

**Office for the Police and Crime Commissioner for  
Lincolnshire and Lincolnshire Police**

**Internal Audit Strategy  
2013/14**

**Presented at the Independent Audit Committee meeting of: 28 March  
2013**

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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 Lincolnshire and Lincolnshire Police 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 Independent Audit 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 objectives 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 and 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:

- Julie Flint - Chief Finance Officer (OPCC).
- Alun Jones – Interim Force Chief Finance Officer.
- Mark Draisey – Finance Director (G4S).
- Ginny Mason – Research and Performance Officer (OPCC).

Further to this we have reviewed the Police and Crime Plan and latest Risk Registers for the Office of the Police and Crime Commissioner and the Force to understand the key areas of change.

The key areas are summarised below:

Key Areas discussed with Management and their impact on the 2013/14 plan	
1	The area of data integrity and the governance oversight of this was discussed as part of the audit planning meeting as a possible area for internal audit review, however, it was agreed processes are in place internally to address and gain the required assurance including quarterly updates being provided to the OPCC.
2.	It was agreed that the Delivery of the Police and Crime Plan should be included in Quarter 1 of 2014/15 and that this should include the performance framework and how objectives are fed through the PDR process.

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 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 Senior Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Independent Audit 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 2013/14.

The Independent Audit 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 Mark Jones as Head of Internal Audit.

Your Senior Manager is Suzanne Lane.

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 £47,600 based on an estimated input of 140 days.

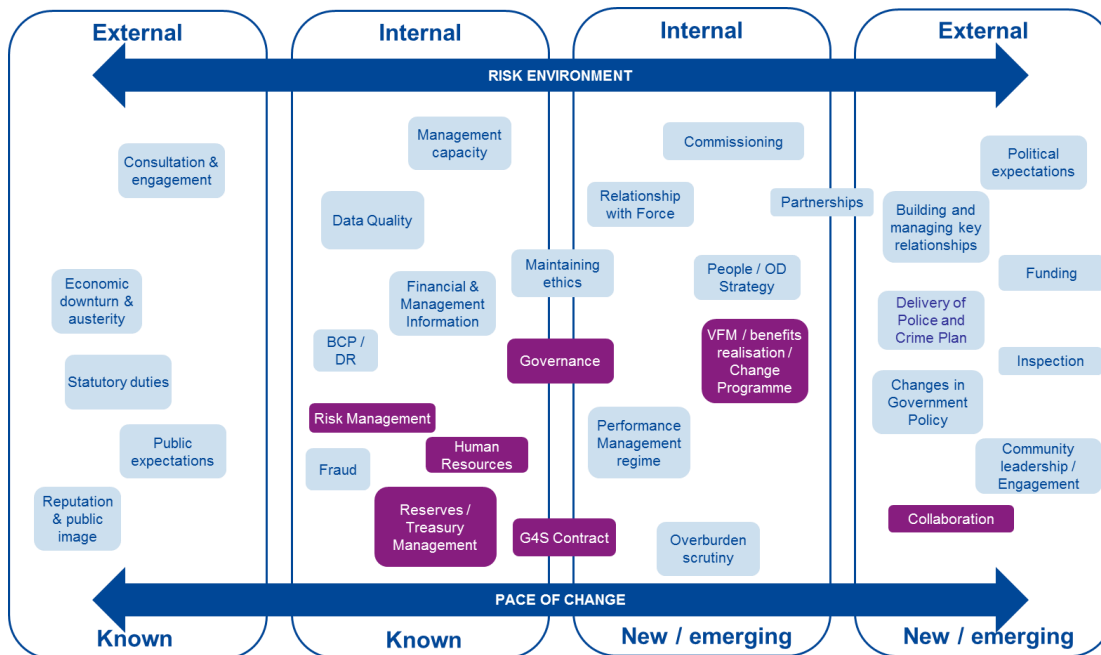
#### 4 **CONSIDERATIONS FOR THE INDEPENDENT AUDIT COMMITTEE**

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

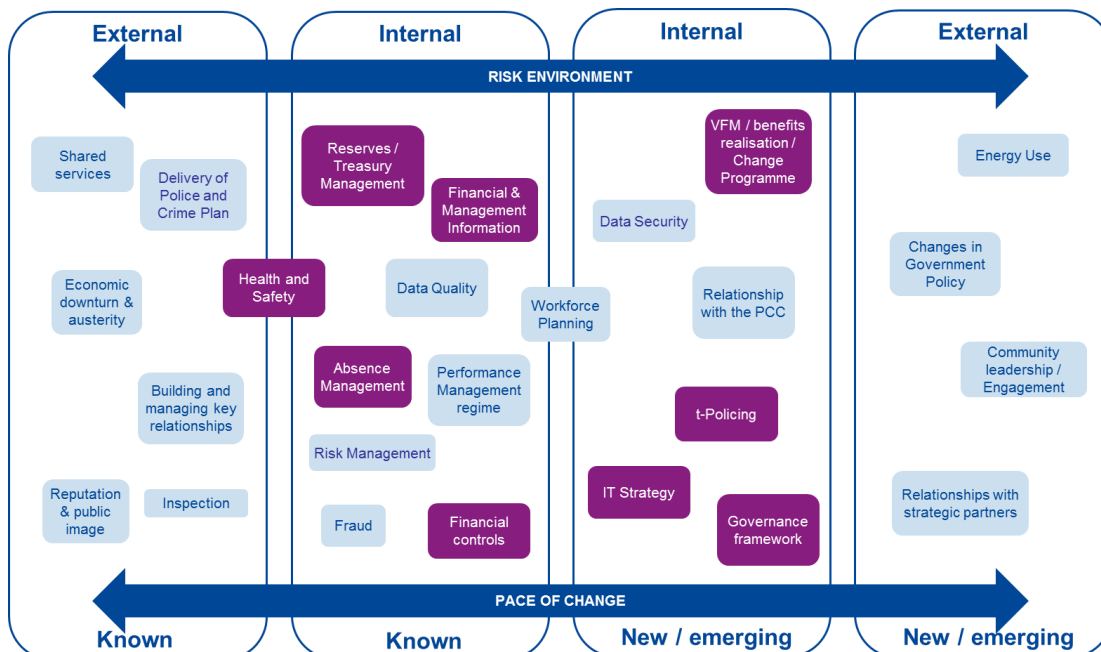
## APPENDIX A: ISSUES AFFECTING THE OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE AND LINCOLNSHIRE POLICE

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 Lincolnshire



### Lincolnshire Police



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

### Risk Based Assurance

Auditable Areas	Relevant Risks	2013/14	2014/15	2015/16
<b>Medium Term Financial Planning</b>	<p>Failure to manage finances effectively. (OPCC)</p> <p>Failure to address the residual budget deficit in year 4 of the Spending Review period. (OPCC)</p> <p>Inability to bridge the funding gap leading to the new Comprehensive Spending Review. (Force)</p>	✓		
<b>Delivery of the Police and Crime Plan</b>	<p>Failure to achieve key policy commitments as highlighted in the Police and Crime Plan and associated media campaigns. (OPCC)</p> <p>Failure to:</p> <ul style="list-style-type: none"> <li>Ensure that the agreed levels of performance as set out in the Police and Crime Plan are delivered to the public.</li> <li>Ensure that the Force achieves the SKPIs and KPIs.</li> <li>Set meaningful and rigorous performance related challenge</li> <li>Make the appropriate linkage between financial allocation and performance outcomes. (OPCC)</li> </ul>		✓	
<b>Commissioning</b>	Failure to commission appropriate services to meet objectives in the Police and Crime Plan. (OPCC)			✓
<b>Engagement Partnerships and</b>	<p>Failure of the PCC to engage effectively with the people of Lincolnshire ensuring the local link between the police and communities. (OPCC)</p> <p>Lack of effective reputation management. (OPCC)</p> <p>Ineffective Partnership working. (OPCC)</p>			✓
<b>Governance – Integrity, Transparency and Openness.</b>	Failure to ensure transparency, openness and effective governance. (OPCC)			✓
<b>HR – Workforce Planning</b>	Failure to effectively mitigate the impact on policing outcomes caused		✓	

Auditable Areas	Relevant Risks	2013/14	2014/15	2015/16
	by changes in police officer numbers. (OPCC) Inability to maintain Police Officer numbers. (Force)			
<b>Business Continuity / Disaster Recovery</b>	Lack of Business Continuity / Disaster Recovery plans / processes for Force. (OPCC) Lack of effective or non existent Disaster Recovery and Business Continuity Plans. (Force)			✓
<b>Value for Money / Benefits Realisation</b>	Failure to oversee and ensure maximum workforce productivity. (OPCC) Failure to achieve and demonstrate efficiencies and value for money (VfM) and failure to realise benefits from approved savings plan. (OPCC) Failure to make best use of Resources. (Force) Failure to ensure effective transformational change across the force and strategic partnership. (OPCC)	✓	✓	
<b>G4S Partnership Arrangements</b>	Ineffective relationship with the Strategic Partner and failure to articulate clear service expectations. (OPCC) Failure to ensure effective transformational change across the force and strategic partnership. (OPCC)	✓		
<b>Collaboration</b>	Failure to deliver value for money in regional collaborative initiatives. (OPCC) Failure to achieve maximum benefit from regional collaboration both operationally and financially. (Force)	✓		
<b>Risk Management</b>	Failure to ensure the Force to effectively embed risk management. (OPCC)		✓	
<b>Data Security</b>	Lack of awareness and appropriate tools to prevent unauthorised use of removable media by staff. (Force)		✓	

## Core Assurance

Audit Area	Outline scope	2013/14	2014/15	2015/16
<b>Governance</b>	Annual Review of the Governance Arrangements in place.	✓	✓	See risk based
<b>Risk Management</b>	Annual Review of the Risk Management Arrangements in place.	✓	See risk based	✓
<b>IT Audit</b>	Delivery of the IT Strategy including both high level and operational areas of the IT systems.	✓	See risk based	✓
<b>Collaboration</b>	Annual review of the Collaborations, this will include an element from each of the East Midlands audit plans.	See risk based	✓	✓

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

Systems	Source of Requirement	2013/14	2014/15	2015/16
<b>Budgetary Control</b>	Review of the Key Financial Systems, in addition, External audit will place reliance on our work to inform their audit.	See risk based	✓	✓
<b>General Ledger</b>		✓	✓	✓
<b>Cash, Banking &amp; Treasury Management</b>		✓	✓	✓
<b>Payroll (including Pensions and Expenses)</b>		✓	✓	✓
<b>Payments &amp; Creditors</b>		✓	✓	✓
<b>Income &amp; Debtors</b>		✓	✓	✓
<b>Asset Management</b>		✓	✓	✓

## Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
<b>Human Resources</b>	One of the key platforms to the effective delivery of the Police and Crime Plan is through its human resource. This could include Recruitment, Absence Management, Appraisals etc.	✓	See risk based	✓
<b>Service Expectations</b>	To review key processes within an operational area to ensure that police and procedures are in place and being followed. This could include the following areas: <ul style="list-style-type: none"> <li>Seized / Found Property.</li> <li>Storage and disposal of Drugs.</li> </ul>	✓	✓	✓



Activity	Rationale	2013/14	2014/15	2015/16
	<ul style="list-style-type: none"> <li>Firearms.</li> <li>Proceeds of Crime.</li> <li>Hi Tech Crime.</li> <li>Strategic Policing Requirement.</li> </ul>			
<b>Management of Volunteers</b>	Review to ensure that key policies and procedures are in place and being complied with in relation to volunteers, this could include recruitment, integrity monitoring and engagement.		✓	
<b>Estates Strategy</b>	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.		✓	
<b>Procurement</b>	To review the procurement/tendering process used by to ensure integrity and compliance with statutory legislation.			✓ (Within Creditors)
<b>T-Police Implementation</b>	Review of the implementation of t-Police including balance transfers.	✓		
<b>Follow Up</b>	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
<b>Audit Management</b>	This will include: <ul style="list-style-type: none"> <li>Annual planning</li> <li>Preparation for, and attendance at, Independent Audit 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 2013/14

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Audit Fee	Proposed Timing
<b>Assurance and Advisory Work to Address Specific Risks</b>					
<b>Medium Term Financial Planning</b>	<p><i>Failure to manage finances effectively. (OPCC)</i></p> <p><i>Failure to address the residual budget deficit in year 4 of the Spending Review period. (OPCC)</i></p> <p><i>Inability to bridge the funding gap leading to the new Comprehensive Spending Review. (Force)</i></p> <p>Review of the development, monitoring and reacting to any issues within the Medium Term Financial Plan including:</p> <ul style="list-style-type: none"> <li>▪ Annual Budget setting process.</li> <li>▪ Medium term financial planning.</li> <li>▪ Annual update of assumptions.</li> <li>▪ Sensitivity analysis.</li> <li>▪ Budget Monitoring.</li> <li>▪ Budgetary Reporting.</li> <li>▪ Link between the Police and Crime Plan and the MTFP.</li> </ul>	Assurance	OPCC & Force	£2,450	Q2
<b>VfM – Office Productivity and Resource Allocation</b>	<p><i>Failure to oversee and ensure maximum workforce productivity. (OPCC)</i></p> <p>High Level review of the Value for Money Board including the discharging of responsibilities and link of work plan to the Police and Crime Plan.</p>	Assurance	OPCC & Force	£3,975	Q1
<b>G4S Partnership Arrangements – Benefits realisation</b>	<p><i>Ineffective relationship with the Strategic Partner and failure to articulate clear service expectations. (OPCC)</i></p> <p><i>Failure to ensure effective transformational change across the force and strategic partnership. (OPCC)</i></p> <p>Review of the G4S partnerships arrangement including monitoring and reporting of the benefits realisation of the Strategic Partnership. This will include a review of a sample of evidence to support benefits identified and reported.</p>	Assurance	OPCC & Force	£3,200	Q2

<b>Collaboration</b> (to be completed as part of a joint review with the East Midlands)	Failure to deliver value for money in regional collaborative initiatives. (OPCC)  Failure to achieve maximum benefit from regional collaboration both operationally and financially. (Force) 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	£1,700	Q1
<b>Compliance</b>					
<b>Governance</b>	Review of the new governance arrangements in place to establish if these are fit for purpose.	Assurance	OPCC	£2,735	Q4
<b>Risk Management</b>	Review of the Risk Management arrangements in place. In 2013/14 we will focus on the OPCC Risk Management arrangements.	Assurance	OPCC & Force	£2,735	Q4
<b>IT Audit</b>	Scope of the review to be agreed with management prior to the start of the audit.	TBC	Force	£3,975	Q2
<b>Financial Controls</b>					
<b>General Ledger</b>	<ul style="list-style-type: none"> <li>Access Controls</li> <li>Journals</li> <li>Month end closedown and reconciliation process</li> </ul>	Assurance - Key Financial Controls	Force	£1,100	Q3
<b>Cash, Banking &amp; Treasury Management</b>	<ul style="list-style-type: none"> <li>Receipt of cash;</li> <li>Processing of cash payments;</li> <li>Bank mandate;</li> <li>Bank reconciliation;</li> <li>Control over loans and investments where appropriate.</li> </ul>	Assurance - Key Financial Controls	Force	£1,250	Q3
<b>Payroll (including Pensions and Expenses)</b>	<ul style="list-style-type: none"> <li>Starters;</li> <li>Leavers;</li> <li>Changes to contract details;</li> <li>Pensions contributions;</li> <li>Expenses</li> <li>Payment authorisation &amp; run;</li> <li>Reporting.</li> </ul>	Assurance - Key Financial Controls	Force	£2,040	Q3
<b>Payments &amp; Creditors</b>	<ul style="list-style-type: none"> <li>Placing of orders;</li> <li>Confirmation of goods being</li> </ul>	Assurance - Key Financial	Force	£1,450	Q3

	<ul style="list-style-type: none"> <li>received;</li> <li>Authorisation of Invoices;</li> <li>Processing of credit notes</li> <li>Preparation and authorisation of payment runs.</li> </ul>	Controls			
<b>Income and Debtors</b>	<ul style="list-style-type: none"> <li>Raising and authorisation of invoices;</li> <li>Chasing of outstanding debts;</li> <li>Debt write off.</li> </ul>	Assurance - Key Financial Controls	Force	£1,150	Q3
<b>Capital Accounting &amp; Fixed Assets</b>	<ul style="list-style-type: none"> <li>Approval and allocation of capital expenditure;</li> <li>Maintenance of the asset register;</li> <li>Internal verification of assets;</li> <li>Disposals of assets;</li> <li>Maintenance of inventory registers;</li> </ul>	Assurance - Key Financial Controls	Force	£1,650	Q3
<b>Other Internal Audit Coverage</b>					
<b>HR – Absence Management</b>	<p>Review of the Forces approach to the absence management including:</p> <ul style="list-style-type: none"> <li>Clearly policies and procedures.</li> <li>Compliance with policies and procedure for absence management.</li> <li>Referral and use of occupational health where required.</li> <li>Accuracy of performance reporting on absence to senior management;</li> </ul>	Assurance	Force	£2,200	Q1
<b>Service Expectations - Strategic Policing Requirement</b>	<p>Project Management review of the Strategic Policing Requirement (SRP). This review will cover the Force's assessment against the Homes Office Guidance and include:</p> <ul style="list-style-type: none"> <li>Has the Force identified what is required?</li> <li>Is the Force acting on the requirements of the SPR?</li> <li>How does the SPR integrate into the standard business of the force?</li> <li>Are the threats and risks being identified and managed?</li> </ul>	Assurance	Force	£2,800	Q2
<b>T-Police Implementation</b>	<p>Review of the implementation and use of t-Police this will include verification of a sample of balance transfers.</p>	Assurance	Force	£3,035	Q2
<b>Follow Up</b>	<p>To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.</p>	Follow up review		£1,330	Q4

<b>Management</b>	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Independent Audit 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>	-		£8,825	Ongoing
<b>Total</b>				£47,600	

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