

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

Internal Audit Strategy 2014/15

Presented at the Joint Audit Committee meeting
of: 28th March 2014

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1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 – 2015/16 and the annual plan for 2014/15.

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: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Police and Crime Commissioner for Lincolnshire and Lincolnshire Police have in place, focusing in particular on how these arrangements help the organisations to achieve the objectives of the Police and Crime Plan. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit Committee. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Police and Crime Commissioner and Chief Constable to support their Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy. Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Chief Finance Officer (OPCC);
- Chief Finance Officer (Force);
- Research and Performance Officer (OPCC)
- Deputy Chief Constable (Force);
- Joint meeting of the Chief Finance Officers for the East Midlands Region (OPCC & Force).

The key areas / factors are summarised below.

Key areas discussed and their impact on the 2014/15 internal audit plan

1	Estates Strategy delayed until 2015/16 due to a new Strategy being developed within 2014/15.
2	T-Police added to the audit plan for 2014/15 as part of the implementation of the new system
3	Management of Volunteers has been removed from main plan as a separate topic, but will be included within the review of the Police and Crime Plan where appropriate.
4	We have extended our review of Budgetary Control to include Financial Management as G4S are responsible for advising and placing orders for the senior manager and assurance is required over the adequacy of this process including compliance with policies and procedures
5	We have added a review of the effectiveness of HMIC data returns , including the consistency on the year on year submissions.
6	We have delayed our review of HR Workforce Planning to allow for other priorities within the audit plan
7	We have added a review of Fleet Management to the audit plan to review the maintenance and fuel

management of the fleet.

- 8 We have not included a review of **Data Quality** and **Crime Recording** due to the reviews being undertaken by HMIC and to ensure we maximise assurance. This will be kept under review throughout the year as we may, for example, be required to undertake some follow up work in this area.
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The strategy is set out at Appendix B, with the detailed internal audit plan for 2014/15 set out at Appendix C.

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

- Planned assurance on core areas of activity;
- Time to follow up previous recommendations and actions to provide the Joint Audit Committee with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used at Partner and Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at Joint Audit Committee.

2 Assurance Resources

2.1 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.

2.2 Internal Audit Fees

The fee for your internal audit service for 2014/15 is £54,793, based on an estimated input of 157 days.

2.3 Working with other assurance providers

We have held discussions with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Joint Audit Committee is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

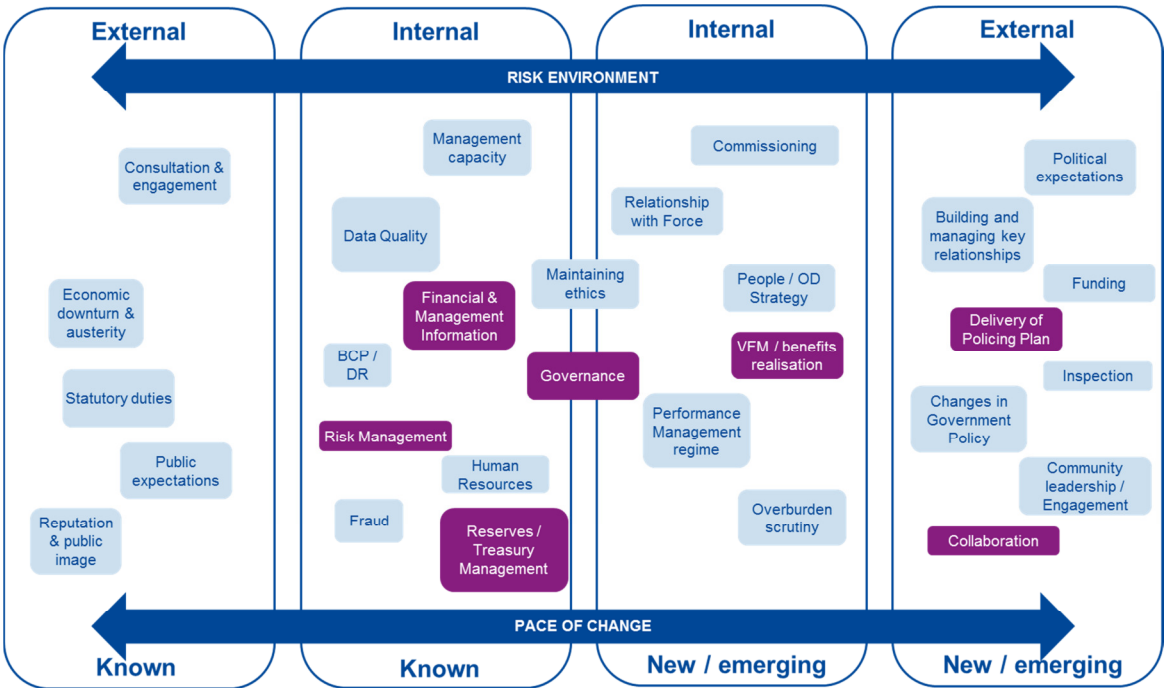
2.4 Considerations for the Joint Audit Committee

- Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Joint Audit Committee?
- Does the internal audit plan for 2014/15 (Appendix C) reflect the areas that the Joint Audit Committee believes should be covered as priority?
- Is the Joint Audit Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?

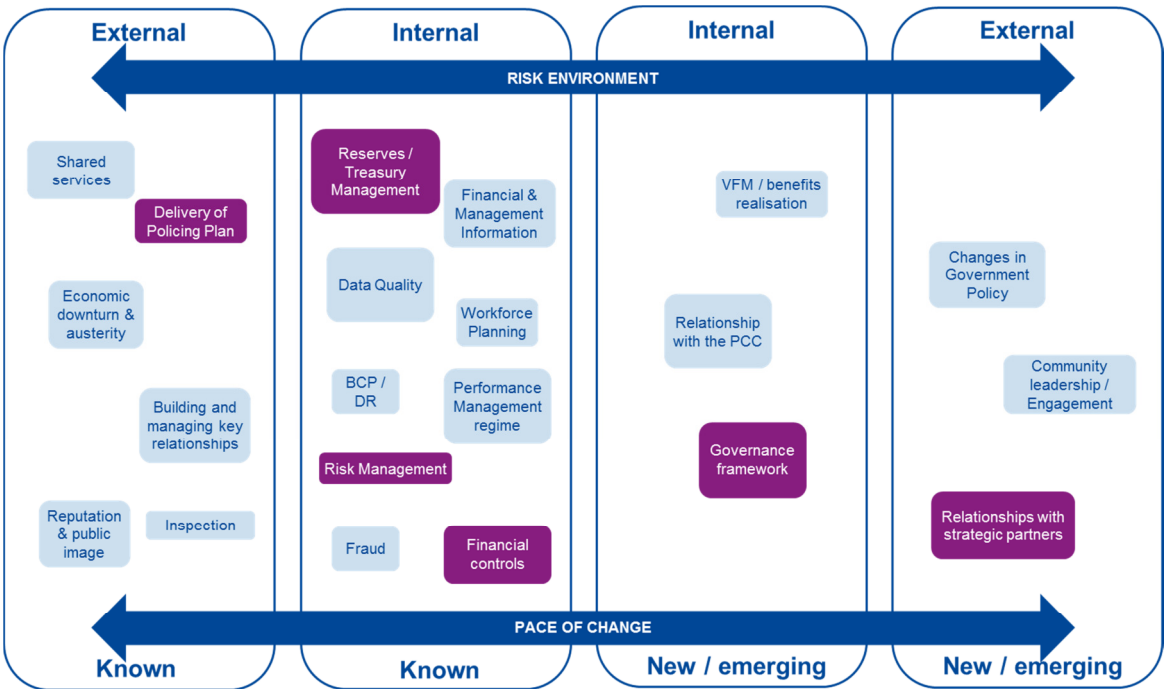
Appendix A: Issues affecting Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police

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: Internal Audit Strategy 2013/14 – 2015/16

Risk Based Assurance

Auditable Areas	Relevant Risks (drawn from the OPCC & Force Risk Registers)	2013/14	2014/15	2015/16
Medium Term Financial Planning	<p>Failure to manage finances effectively. (OPCC)</p> <p>Failure to persuade Government of Lincolnshire's case for a fairer share of national funding, including lack of recognition of the rural costs in the formula, compounded by potential budget cuts presented by HM Treasury in next spending review period (2014/15 – 2017/18). (OPCC)</p> <p>Inability to bridge the funding gap from 2016/17 as a result of Comprehensive Spending Review 2. (Force)</p>	✓		
Delivery of the Police and Crime Plan	<p>Failure to establish appropriate relationships and mechanism with the Police and Crime Panel. (OPCC)</p> <p>Failure to ensure that Force objectives are delivered (with available resources). (OPCC)</p> <p>Implementation of the Force's Volunteers Project. (Force)</p>		✓	
Engagement Partnerships and	<p>Lack of effective reputation management. (OPCC)</p> <p>Lack of Strategic alignment with partners. (OPCC)</p> <p>Lack of effective relationship with the Police and Crime Commissioner, partners, stakeholders and other agencies. (Force)</p>			✓
Governance	<p>Lack of resilience of PCC (deputy not appointed) and in the Office of the Police and Crime Commissioner. (OPCC)</p> <p>Failure to ensure effective governance, transparency and compliance with statutory duties with effective overview mechanisms. (OPCC)</p>		✓	
HR – Workforce Planning	<p>Inability to maintain Police Officer numbers. (Force)</p>			✓
Business Continuity / Disaster Recovery	<p>Lack of Business Continuity / Disaster Recovery plans / processes for Force. (OPCC)</p>			✓

Auditable Areas	Relevant Risks (drawn from the OPCC & Force Risk Registers)	2013/14	2014/15	2015/16
Value for Money / Benefits Realisation	Failure to achieve and demonstrate efficiencies, value for money (VfM) and optimum workforce productivity (OPCC) Failure to make best use of Resources. (Force)	✓	See Collaboration	
Collaboration (to be completed as part of a joint review with the East Midlands)	Failure to deliver and demonstrate value for money in regional collaborative initiatives. (OPCC) Failure to ensure that Strategic Partner/Partners' objectives are delivered (within the available resource). (OPCC) Failure to achieve maximum benefit from regional collaboration both operationally and financially. (Force)	✓	✓	✓
Data Security	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
Governance	Annual Review of the Governance Arrangements in place.	✓	See risk based	✓
Risk Management	Annual Review of the Risk Management Arrangements in place.	✓	✓	✓
IT Audit	Delivery of the IT Strategy including both high level and operational areas of the IT systems.	✓	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
Financial Management including Budgetary Control	Review of the Key Financial Systems. In addition, this work will be completed in line with the External Audit Protocol to ensure External audit will place reliance on our work to inform their audit.	See risk based	✓	✓
General Ledger		✓	✓	✓
Cash, Banking & Treasury Management		✓	✓	✓
Payroll (including Pensions and Expenses)		✓	✓	✓
Payments & Creditors		✓	✓	✓

Income & Debtors		✓	✓	✓
Asset Management		✓	✓	✓

Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Human Resources	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.	✓		✓
Service Expectations	<p>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:</p> <ul style="list-style-type: none"> Seized / Found Property. Storage and disposal of Drugs. Firearms. Proceeds of Crime. Hi Tech Crime. Strategic Policing Requirement. Security & Disposal of Assets in Custody to be included in 2015/16 to include the recording of property from cradle to grave. <p><u>Previously:</u> 2011/12 - Warrants. 2012/13 - Restorative Justice.</p>	✓ Strategic Policing Requirement Project	✓ POCA Firearms Asset Management	✓
Commissioning	Failure to have appropriate framework in place and commission appropriate services to meet objectives in the Police and Crime Plan.			✓
Estates Strategy	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.			✓
Procurement	To review the procurement/tendering process used by to ensure integrity and compliance with statutory legislation.			✓ (Within Creditors)
T-Police Implementation	Review of the implementation of t-Police including balance transfers.	✓	✓	
G4S Partnership Arrangements	Ineffective relationship with the Strategic Partner and failure to articulate clear service expectations.	✓		

Activity	Rationale	2013/14	2014/15	2015/16
Data Returns	To review the accuracy and effectiveness of HMIC data returns, including the consistency on the year on year submissions.		✓	
Fleet Management	To review the maintenance and fuel management of the fleet.		✓	
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Independent Audit Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	✓	✓	✓

Appendix C: Internal Audit Plan 2014/15

Audit	Internal Audit Coverage	Assurance / Advisory	Sponsor	Audit Fee	Timing
Reviews relating to specific risks (drawn from the OPCC & Force Risk Registers)					
Delivery of the Police and Crime Plan	<p>Risks: Failure to establish appropriate relationships and mechanism with the Police and Crime Panel. (OPCC)</p> <p>Failure to ensure that Force objectives are delivered (with available resources). (OPCC)</p> <p>Implementation of the Force's Volunteers Project. (Force)</p> <p>Coverage: Scope of the work to be agreed with management during the year, however, this may include the management of volunteers to assist in the delivery of the Police and Crime Plan.</p>	Assurance	OPCC & Force	£4,260	Q3
Governance - Decision making process & integrity	<p>Risks: Lack of resilience of PCC (deputy not appointed) and in the Office of the Police and Crime Commissioner. (OPCC)</p> <p>Failure to ensure effective governance, transparency and compliance with statutory duties with effective overview mechanisms. (OPCC)</p> <p>Coverage: Scope of the review to be agreed with management before the start of the review. However, this will focus on transparency of decision making and integrity.</p>	Assurance	OPCC	£2,900	Q1
Collaboration - Efficiency Savings Plans (to be completed as part of a joint review with the East Midlands)	<p>Risk: Failure to deliver and demonstrate value for money in regional collaborative initiatives. (OPCC)</p> <p>Failure to ensure that Strategic Partner/Partners' objectives are delivered (within the available resource). (OPCC)</p> <p>Failure to achieve maximum benefit from regional collaboration both operationally and financially. (Force)</p> <p>Coverage: We will undertake a joint review to include each member of the East Midlands Collaboration.</p> <p>A review of the joint efficiency savings plans within the East Midlands to ensure that these are clearly defined, aligned within the Group, monitored for achievement including an assessment of benefits realisation</p>	Assurance	OPCC & Force	£2,200	Q3

Audit	Internal Audit Coverage	Assurance / Advisory	Sponsor	Audit Fee	Timing
Data Security	<p>Risk: Lack of awareness and appropriate tools to prevent unauthorised use of removable media by staff. (Force)</p> <p>Coverage: To review the arrangements in place for the physical access to security and also ensuring that data is deleted and removed in line with relevant policies and the Data Protection Act. This will include both Force and G4S staff.</p>	Assurance	Force	£4,240	Q3
Core assurance					
Risk Management	Review of the Risk Management Arrangements in place, this may include a follow up of the ICO review.	Assurance	OPCC & Force	£2,900	Q4
Financial Management including Budget Management	<p>G4S are responsible for advising and placing orders for senior manager. This review will include:</p> <ul style="list-style-type: none"> Defined policies and procedures in place. Compliance with policies and procedures including contract orders e.g. obtaining quotes and tenders. Effective budget management arrangements in place including identification of variances. 	Assurance	OPCC & Force	£3,600	Q2
General Ledger	<ul style="list-style-type: none"> Access Controls Journals Month end closedown and reconciliation process 	Assurance - Key Financial Controls	OPCC & Force	£1,250	Q4
Cash, Banking & Treasury Management	<ul style="list-style-type: none"> Receipt of cash; Processing of cash payments; Bank mandate; Bank reconciliation; Control over loans and investments where appropriate. 	Assurance - Key Financial Controls	OPCC & Force	£1,250	Q3
Payroll (including and Pensions Expenses)	<ul style="list-style-type: none"> Starters; Leavers; Changes to contract details; Pensions contributions; Expenses Payment authorisation & run; Reporting. 	Assurance - Key Financial Controls	OPCC & Force	£2,200	Q3
Payments &	<ul style="list-style-type: none"> Placing of orders; 	Assurance -	OPCC &	£1,250	Q4

Audit	Internal Audit Coverage	Assurance / Advisory	Sponsor	Audit Fee	Timing
Creditors	<ul style="list-style-type: none"> Confirmation of goods being received; Authorisation of Invoices; Processing of credit notes Preparation and authorisation of payment runs. 	Key Financial Controls	Force		
Income & Debtors	<ul style="list-style-type: none"> Raising and authorisation of invoices; Chasing of outstanding debts; Debt write off. 	Assurance - Key Financial Controls	OPCC & Force	£1,250	Q4
Asset Management	<ul style="list-style-type: none"> Approval and allocation of capital expenditure; Maintenance of the asset register; Internal verification of assets; Disposals of assets; Maintenance of inventory registers; 	Assurance - Key Financial Controls	OPCC & Force	£1,560	Q3
Other Internal Audit Activity					
Service Expectations – POCA	Compliance with policies and procedure on seizures as part of the Proceeds of Crime Act.	Assurance	Force	£3,275	Q2
Service Expectations – Firearms Asset Management	To review the processes in place for the management of Force Firearms including ammunition. To include initial recording of firearms and related items, records held during transfer within the Force and data management.	Assurance	Force	£2,190	Q1
T-Police Implementation	Review as part of the implementation of t-police. To include the next stages of implementation to encompass TOIL and HR. This will include data migration and verification of balances, confirmation of training for users and managements monitoring of the use of the system.	Assurance	OPCC & Force	£4,260	Q2
Data Returns	Review of the accuracy and effectiveness of HMIC data returns, including the consistency on the year on year submissions in calculations of costs.	Assurance	Force	£2,880	Q2
Fleet Management	To review the arrangements in place for the maintenance of the fleet including allocation of costs and ensuring servicing is completed in line with defined timescales. In addiiton, as part of our review we will review the arrangements in place for the fuel	Assurance	Force	£2,880	Q1/2

Audit	Internal Audit Coverage	Assurance / Advisory	Sponsor	Audit Fee	Timing
	management for the fleet.				
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	N/A	OPCC & Force	£1,400	Q3
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Independent Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	N/A	N/A	£9,048	N/A
Total				£54,793	