

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

<b>Request for PCC Decision</b>	<b>Received in OPCC Date: 7-03-13</b>	<b>OPCC Ref: 33/13</b>
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**Title: INTERNAL AUDIT STRATEGY 2013/14**

**Executive Summary: To be completed by PCC Specialist lead**

Attached at **APPENDIX A** to the report was the draft Updated Strategy for Internal Audit for 2013/2014 as presented to the JARAC.

The strategy covers

- The purpose and responsibilities of Internal Audit
- The development of the strategy
- Internal audit resources and fees

Following consideration of the recommendations of the JARAC, the Chief Constable and the Commissioner were recommended to approve the Internal Audit Strategy 2013/14

**Decision**

**Resolved that**

- i. The Chief Constable having considered the recommendations of the JARAC, approve a joint Internal Audit Strategy 2013/14
- ii. The Commissioner having considered the recommendations of the JARAC, approve a joint Internal Audit Strategy 2013/14

**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.

**Signature** *Electronically Signed*

**Date** 18 March 2013

**PUBLICATION SCHEME CONSIDERATIONS**

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

If no, please indicate relevant exemption

**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

*Electronically Signed*

Name Helen Boffy

Date 18 March 2013

**STRATEGIC GOVERNANCE BOARD**

**18 MARCH 2013**

**JOINT REPORT OF THE POLICE AND CRIME COMMISSIONER**

**AND THE CHIEF CONSTABLE**

**10A: INTERNAL AUDIT STRATEGY 2013/14**

**1. PURPOSE OF THE REPORT**

- 1.1 To receive and consider the feedback and recommendations to the Chief Constable and the Commissioner on the draft Strategy on Internal Audit 2013/4 from the Joint Audit Risk and Assurance Committee (JARAC).
- 1.2 To approve a joint Internal Audit Strategy 2013/14.

**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. Internal audit is provided by RSMTenon as part of a regional contract.
- 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 Each year an annual audit plan is compiled which the JARAC will review and approve for recommendation to the Chief Constable and to the Commissioner.

2.5 Attached at **APPENDIX A** to this report is the draft Updated Strategy for Internal Audit for 2013/2014 as presented to the JARAC.

The strategy covers

- The purpose and responsibilities of Internal Audit
- The development of the strategy
- Internal audit resources and fees

2.6 At the meeting of the JARAC on 14 March 2013, that Committee reviewed the proposed Internal Audit Strategy to 2015 and the annual Internal Audit Plan for 2013/14, ensuring that it :

- is consistent with professional standards;
- meets the audit needs of PCC and 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.

2.7 A verbal update will be provided to the Strategic Governance Board on the outcome of that meeting, which will include the recommendations to the Chief Constable and to the Commissioner on the suitability of the draft Internal Audit Strategy proposed by RSM Tenon.

2.8 Following consideration of the recommendations of the JARAC, the Chief Constable and the Commissioner are each recommended to approve the Internal Audit Strategy 2013/14

**3. RECOMMENDATIONS**

- i. That the Chief Constable consider the recommendations of the JARAC and approve a joint Internal Audit Strategy 2013/14
- ii. That the Commissioner consider the recommendations of the JARAC and approve a joint Internal Audit Strategy 2013/14

**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	√		

<b>Contact details in the event of enquiries</b>	<p><b>Name: Helen Boffy</b></p> <p><b>External telephone number: 01773 733779</b></p> <p><b>Email address: <a href="mailto:helen.boffy.4808@derbyshire.pnn.police.uk">helen.boffy.4808@derbyshire.pnn.police.uk</a></b></p>
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**BACKGROUND PAPERS**

None

**ATTACHMENTS**

Appendix A. Internal Audit Plan 2013/14 Issued



**Office of the Police and Crime Commissioner for Derbyshire  
and Derbyshire Constabulary**

Internal Audit Strategy  
2013/2014

Presented at the Joint Audit, Risk and Assurance Committee meeting of:  
14 March 2013

Patrick Green  
Head of Internal Audit

## 1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

### 1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

*(Definition of Internal Audit: Chartered Institute of Internal Auditors)*

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Office of the Police and Crime Commissioner for Derbyshire and Derbyshire Constabulary to achieve its objectives. The opinion may also be used by the Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit, Risk and Assurance Committee.

In line with the Financial Management Code of Practice published by the Home Office, both the PCC and Chief Constable must have an internal audit service, and there must be an audit committee in place (which can be joint). To support this, we have developed one internal audit plan, which reflects our view of the audit needs for the coming year, and which maps each assurance assignment to the PCC, the Chief Constable, or reflects where an assurance may be of particular benefit to both.

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

### 2.1 Issues influencing Internal Audit coverage

The organisation's priorities identified within the Police and Crime Plan are the starting point in the development of our strategy for delivery of internal audit services.

We have considered our previous work and findings on your risk management processes and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy.

Appendix A reflects the range of potential issues that may affect the PCC and Chief Constable. These were used to focus our conversations with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with:

- Treasurer (PCC)
- Director of Finance
- Head of Strategic Finance

The strategy is set out in Appendix B, with the more detailed annual plan for 2013/14 set out at Appendix C.



As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the Joint Audit, Risk and Assurance Committee;
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Partner and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Joint Audit, Risk and Assurance Committee.

## **2.2 Working with other assurance providers**

We intend to meet with the External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/2014.

The Joint Audit, Risk and Assurance Committee are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes relevant to the PCC and the Constabulary. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

## **3 INTERNAL AUDIT RESOURCES**

### **3.1 Your Internal Audit Team**

Your internal audit team is led by Patrick Green as Head of Internal Audit.

Your Client Manager is Angela Ward.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

### **3.2 Internal Audit Fees**

The fee for your internal audit service for 2013/14 is £35,700.

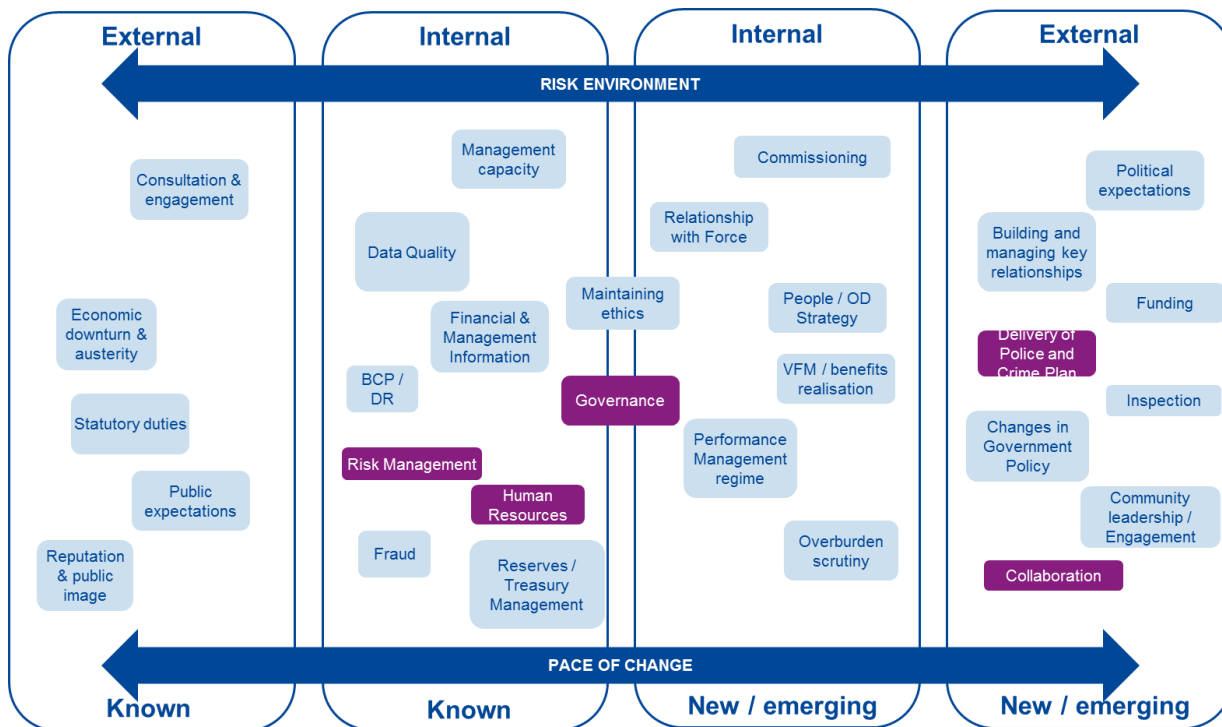
## **4 CONSIDERATIONS FOR THE JOINT AUDIT, RISK AND ASSURANCE COMMITTEE**

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Joint Audit, Risk and Assurance Committee?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix C) reflect the areas that the Joint Audit, Risk and Assurance Committee believes should be covered as priority?
- Is the Committee satisfied that sufficient assurances are being received by the Organisation to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

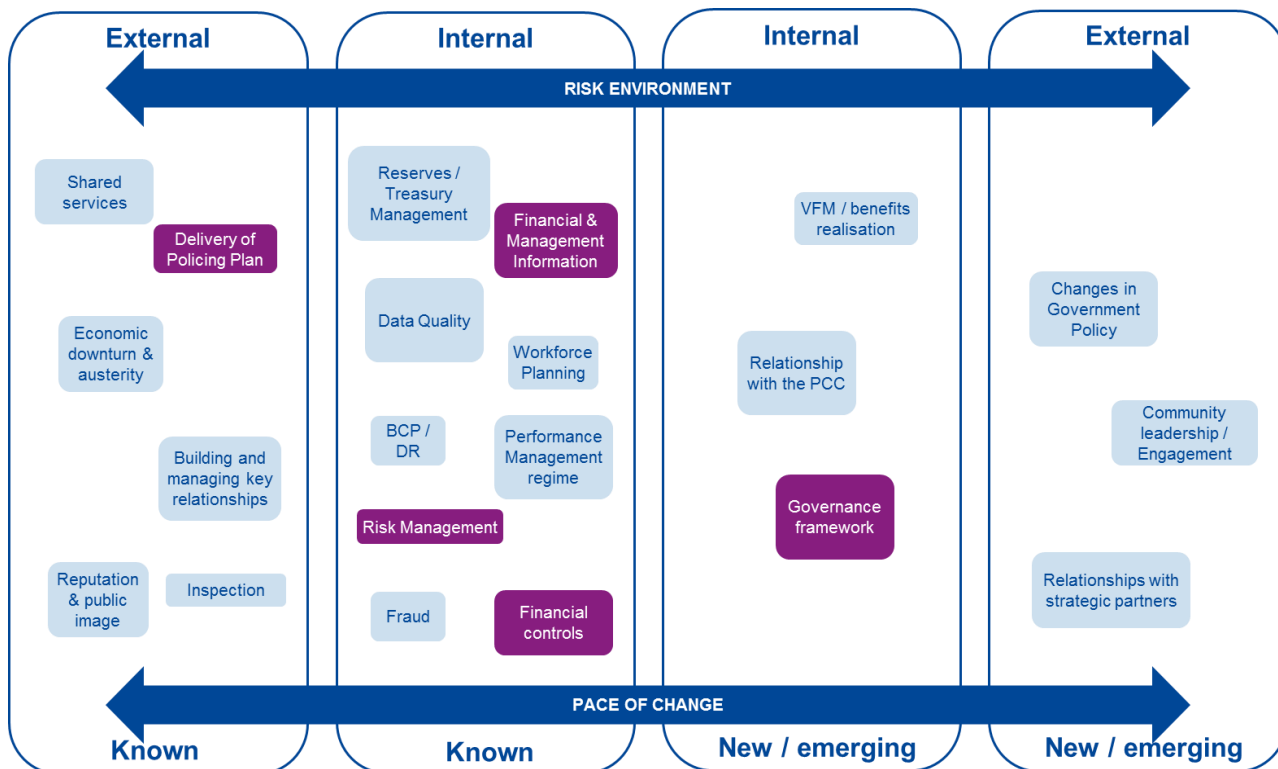
## APPENDIX A: ISSUES AFFECTING THE SECTOR

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in purple) are those where internal audit coverage is planned in the coming year.

### Office of the Police and Crime Commissioner for Derbyshire



### Derbyshire Constabulary



## APPENDIX B: STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16

### Risk Based Assurance

Auditable Areas	Relevant Risks	2013/14	2014/15	2015/16
Governance and Delivery of the Police and Crime Plan	Failure to deliver the Police & Crime Plan	✓		
Commissioning	Poor / ineffective commissioning		✓	
Data Quality	Data quality issues / failures		✓	
Integrity and Standards	Failure to maintain ethical standards and integrity in policing and OPCC activity			✓
Collaboration	Governance of Collaboration	✓		
Performance Management	Poor performance	✓	✓	✓

## Core Assurance

Audit Area	Outline scope	2013/14	2014/15	2015/16
Governance	Annual Review of the Governance arrangements in place	✓	✓	✓
Risk Management	Annual Review of the Risk Management arrangements in place	✓	✓	✓
Collaboration	Annual review of the Collaborations, this will include an element from each of the East Midlands audit plans	✓	✓	✓

## Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
General Ledger	Review to provide assurance on the key finance systems. In addition, external audit will place reliance on our work to inform their audit	✓		✓
Budgetary Control		✓		
Asset Management			✓	
Creditor payments (including goods received)		✓		
Cash Receipting and Treasury Management			✓	
Income and Debtors				✓
Payroll (including Pensions and Expenses)				✓

## Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Human Resources	This is a key area for the Organisation to be able to deliver their priorities. This could include; <ul style="list-style-type: none"> <li>• Recruitment</li> <li>• Training</li> <li>• Absence Management</li> <li>• Appraisals</li> <li>• Modernisation / Utilisation</li> <li>• Workforce Planning</li> <li>• Succession Planning</li> </ul>	✓	✓	✓
ICT Review	IT is a key area core to the operation of the Organisation's systems		✓	✓
Performance Management	This is a key area to ensure that management decisions made are based on accurate and timely Key Performance Indicators and information and any poor performance is appropriately identified and actioned		✓	
Estate Management	Operational review of the management of the Force's estates including implementation of the estates strategies, the management of repairs and maintenance, and contract management	✓		
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations	✓		
Contingency	To allow for additional audits to be undertaken at the request of the Joint Audit, Risk and Assurance Committee or management based on changes in assurance needs as they may arise during the year.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Joint Audit, Risk and Assurance Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

**APPENDIX C: INTERNAL AUDIT PLAN 2013/2014**

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Proposed Timing	Joint Audit, Risk and Assurance Committee
<b>Assurance and Advisory Work to Address Specific Risks</b>					
HR – Transactional Hub *	During 2012/13, Derbyshire Constabulary became a transactional hub for the processing of HR information for Leicestershire and Nottinghamshire. The review will consider the current arrangements in place regarding the processing of HR information to provide assurances that they are appropriate, robust and effective, especially in light of the Constabulary having responsibility for the processing of HR information, for the wider region	Assurance – Key Controls	Force	February 2014	March 2014
Governance and Delivery of the Police and Crime Plan	Review of the Governance and Delivery of the Police and Crime Plan including the processes for monitoring and reporting of the Plan and also the engagement and commissioning with key partners including the Police and Crime Panel	Assurance	OPCC	February 2014	March 2014
Governance – Financial Governance	With the Home Office FMCoP in place, it is timely to complete a review to provide assurance that all bases are covered by the PCC /OPCC	Assurance – Key Controls	OPCC	July 2013	September 2013
ICT Resilience	This audit will review what systems there are, Restart process, Backup / system resilience, assurance system providers, Compatibility of systems. Interoperability and integration of systems	Audit - Joint with Nottinghamshire	OPCC & Force	TBC	TBC
Grant Scheme	The specific scope of the review will be determined nearer the time	Assurance – Key Controls	OPCC	September 2013	December 2013

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Proposed Timing	Joint Audit, Risk and Assurance Committee
Procurement	With the recent Regional Procurement arrangements, assurances will be provided that the Constabulary is receiving the benefits and services, as planned, from the Regional Procurement arrangement. In addition, the audit will link into the governance framework surrounding Procurement and will for example provide assurances surrounding the communication and notification of contract end dates	Assurance	Force	September 2013	December 2013
Estate Management	The specific scope of the review is to be determined, however early indications suggest that it will include assurances over the work with design consultants and provide assurance that works are being completed, as expected and required	Assurance – Systematic	Force	July 2013	September 2013
Governance Structure	The review will consider the governance structure in place and determine whether the structure is effective to hold the Chief Constable and Constabulary to account	Advisory	OPCC & Force	September 2013	December 2013
Collaboration (to be completed as part of a joint review with the East Midlands)	We will undertake a joint review to include each member of the East Midlands Collaboration. This may include an audit of the Collaborative Governance Framework, including a review against the Statutory Guidance for Police Collaboration and/or individual collaborated departments. However, the scope of this review will be agreed with the Chief Finance Officers in Collaboration prior to the start of the review	Assurance	Force	June 2013	September 2013
<b>Compliance</b>					
Risk Management	Review of the Risk Management arrangements in place. In 2013/14 we will focus on the OPCC Risk Management arrangements	Assurance	OPCC	September 2013	December 2013

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Proposed Timing	Joint Audit, Risk and Assurance Committee
<b>Financial Controls</b>					
Budgetary Control	Key areas include: <ul style="list-style-type: none"> <li>Annual Budget setting process</li> <li>Budget Monitoring.</li> <li>Budgetary Reporting</li> </ul>	Key Controls	Force & OPCC	November 2013	March 2014
General Ledger	Key areas include: <ul style="list-style-type: none"> <li>Access Controls</li> <li>Journals</li> <li>Month end closedown and reconciliation process</li> </ul>	Key Controls	Force	November 2013	March 2014
Creditor Payments	Key areas include: <ul style="list-style-type: none"> <li>Placing of orders;</li> <li>Confirmation of goods being received;</li> <li>Authorisation of Invoices;</li> <li>Processing of credit notes;</li> <li>Preparation and authorisation of payment runs.</li> <li>Payment authorisation &amp; run;</li> <li>Reporting</li> </ul>	Key Controls	Force	November 2013	March 2014
<b>Other Internal Audit Coverage</b>					
Training *	To provide training to the members of the Joint Audit, Risk and Assurance Committee , as appropriate	Advisory	OPCC & Force	As required	As required
Contingency	For coverage of risks and changes in assurance needs as these arise during the year To be agreed in advance with Management	-	OPCC & Force	As required	As used
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations	Follow up review	OPCC & Force	January 2014	March 2014



Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Proposed Timing	Joint Audit, Risk and Assurance Committee
Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Joint Audit, Risk and Assurance Committee meetings.</li> <li>▪ Regular liaison and progress updates.</li> <li>▪ Liaison with external audit.</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	-	OPCC & Force	Ongoing	As used
<b>Total</b>			116		

**\*= These reviews have been brought forward from 2012/13, equates to 11 days.**

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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