

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

Request for PCC Decision	Received in OPCC Date: 13 April 2016	OPCC Ref: 20/16
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Title: INTERNAL AUDIT REPORT

Executive Summary: To be completed by PCC Specialist lead

The joint report was presented for the Commissioner to consider the recommendations of the JARAC and to approve a working joint Internal Audit Plan 2016/17. The draft working Internal Audit Plan 2016/2017, as recommended by the JARAC was attached at Appendix A.

Decision

The Chief Constable considered the recommendations of the JARAC and approved the working joint Internal Audit Plan 2016/17.

The Commissioner considered the recommendations of the JARAC and approved the working joint Internal Audit Plan 2016/17.

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.

(Recorded interests: None)

The above request has my approval.

Signature Alan Charles	Date 18/4/16
PUBLICATION SCHEME CONSIDERATIONS	
Is the related Section B report to be published Yes	
If no, please indicate relevant exemption: contains information that may prejudice negotiations and so is commercially sensitive	

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: <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>

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 Helen Boffy
Date 18/4/16

Section B
Part I -
For Publication

STRATEGIC GOVERNANCE BOARD
18 APRIL 2016
REPORT OF THE CHIEF EXECUTIVE

10A: INTERNAL AUDIT PLAN 2016/17

1. PURPOSE OF THE REPORT

- 1.1 To receive the comments and recommendations on the draft Internal Audit Plan for 2016/17 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 2016/17.

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 3 March 2016, 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 2016/2017 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 2016/17.

3. RECOMMENDATIONS

- i. That the Chief Constable consider the recommendations of the JARAC and approve a working joint Internal Audit Plan 2016/17
- ii. That the Commissioner consider the recommendations of the JARAC and approve a working joint Internal Audit Plan 2016/17

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

Appendix A . Internal Audit Plan 2016/17 Issued by Mazars January 2016.



Office of the Police & Crime Commissioner for Derbyshire and Derbyshire Police Draft Internal Audit Strategy 2016/17 to 2018/19 and 2016/17 Internal Audit Plan

January 2016

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

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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 2016 to 31 March 2019.
- 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 2016 – 2017**.
- 1.4 **Appendix B** sets out our proposed **Strategic Audit Plan 2016 – 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 it's 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 17th December 2015.

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.

- 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 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 2016-17

AUDITABLE AREA	PROPOSED TIMING	JARAC	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 	Oct 2016		13	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	Jan 2017		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	Aug 2016 & Feb 2017		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.
Risk Management	June 2016		5	Core	To provide assurance that the Force and OPCC have effective risk management policies and procedures in place. The audit will review the strategic risk registers for adequacy and reasonableness of risk scoring, documented mitigation and action plans. We will select a sample of risks and provide a critical challenge with regards the documented mitigation.

AUDITABLE AREA	PROPOSED TIMING	JARAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Governance	Jan 2017		4	Core	Time has been set aside to revisit the Assurance Mapping exercise carried out in 2015/16 and will contribute to Internal Audit's requirement to provide an annual opinion on Governance.
Strategic & Operational Risk Assurance					
IT Security	Dec 2016		8	STR1033, 1032 & 1909	The audit will aim to review the systems and controls in place with regards IT security and, in particular, risk STR1033 in the Force risk register which refers to 'data, IT and communications integrity'. Additionally, the audit would support the Force's assurance requirements in respect of PCN compliance.
Firearms Licensing	May 2016		6	National	To provide assurance that the Force has effective controls in place for the management / issue of licences and the holding of firearms.
Partnerships	Nov 2016		7	PCC2.6 & STR1092	The audit will provide assurance with regards how the Force and OPCC work with their key strategic partners. The audit will focus on, for a sample of strategic partnerships, the governance arrangements underpinning the partnership, including the rationale / aims of the partnership, decision-making, objectives, budget implications, performance and risk management.
Estates Management	July 2016		5	STR1035 & 1023	To provide assurance that the OPCC / Force have effective controls in place to manage the estate, particularly in view of the transfer of responsibilities to the County. 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	June 2016		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.

AUDITABLE AREA	PROPOSED TIMING	JARAC	PLAN DAYS	RISK REF / CAT.	Commentary on Coverage
Workforce Planning	July 2016		7	STR1833, 1098	To provide assurance that key controls in place with regards Workforce Planning are in place and are operating as intended. The scope will include, but not be limited to, how such planning contributes to the delivery of savings targets, the effective focus of resources, opportunities for recruitment and workforce projections.
Collaboration					
Collaboration	Sept 2016 & Jan 2017		8	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.
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	

Appendix B – Strategic Audit Plan 2016-19

Audit Assignment	2016/2017	2017/2018	2018/2019	RISK REF / CAT.
Core Assurance				
Core Financials Systems	✓	✓	✓	Core
Payroll	✓	✓	✓	Core
Regulatory Checks - Divisions	✓	✓	✓	Core
Risk Management	✓		✓	Core
Governance	✓		✓	Core
Procurement		✓		STR1555
Strategic & Operational Risk				
IT Security	✓			STR1033, 1032 & 1909
Business Continuity & Disaster Recovery		✓		OPS1090 & STR1089
IT Strategy			✓	STR1046 & 1048
Firearms Licencing	✓			National
Integrated Control & Communication System		✓		CONM1787

Audit Assignment	2016/2017	2017/2018	2018/2019	RISK REF / CAT.
Partnerships	✓		✓	PCC2.6 & STR1092
Performance Management		✓		STR1046 & 1060
Human Resources			✓	STR1422 & 1095
Estates Management	✓			STR1035 & 1023
Joint Working Arrangements with the Fire Service		✓		STR1832
National Undercover Policing Enquiry	✓			Request
Workforce Planning	✓			STR1833 & 1098
Proceeds of Crime			✓	National
Financial Planning & Budget Management		✓		STR1192
Fleet Management			✓	STR1091
Contract Management – Victims Services		✓		PCC1.4
Commissioning			✓	PCC2.3 & 2.6
Collaboration				
Collaboration	✓	✓	✓	STR1105 &

Audit Assignment	2016/2017	2017/2018	2018/2019	RISK REF / CAT.
				1742
Other				
Contingency	✓	✓	✓	General
Follow-up of Recommendations	✓	✓	✓	
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 2016

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