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

Draft Internal Audit Strategy 2017/18 to 2019/20 and 2017/18 Internal Audit Plan

March 2017

This report has been prepared on the basis of the limitations set out on page 16.

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Contents

1. Introduction 1
2. The Scope and Purpose of Internal Audit 1
3. Approach 2
4. External Audit Consultation 4
Appendix A – Annual Internal Audit Plan 2017-18 5
Appendix B – Strategic Audit Plan 2017-20 9
Appendix C – Levels of Assurance and Opinions 14
Appendix D – Contact Details 15
Statement of Responsibility 16

1. Introduction

1.1 A three-year proposed Strategic Audit Plan has been prepared on behalf of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police (the OPCC and Force) for the period 1 April 2017 to 31 March 2020.

1.2 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC 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 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 2017 – 2018**.

1.4 **Appendix B** sets out our proposed **Strategic Audit Plan 2017 – 2020**.

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 its 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 Independent Audit Committee (JIAC).
- 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 JIAC 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 JIAC of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JIAC. Responsibility for remedial action in response to audit findings rests with line management.

3. Approach

3.1 As part of fulfilling the Joint Independent Audit Committee's (JIAC) responsibilities, the JIAC 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 have reviewed the OPCC / Force Risk Register with the aim of identifying 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 up the audit plan.

3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JIAC, 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 audit plan, the assurance review of the OPCC / Force risk register 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:

- Reviewed the key strategic risks (OPCC and Force) that the JIAC require assurance on.
- Through discussions and the review of relevant documents, using the 'three lines of defence' model referred to above, considered 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, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPCC / Force Strategic Risk Register, 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 alongside 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 Lincolnshire form part of the wider 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 2017-18

AUDITABLE AREA	PROPOSED TIMING[1]	JIAC[2]	PLAN DAYS	Commentary on Coverage
Core Assurance				
Core Financial Systems Assurance: • General Ledger • Cash, Banking & Treasury Management • Payments & Creditors • Income & Debtors • Payroll	Q3 & Q4		25	To provide assurance with regards to 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: • Policies and procedures • Access controls • Amendments to standing data • Reconciliations • Authorisation routines • Reporting
Budgetary Control / Medium Term Financial Planning	Q2		7	To provide assurance with regards to the systems and controls in place to determine and deliver medium term financial plans. The audit scope would include procedures for delivering the efficiency savings; development and sign-off of financial plans; budget management and monitoring; actions taken to address budget shortfall / variances to budget projections; and management information.
Audit Committee Effectiveness	Q2/3		10	To provide assurance that there is an effective audit committee function in place to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance process, as set out in CIPFA's *Audit Committees / Practical Guidance for Local Authorities and Police, 2013*.
Code of Governance	Q3		7	To provide assurance with regards compliance with the Codes of Corporate Governance, in particular since the change in Police & Crime Commissioner.

Strategic & Operational Risk Assurance				
G4S – Contract Management	Q2		7	To provide assurance with regards the partnership governance arrangements in place in respect of the OPCC / Force's arrangements with G4S. At a strategic level, it will include performance monitoring, risk management, reporting and escalation procedures. Including G4S governance arrangements of the Lincs contract.
ICT / Business Continuity	Q2		8	To provide assurance that the Force has effective controls in place with regards business continuity arrangements. The scope will consider such areas as Business Continuity Policies and Procedures and templates; Incident Escalation & Emergency Action Procedures; Business Continuity Test Plans; Continuous Improvement \ Lessons Learnt; and Monitoring and Reporting. Website resilience to be a specific area to review.
HR – Apprentice Levy	Q3		6	In view of the new legislation in respect of the Apprentice Levy, this audit will review the Force's plans for implementation, and the means to draw down the Levy, to ensure they are robust.
Learning & Development	Q4		6	Building upon the audit carried out during 2016/17, the audit will concentrate on the robustness of departments, in liaison with regional colleagues, and how they manage the changing requirements placed on the Force. It will include establishment of officer training needs, alignment with the corporate appraisal and performance management processes, requisition and management of training, delivery on training and monitoring of the effectiveness of training provision, including consideration of value for money.

AUDITABLE AREA	PROPOSED TIMING[1]	JIAC[2]	PLAN DAYS	Commentary on Coverage
Benefit Realisation / Project Management	Q4		8	To provide assurance that there are effective processes to measure the achievement of project objectives. The audit will select a sample of projects that have been carried out and look to see whether the expected benefits have been realised and / or the Force/ PCC have processes in place to measure the success of a project.
Firearms Licensing	Q3		6	To provide assurance that the Force has effective controls in place for the management / issue of licences and the holding of firearms. The audit will build upon the current review of firearms licensing.
Vehicle Fleet Management	Q2		6	To provide assurance with regards the systems and controls in place for managing the force's fleet of vehicles, including the strategy for fleet management.
Barclays Online Banking & Sunguard	Q1		5	To provide assurance effective systems and controls have been put in place for the introduction of the banking arrangements and that they meet the OPCC's requirements.
Lincolnshire Road Safety Partnership	Q1		6	To provide assurance that the Lincolnshire Road Safety Partnership (LRSP) is delivering the expected outcomes for its partners. The audit will cover the governance and risk management arrangements in place, including the agreement of a clear mission, the roles and responsibilities of the respective parties, accountability, decision-making, performance monitoring and reporting.
T-Police	Q3		7	To provide assurance that T-Police is being used in accordance with Force requirements and that the benefits, as set out on its introduction, are being realised.

Collaboration				
Collaboration	Q3 & Q4		10	Resources have been allocated across each OPCC / Force in order to provide assurance with regards to 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 JIAC meetings. Time will also be set aside to provide training to JIAC members.
Follow Up of Recommendations			2	To provide assurance that management have robust procedures in place for tracking and reporting upon the implementation of audit recommendations.
TOTAL			**140**	

[1] Proposed timings for each audit to be agreed, with any changes reported to the JIAC.
[2] Dates for delivery to the JIAC to be included within future progress reports when known.

Appendix B – Strategic Audit Plan 2017-20

Audit Assignment	2017/2018	2018/2019	2019/2020	Commentary on Coverage
Core Assurance				
Key Financial Controls Assurance	✓	✓	✓	To provide assurance with regards the key financial controls in respect of the following key financial systems: • General Ledger • Cash, Banking & Treasury Management • Payroll (including Pensions and Expenses) • Payments & Creditors • Income & Debtors
Budgetary Control / Medium Term Financial Planning	✓		✓	The audit will look to provide assurance that there is an effective system of internal control in respect of the management of budgets. Consideration will be given to budget setting / approval, monitoring, reporting and variances.
Audit Committee Effectiveness	✓			To provide assurance that there is an effective audit committee function in place to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance process, as set out in CIPFA's *Audit Committees / Practical Guidance for Local Authorities and Police, 2013*.
Asset Management / Stock		✓		Consideration will be given to the approval of capital expenditure, the maintenance of the asset register, the verification of assets and the process for asset disposals.
Code of Governance	✓		✓	To provide assurance with regards compliance with the Codes of Corporate Governance, in particular since the change in Police & Crime Commissioner.

Audit Assignment	2017/2018	2018/2019	2019/2020	Commentary on Coverage
Risk Management		✓		To provide assurance that risk management arrangements are in place and contribute to the effective management of risk.
Procurement		✓		The audit will seek to provide assurance that goods / services are being procured in accordance with contract procurement rules. The audit will also review the use of purchase orders and the process for goods receipting.
Information Technology	✓	✓	✓	Using computer specialist resource, the objective will be to provide assurance with regards key IT risks, such as those relating to data security, IT policies and procedures, network infrastructure and application controls.
Strategic & Operational Risk				
G4S – Contract Management	✓		✓	To provide assurance with regards the partnership governance arrangements in place in respect of the OPCC / Force's arrangements with G4S. At a strategic level, it will include performance monitoring, risk management, reporting and escalation procedures.
Human Resources	✓	✓	✓	To provide assurance over the planning period with regards to the various 'HR-related' processes; this would include, but not be limited to, Recruitment, Training, Absence Management and Workforce Planning.
Complaints Management			✓	To provide assurance that the Force have effective processes in place for the management of complaints and these are being consistently applied.

Audit Assignment	2017/2018	2018/2019	2019/2020	Commentary on Coverage
Learning & Development	✓			The audit will concentrate on the robustness of departments, in liaison with regional colleagues, and how they manage the changing requirements placed on the Force. It will include establishment of officer training needs, alignment with the corporate appraisal and performance management processes, requisition and management of training, delivery on training and monitoring of the effectiveness of training provision, including consideration of value for money.
Benefits Realisation Evaluation / Project Management	✓		✓	Whilst the details of the scope will be agreed with management, the over-arching objective of the audit would be to provide assurance that projects are being effectively managed and that the expected benefits have been realised and / or the Force/ PCC have processes in place to measure the success of a project.
Seizure and Management of Property		✓		To ensure that effective policies and procedures are in place for the seizure and management of property.
Code of Practice for Victims of Crime			✓	To provide assurance that the Victim's Code is being effectively and consistently implemented.
Overtime and Time Recording			✓	To review systems and controls in place to ensure that there effective arrangements in place for the management and control of working hours and overtime. Such assurance would support budgeting and whether all costs are being effective captured.
Data Quality		✓		To provide assurance with regards the accuracy and completeness of recorded data.

Audit Assignment	2017/2018	2018/2019	2019/2020	Commentary on Coverage
Commissioning / Victims Services			✓	To provide assurance that the risks associated with commissioning of the support services for victims of crime are being appropriately managed.
Firearms Licensing	✓	✓	✓	To provide assurance that the Force has effective controls in place for the management / issue of licences and the holding of firearms.
Health & Safety		✓		To provide assurance that the Force has effective processes in place in respect of health and safety and these are being consistently applied.
Estates Management		✓		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.
Delivery of Partner Outcomes	✓		✓	To provide assurance that partnerships are delivering the expected outcomes for its partners. The audit will cover the governance and risk management arrangements in place, including the agreement of a clear mission, the roles and responsibilities of the respective parties, accountability, decision-making, performance monitoring and reporting. The audit will either review the strategic arrangements in place to deliver partner outcomes or it will focus on specific partnerships, eg RCJB.
Vehicle Fleet Management	✓			To provide assurance with regards the systems and controls in place for managing the force fleet of vehicles.
Barclays Online Banking & Sunguard	✓			To provide assurance effective systems and controls have been put in place for the introduction of the banking arrangements and that they meet the OPCC's requirements.

Audit Assignment	2017/2018	2018/2019	2019/2020	Commentary on Coverage
T-Police	✓			To provide assurance that T-Police is being used in accordance with Force requirements and that the benefits, as set out on its introduction, are being realised.
Collaboration				
Collaboration	✓	✓	✓	Following agreement at the Regional CFO meeting, resources will be 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.
Contingency				
Contingency	✓	✓	✓	To allow for additional / unforeseen audits to be carried out in agreement with the JIAC and management.
Other				
Audit Management	✓	✓	✓	This includes audit planning, production of progress and annual reports, and attendance at progress and JIAC meetings.
Follow Up of Recommendations	✓	✓	✓	To provide assurance that management have implemented audit recommendations.

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

March 2017

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