

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

DECISION RECORD

Request for PCC Decision	Received in OPCC	OPCC Ref: 13/2018
Request for CC Decision	Date: March 2018	

**STRATEGY FOR INTERNAL AUDIT 2018/19 TO 2020/21 AND 2018/19
INTERNAL AUDIT PLAN**

Executive Summary:

The draft annual internal audit plan for 2018/19 to 2020/21 was reviewed and presented to the meeting of the Joint Audit Risk Assurance Committee for members to recommend to the Chief Constable and the Police and Crime Commissioner, Committee report and plan attached.

The plan was agreed and recommended by members to the Chief Constable and Commissioner for approval.

Decision

- i. The Internal Audit Strategy 2018/19 to 2020/21 and 2018/19 Internal Plan was approved as recommended by the Joint Audit Risk Assurance Committee.

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.

Hardyal Dhindsa

Peter Goodman

Date 15 March 2018

PUBLICATION SCHEME CONSIDERATIONS

Is the related Section B report to be published **Yes**

The report contains commercially sensitive information.

Is the publication of this approval to be deferred **No**

If Yes, provide reasons below

Date to be deferred to –

NB Statutory Instrument 2011/3050 (as amended by SI 2012/2479) states that: *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”.*

OFFICER APPROVAL

Chief Executive or Nominee:

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 15 March 2018

JOINT AUDIT RISK AND ASSURANCE COMMITTEE

8 MARCH 2018

**JOINT REPORT OF THE DIRECTOR OF FINANCE AND THE CHIEF FINANCE
OFFICER**

**5B: STRATEGY FOR INTERNAL AUDIT 2018/19 TO 2020/21 AND 2018/19
INTERNAL AUDIT PLAN**

1. PURPOSE OF THE REPORT

- 1.1 To review and advise on the draft annual internal audit plan for 2018/19 to 2020/21, ensuring that this :
- is consistent with professional standards;
 - meets the audit needs of the PCC 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 PCC and Chief Constable.

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 process, internal controls are reviewed in several ways; one such assurance is provided by the work of the internal audit function.
- 2.3 Given that the systems and process for both corporations sole are aligned, it has been agreed, in consultation with both internal and external auditors, that there will be one common audit strategy addressing all internal control review requirements.

- 2.4 Our internal audit is currently provided by Mazars as part of a regional contract.
- 2.5 Each year an annual audit plan is compiled which the JARAC will review, comment on and approve. It is an important feature of the governance function that this Committee, with the advice of the Chief Finance Officer and the Director of Finance, can influence and direct those areas of review which it thinks are appropriate.
- 2.6 The work of External Audit is dependent to a certain extent on the assurances provided by internal audit, especially on the key financial controls in place in both the organisations. This avoids duplication of cost and effort.

Attached at **APPENDIX A** to this report are the draft Internal Audit Strategy 2018/19 to 2020/21 and the Internal Audit Plan 2018/19.

- 2.7 The JARAC is required to consider
- if the detailed internal audit plan for the coming financial year (see Appendix A) reflects the areas that the Committee believes should be covered as a priority, taking into account the assurance work that been carried out
 - if the audit strategy includes all those areas that the Committee would expect to be subject to internal audit coverage for both the Chief Constable and the Police and Crime Commissioner, in terms not only of professional responsibilities but also covering areas of concern flagged by management
 - if the level of audit resource is accepted by the Committee and agreed as appropriate, given the level of assurance required
 - the detailed audit plan at Appendix A.
- 2.8 Members are requested to consider the proposals and to suggest any changes they think are appropriate before recommending the 2018/19 audit plan to the Chief Constable and the Police and Crime Commissioner for their respective approvals.

2.9 From time to time, it may be appropriate to amend the audit plan or to commission work within the plan from any pooled resource/contingency allocation. Where this might need to be actioned outside the cycle of JARAC meetings, the Chief Finance Officer or the Director of Finance will make minor changes to the audit plan. Changes will be reported through the audit update.

3. RECOMMENDATIONS

- i. To review and make comments on the adequacy of the proposed Strategy for Internal Audit 2018/19 to 2020/21 and the Internal Audit Plan 2018/19
- ii. To recommend, subject to any amendments, the final plan to the Chief Constable and the Police and Crime Commissioner for their respective approvals.

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	√		

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BACKGROUND PAPERS

None

ATTACHMENTS

Internal Audit Strategy 2018/19 to 2020/21 and the 2018/19 Internal Audit Plan.



Office of the Police & Crime Commissioner for Derbyshire and Derbyshire Police Draft Internal Audit Strategy 2018/19 to 2020/21 and 2018/19 Internal Audit Plan

January 2018

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

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Contents

- 1. Introduction..... 1
- 2. The Scope and Purpose of Internal Audit 1
- 3. Approach 2
- 4. External Audit Consultation 4
- Appendix A – Annual Internal Audit Plan 2018-19..... 5
- Appendix B – Strategic Audit Plan 2018-21 8
- Appendix C – Levels of Assurance and Opinions..... 11
- Appendix D – Contact Details 12
- Statement of Responsibility..... 13

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 2018 to 31 March 2021, together with an operational audit plan for 2018/19.
- 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 2018 – 2019**.
- 1.4 **Appendix B** sets out our proposed **Strategic Audit Plan 2018 – 2021**.

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 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 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 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 2018-19

AUDITABLE AREA	PROPOSED TIMING ¹	JARAC ²	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Core Assurance					
Core Financial Systems Assurance: <ul style="list-style-type: none"> • General Ledger • Cash, Banking & Treasury Management • Payments & Creditors • Income & Debtors 	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"> • Policies and procedures • Access controls • Amendments to standing data • Reconciliations • Authorisation routines • Reporting
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 arrangements 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 and property at a divisional level. There will two sets of visits, one focusing on cash and the other property.
Procurement	Q2		7	STR1956	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.

AUDITABLE AREA	PROPOSED TIMING ¹	JARAC ²	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Strategic & Operational Risk Assurance					
Information Technology - GDPR	Q3		9	STR1046	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.
Business Continuity – Follow-up	Q1		3	STR1039 / 1089	To provide assurance that the Force has effective controls in place with regards business continuity arrangements. The audit will follow-up on the recommendations made in the 2017/18 audit report which provided a limited assurance opinion.
IT Strategy	Q4		8	STR1913	To provide assurance that the force has an agreed and effective strategy in place for the management of its IT infrastructure and that it is being consistently applied.
Recruitment	Q2		6	STR1422/ 1983/1099	To provide assurance that effective systems of internal control in place with regards the recruitment of officers and staff, with particular attention paid to the manner in which equality and diversity is addressed.
Health & Safety	Q1		7	STR1100	To provide assurance that the Force has effective processes in place in respect of health and safety and these are being consistently applied.
Data Quality	Q4		6	STR1046/ 1033	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. The audit will include dip sampling of the quality of records.

AUDITABLE AREA	PROPOSED TIMING ¹	JARAC ²	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Collaboration					
Collaboration	Q3 & Q4		10	STR1105	Resources have been allocated across each OPCC / Force in order to provide assurance with regards to 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 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.
TOTAL			100		

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

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

Appendix B – Strategic Audit Plan 2018-21

Audit Assignment	2018/2019	2019/2020	2020/2021	RISK REF / CAT.
Core Assurance				
Core Financials Systems	✓	✓	✓	Core
Payroll	✓	✓	✓	Core
Regulatory Checks - Divisions	✓	✓	✓	Core
Risk Management		✓		Core
Governance			✓	STR1104
Procurement	✓			STR1956
Strategic & Operational Risk				
IT Security		✓		STR1960 / 1033
Information Technology - GDPR	✓			STR1046
Victims Support			✓	STR1978
Business Continuity	✓			STR1039 / 1089
Medium Term Financial Planning			✓	STR1029
Firearms Licencing		✓		OPS1930
Property Management		✓		STR1937

Audit Assignment	2018/2019	2019/2020	2020/2021	RISK REF / CAT.
Commissioning		✓		STR1984
Partnerships			✓	STR1803/1786/ 1979
IT Strategy	✓			STR1913
Recruitment	✓			STR1422/ 1983/1099
Estates Management			✓	STR1035
Fleet Management		✓		STR1091
Health & Safety	✓			STR1100
Data Quality	✓			STR1046/ 1033
Absence Management			✓	STR1098
Project Management			✓	STR1832
Collaboration				
Collaboration	✓	✓	✓	STR1105

Other				
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
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 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

January 2018

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