- 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 JARAC 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 JARAC of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JARAC. 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 Committee's (JARAC) responsibilities, the JARAC 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 only one source of this assurance, we carried out an assurance mapping exercise which identified 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 the assurance mapping exercise were presented to the JARAC on 17<sup>th</sup> December 2015. As part of the 2016/17 Internal Audit Plan we revisited the mapping exercise, updated the assurance map and used the output to inform the 2017/18 annual plan and the 2017-2020 strategic plan.

3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JARAC, 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 and strategic audit plan, the assurance mapping exercise 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:

- Agreed the key strategic risks (OPCC and Force) that the JARAC require assurance on.
- Identified and met with the nominated risk owners.
- Through discussions and the review of relevant documents, using the ‘three lines of defence’ model referred to above, determined 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, the likely sources of assurance available.

In determining Internal Audit’s current and future role in the ‘assurance landscape’, we noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the Strategic Risk Registers of the OPCC and Force, 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 alongside 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 Derbyshire 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 2017-18

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JARAC <sup>2</sup>	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
<b>Core Assurance</b>					
Core Financial Systems Assurance: <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Cash, Banking &amp; Treasury Management</li> <li>• Payments &amp; Creditors</li> <li>• Income &amp; Debtors</li> </ul>	Q3		14	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: <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Access controls</li> <li>• Amendments to standing data</li> <li>• Reconciliations</li> <li>• Authorisation routines</li> <li>• Reporting</li> </ul>
Payroll	Q3		5	Core	To provide assurance that there are effective controls in place for delivering the payroll service. Testing will be primarily be carried out on site at Leicestershire Police, who deliver the service on behalf of Derbyshire. However, we also cover 'front end' processes at Derbyshire and arrangement in place within the payroll bureau, Kier, in respect of access controls, payroll reporting and approval / sign-off routines.
Regulatory Checks - Divisions	Q2 & Q4		6	Core	We will undertake regulatory checks with the aim of providing assurance with regards the maintenance and security of cash at a divisional level. The allocation of days will be spread across the year.
Code of Governance	Q4		7	STR1061, 1104 & PCC5.4	To provide assurance with regards compliance with the Joint 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 <sup>1</sup>	JARAC <sup>2</sup>	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Strategic & Operational Risk Assurance					
Victims Support	Q1		8	PCC1.1	To provide assurance that effective systems and controls are in place for the management of the contract to deliver Victims Support.
PCC Grants	Q4		8	PCC2.2	To provide assurance that the OPCC has put in place robust systems and controls for the administration and award of grants.
Business Continuity	Q2		8	STR1833 & 1098	To provide assurance that the Force has effective controls in place with regards business continuity arrangements.
Estates Management	Q1		8	STR1023, 1035 & 1832	To provide assurance that the OPCC / Force have effective controls in place to manage the estate, particularly focusing on the joint arrangements with the Fire Service. The audit will review the extent to which the Estates Strategy is being delivered and how it contributes to the strategic and medium / long term objectives of the OPCC / Force.
National Undercover Policing Enquiry	Q2		7	Request	To provide assurance that the Force has effective controls in place to manage the arrangement. The scope will include the management of funds, recovery of costs, apportionment, agreements and monitoring arrangements. The review will build upon the initial audit carried out 2016/17.

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JARAC <sup>2</sup>	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
<b>Collaboration</b>					
Collaboration	Q3 & Q4		10	STR1105 & 1742I	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.
<b>Other</b>					
Audit Management	Ongoing		14		This includes audit planning, production of progress and annual reports, and attendance at progress and JARAC meetings. Time will also be set aside to provide training to JARAC members.
Follow Up of Recommendations			5		To provide assurance that management have implemented audit recommendations.
<b>TOTAL</b>			<b>100</b>		

<sup>1</sup> Proposed timings for each audit to be agreed, with any changes reported to the JARAC.

<sup>2</sup> Dates for delivery to the JARAC to be included within future progress reports when known.

## Appendix B – Strategic Audit Plan 2017-20

Audit Assignment	2017/2018	2018/2019	2019/2020	RISK REF / CAT.
<b>Core Assurance</b>				
Core Financials Systems	✓	✓	✓	Core
Payroll	✓	✓	✓	Core
Regulatory Checks - Divisions	✓	✓	✓	Core
Risk Management		✓		Core
Governance	✓		✓	STR1422 & 1095
Procurement		✓		STR1555
<b>Strategic &amp; Operational Risk</b>				
IT Security		✓		STR1033, 1032 & 1909
Business Continuity	✓			OPS1090 & STR1089
IT Strategy		✓		STR1046 & 1048
Firearms Licencing			✓	National
Partnerships			✓	PCC2.6 & STR1092

Audit Assignment	2017/2018	2018/2019	2019/2020	RISK REF / CAT.
PCC Grants	✓			PCC2.2
Human Resources			✓	STR1422 & 1095
Estates Management	✓			STR1035 & 1023
Project Management		✓		STR1894
National Undercover Policing Enquiry	✓			Request
Workforce Planning			✓	STR1833 & 1098
Proceeds of Crime		✓		National
Financial Planning & Budget Management			✓	STR1192, PCC4.2
Fleet Management		✓		STR1091
Victims Support	✓			PCC1.1 & 1.4
Commissioning		✓		PCC2.3 & 2.6
<b>Collaboration</b>				
Collaboration	✓	✓	✓	STR1105 & 1742
<b>Other</b>				



Audit Assignment	2017/2018	2018/2019	2019/2020	RISK REF / CAT.
Follow-up of Recommendations	✓	✓	✓	General
Audit Management	✓	✓	✓	

## Appendix C – Levels of Assurance & Opinions

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	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.
<b>Limited Assurance:</b>	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.
<b>No Assurance:</b>	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
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	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 D – 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 2017**

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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