

<b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE</b>	<b>Paper No. 18</b>
<b>Meeting date: 15 March 2017</b>	
<b>From: Audit Manager (Cumbria Shared Internal Audit Service)</b>	

## **INTERNAL AUDIT: DRAFT INTERNAL AUDIT PLAN 2017/18**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The draft audit plan has been prepared in consultation with senior management and in conformance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 The Standards require that the Audit Manager prepares an annual risk based audit plan for review by Senior Management and Joint Audit & Standards Committee and approval by the Board.
- 1.3 The attached draft plan has been prepared in accordance with the planning methodology agreed by the Shared Internal Audit Services Board. The approach included:
- Consultation with senior management across the Office of the Police and Crime Commissioner and Cumbria Constabulary
  - Review of the strategic risk register and annual governance statement action plans for 2016/17
  - Review of outcomes of previous audit reviews and other inspections
  - Consideration of national, regional or emerging issues; and
  - A risk assessment to rank the audits in priority order.
- 1.4 The Internal Audit Charter is included as appendix 3 to the audit plan for information. Approval of the Charter rests with the Board. The Charter has been updated to reflect changes in the 2016 review of the Public Sector Internal Audit Standards.
- 1.5 The arrangements for follow up of internal audit reviews is also attached as an appendix to the plan.

**2.0 RECOMMENDATION**

**2.1 *Members are asked to note the draft internal audit plan for 2017/18.***

# **Joint Cumbria Office of the Police and Crime Commissioner and Cumbria Constabulary Internal Audit Plan 2017/18**

## **1. Introduction**

- 1.1 Internal Auditing is “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal audit helps the Commissioner’s Office and Constabulary to achieve their objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.” (Chartered Institute of internal Auditors).
- 1.2 The Accounts and Audit Regulations 2015 require the Commissioner’s Office and Constabulary to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance.
- 1.3 The PSIAS affirm the need for annual risk based audit plans to be developed in order that the Head of Internal Audit can form an annual opinion on the organisations’ systems of risk management, governance and internal control.
- 1.4 This Internal Audit Plan has been prepared in line with the Public Sector Internal Audit Standards and following consultation with the senior management of both the Commissioner’s Office and Constabulary to identify the areas where it is considered that Internal Audit can add the greatest value. The Plan is attached at Appendix 1.

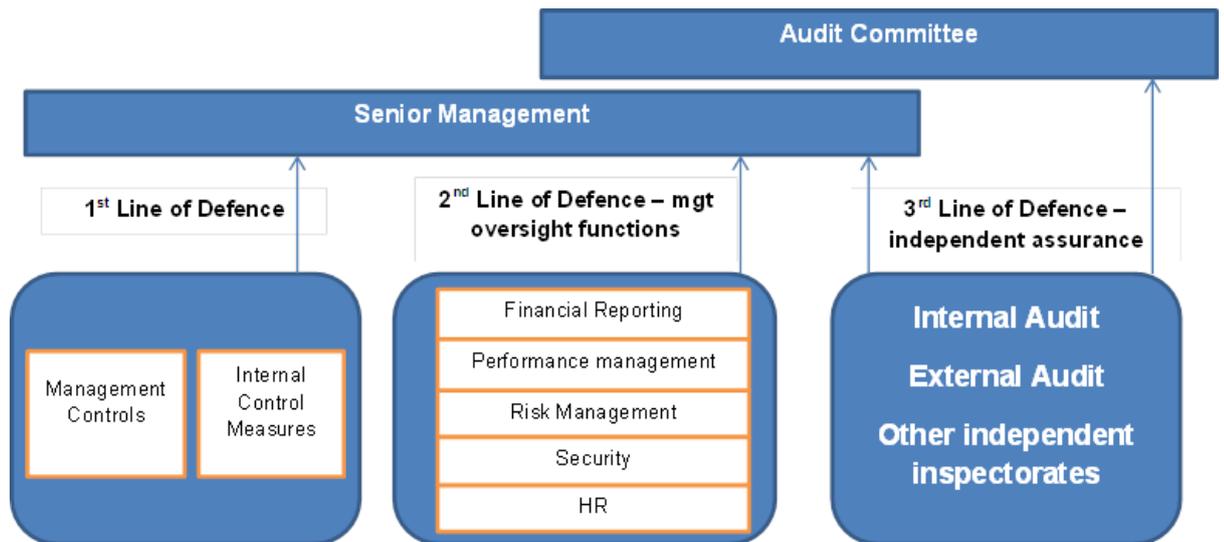
## **2. Internal Audit Service delivery**

- 2.1 The PSIAS require that the Internal Audit plan sets out a high level statement of how the Internal Audit Service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 2.2 Internal Audit at the Commissioner’s Office and Constabulary is delivered through a Shared Internal Audit Service with Cumbria County Council (the host authority). The Shared Internal Audit Service is governed by a Shared Services Operations Board comprising the Section 151 Officers of the County Council and the OPCC (also representing the Constabulary). A Shared Service Agreement is in the process of being finalised and will be signed up to by both organisations.
- 2.3 Internal audit reviews are undertaken using a risk-based approach in line with the PSIAS. This ensures that audit reviews focus on the areas of risk

and that assurance covers the wider framework of governance, risk management and internal controls.

### 3. Roles of Management and of Internal Audit

3.1 The respective roles of managers and internal audit are summarised in the three lines of defence model shown below which sets out the position of internal audit in providing assurance that the management arrangements over governance, risk management and internal control are adequate and effective.



3.2 It is the role of management to establish effective systems of governance, risk management and internal controls in order to:

- safeguard resources and prevent fraud;
- ensure the completeness and reliability of records;
- monitor adherence to laws, regulations, policies and procedures;
- promote operational efficiency demonstrate the achievement of value for money; and
- manage risk

3.3 It is the responsibility of management to establish the checks and balances needed to confirm that their systems are working effectively, that all information within them is accurate, that they are free from fraud or error.

3.4 Internal audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of internal audit to re-perform management's checks or to undertake such checking on management's behalf.

- 3.5 In order to safeguard its independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making, policy setting or monitoring of compliance within either the OPCC's Office or the Constabulary.

#### **4. Internal Audit Resources**

- 4.1 The Commissioner's Office and the Constabulary are part of the Shared Internal Audit Service. Internal Audit days to be provided are agreed annually with the Commissioner's Chief Finance Officer. The level of Internal Audit resource in the proposed plan has been determined so as to ensure that both organisations have appropriate internal audit coverage in order to provide an opinion on the systems of governance, risk and internal control, for each organisation, in line with the PSIAS and in order to support the preparation of the Annual Governance Statements.

#### **5. Categories of Internal Audit Work**

- 5.1 **Cross-cutting Reviews** – Reviews which are strategic in nature or which cut across both organisations. These reviews are designed to provide assurance that the Commissioner's Office and Constabulary have effective governance and risk management arrangements to mitigate strategic risks.
- 5.2 **Constabulary Risk-Based audit reviews** – these reviews have been identified in consultation with senior management.
- 5.3 **Non-risk based audit reviews** – these reviews have been requested by management and have not been risk assessed for inclusion in the plan.
- 5.4 **Financial System reviews** – A three year rolling programme of financial systems has been determined in conjunction with the OPCC and Chief Constable's Chief Finance Officers. The programme is attached at Appendix 2.
- 5.5 **Follow up of previous audit recommendations** - all audits resulting in partial or limited assurance statements are followed up to confirm that agreed actions have been implemented, and a revised assurance level provided where appropriate.
- 5.6 **Consultancy** – Provision for advice and challenge for the Admin Review project.
- 5.7 **Audit planning and management** – provision for management of internal audit activity in relation to the work undertaken for the Commissioner's Office and Constabulary has been built into the plan. This includes preparation of the annual internal audit plan, attendance at and preparation

of progress reports for the Joint Audit and Standards Committee and liaison with management and the external auditor.

5.8 A summary of the number of days allocated to each category of audit work is shown below. Percentage figures from the 2016/17 audit plan are included for reference.

Category	2017/18		2016/17
	Days	% of total days	% of total days
Constabulary cross cutting risk based audit reviews	50	18	7
Constabulary risk-based audit reviews	115	41	54
OPCC cross cutting risk based audit reviews	20	7	7
Non-risk based reviews	18*	6	2
Financial Systems	35	12	15
Follow up	15	5	5
Consultancy	2	1	0
Contingency	0	0	0
Police audit training and development event	2	1	1
Overhead (planning / management time)	24	9	9
<b>TOTAL</b>	<b>281</b>	<b>100</b>	<b>100</b>

5.9 \* Detailed testing of procurement and AGS review for OPCC

5.10 Key points to note:

- An increase in the proportion of Constabulary cross cutting reviews to give assurance at the highest level.

## 6. Performance Standards

6.1 A suite of performance measures has been developed and reported to Joint Audit & Standards Committee during previous years. It is proposed that the same measures will be used during 2017/18 and will continue to be reported quarterly to Joint Audit & Standards Committee.

## **7. Internal Audit Charter**

- 7.1 It is a requirement of the PSIAS that the Joint Audit and Standards Committee regularly reviews and approves an internal audit charter. The charter sets out the role, purpose and responsibilities of internal audit. The charter provides for annual review and approval alongside the annual draft internal audit plan. The charter is attached at Appendix 3 changes proposed are shown as tracked changes for ease of reference. A final version is available.

## Appendix 1 - Draft proposed internal audit plan 2017/18

Audit Review	Description	Days
Finances (Funding formula) (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance. This area features on the Constabulary's strategic risk register.  High level review to provide independent assurance that the Constabulary has appropriate governance and planning arrangements in place to manage the uncertainty around changes to the police funding formula.	10
Vulnerability (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  Scope to be agreed with management on this wide ranging area.	20
Firearms licencing (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  Review to provide independent assurance over the arrangements for firearms licencing, including application of Home Office guidance and the Authorised Professional Practice and implementation of recommendations in the 2015 HMIC report on 'targeting the risk'.	20
Use of force (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  The Home Office require greater transparency in this area. Review to provide independent assurance over management's arrangements in place for collection, recording, analysis and dissemination of use of force data in readiness for the requirement by the Home Office to publish data.	20
Commissioning (OPCC)	Identified through management consultation as a priority for Internal Audit assurance.  Review to provide assurance that policies, procedures and grant regulations are complied with.	10
Five and fifteen week reviews / Professional Development Reviews (PDRs) (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance. Joint Audit and Standards Committee are interested in this area.  The Constabulary have reviewed the arrangements in place to conduct five and fifteen week performance reviews and a new regime has been launched for PDRs. Internal Audit will provide assurance over the arrangements in place for performance management in this area.	20
Resourcing – Duty Management (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  Duties are managed throughout the County. Review will provide independent assurance over management's	15

<b>Audit Review</b>	<b>Description</b>	<b>Days</b>
	arrangements to ensure consistency of operational resourcing and the process of managing duties.	
IT capacity (Constabulary)	Reliance on IT to deliver systems which improve officer productivity and reduce manual intervention in processes is a key part of the Change Programme. This is included on the Constabulary's strategic risk register.  High level review to provide assurance over management's arrangements to proactively manage the IT programme of work.	10
Fleet (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  Fleet is the second highest cost area for the Constabulary. Audit review to provide assurance that management have arrangements in place to ensure fleet vehicles are used to best effect.	20
Digital Media Investigation Unit (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  The Digital Media Investigation Unit was set up in 2016/17. Internal Audit review to provide assurance that management's arrangements for assessing risk at the initial stage of the process is robust.	15
Business Improvement Unit (Constabulary)	Identified through management consultation as a priority for Internal Audit assurance.  The Business Improvement Unit was established in May 2016 to support senior managers in the Constabulary to deliver on their plans. Review to provide assurance that the Unit is operating in accordance with its terms of reference and is delivering its objectives for the Constabulary.	15
OPCC – Information security (OPCC)	Identified through management consultation as a priority for Internal Audit assurance.  The OPCC has two websites which are managed internally. Review will provide independent assurance over management's arrangements to keep these websites secure.	10
	<b>Subtotal for risk based audits</b>	<b>185</b>
	<b>Subtotal for non-risk based audits (see table below for detail)</b>	<b>96</b>
	<b>Total for all proposed audit work for 2017/18</b>	<b>281</b>



Audit Review	Description	Days
	Preparation of progress reports and annual reports and opinions	6
	Audit planning	9
	Management liaison	4
	Effectiveness of Internal Audit – Compliance with PSIAS	1
	<b>Subtotal for non-risk based audits</b>	<b>96</b>

## Appendix 2 – Financial System Reviews

The table below shows an indicative three year programme of financial system audit reviews designed to ensure that all key financial systems are audited on a regular basis. The OPCC and Chief Constable's Chief Finance Officers have risk assessed the financial systems taking into account assurances provided in management control questionnaires. The risk assessment will be undertaken annually to factor in any changes.

2017/18		2018/19		2019/20	
Review	Days	Review	Days	Review	Days
Creditors	15	Debtors	15	Pensions	15
Treasury Management	10	Payroll	15	Main accounting	10
Cash receipting	10				
<b>Totals</b>	<b>35</b>		<b>30</b>		<b>25</b>