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

Audit Charter 2019/20

June 2019

Audit Charter and Performance Measures

The Audit Charter sets out the terms of reference and serves as a basis for the governance of the Office of the Police & Crime Commissioner for Lincolnshire and Lincolnshire Police (the OPCC and Force) Internal Audit function. It sets out the purpose, authority and responsibility of the function in accordance with the UK Public Sector Internal Audit Standards.

The Charter will be reviewed annually and presented to the JIAC for final approval.

Nature and Purpose

The OPCC and Force have developed a risk management framework, overseen by the Police & Crime Commissioner and Chief Constable, which includes:

- Identification of the significant risks in the operations and allocation of a risk owner to each;
- An assessment of how well the significant risks are being managed; and
- Regular reviews by the Chief Officer Group / PCC Executive Team and the Joint Independent Audit Committee (JIAC) of the significant risks, including reviews of key risk indicators, governance reports and action plans, and any changes to the risk profile.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities.

The OPCC and Force's system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the OPCC and Force's effective operation in the pursuit of its objectives. The risk management, control and governance processes enable the OPCC and Force to respond to significant business risks, be these of an operational, financial, compliance or other nature, and are the direct responsibility of the Chief Officer Group / PCC Executive Team.

The OPCC and Force needs assurance over the significant business risks set out in the risk management framework. In addition, there are many other stakeholders, both internal and external, requiring assurance on the management of risk and other aspects of the OPCC and Force's business - these including members, regulators etc. There are also many assurance providers. The OPCC and Force have, therefore, developed an assurance framework which sets out the sources of assurance to meet the assurance needs of its stakeholders.

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as '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.'

Internal Audit carries out assurance and consulting activities across all aspects of the OPCC and Force's business, based on a programme agreed with the JIAC, and coordinates these activities via the assurance framework. In doing so, Internal Audit works closely with risk owners, service line risk teams and the Chief Officer Group / PCC Executive Team.

In addition to providing independent assurance to various stakeholders, Internal Audit helps identify areas where the OPCC and Force's existing processes and procedures can be developed to improve the extent with which risks in these areas are managed; and public money is safeguarded and used economically, efficiently and effectively. In carrying out its work, Internal Audit liaises closely with the Chief Officer Group / PCC Executive Team and management in the service lines (including risk teams).

The independent assurance provided by Internal Audit also assists the OPCC and Force to report annually on the effectiveness of the system of internal control included in the Annual Governance Statements.

Authority and Access to Records, Assets and Personnel

Internal Audit has unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considers necessary to fulfil its responsibilities. Internal Audit may enter property and has unrestricted access to all locations and officers and staff where necessary on demand and without prior notice. Right of access to other bodies funded by the OPCC and Force should be set out in the conditions of funding.

Any restriction (management or other) on the scope of Internal Audit's activities will be reported to the JIAC.

Internal Audit is accountable for the safekeeping and confidentiality of any information and assets acquired in the course of its duties and execution of its responsibilities.

Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit would need to discharge their responsibilities.

Responsibility

The Chief Internal Auditor is required to provide an annual opinion to the OPCC and Force, through the JIAC, on the adequacy and the effectiveness of the OPCC and Force's risk management, control and governance processes. In order to achieve this, Internal Audit will:

- Coordinate 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.
- Evaluate and assess the implications of new or changing systems, products, services, operations and control processes.
- Carry out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the JIAC.
- Provide the Police & Crime Commissioner, Chief Constable and other officers 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.
- Issue periodic reports to the JIAC and the Chief Officer Group / PCC Executive Team summarising results of assurance activities.
- Promote an anti-fraud, anti-bribery and anti-corruption culture within the OPCC and Force to aid the prevention and detection of fraud;
- Assist in the investigation of allegations of fraud, bribery and corruption within the OPCC and Force and notifying management and the JIAC of the results.
- Assess 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.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by Internal Audit's work. Unless specifically requested and agreed, Internal Audit will not perform substantive testing of underlying transactions.

When carrying out its work, Internal Audit will provide line management with comments and report breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, Internal Audit cannot absolve line management of responsibility for internal controls.

Internal Audit will support line managers in determining measures to remedy deficiencies in risk management, control and governance processes and compliance to the OPCC and Force's policies and standards and will monitor whether such measures are implemented on a timely basis.

The JIAC is responsible for ensuring that Internal Audit is adequately resourced and afforded a sufficiently high standing within the organisation, necessary for its effectiveness.

Scope of Activities

As highlighted in the previous section, there are inherent limitations in any system of internal control. Internal Audit therefore provides the Police & Crime Commissioner, Chief Constable and other officers with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the OPCC and Force's governance, risk management and control processes using a systematic and disciplined approach by:

- Assessing and making appropriate recommendations for improving the governance processes, promoting appropriate ethics and values, and ensuring effective performance management and accountability;
- Evaluating the effectiveness and contributing to the improvement of risk management processes; and
- Assisting the OPCC and Force in maintaining effective controls by evaluating their adequacy, effectiveness and efficiency and by promoting continuous improvement.

The scope of Internal Audit's value adding activities includes evaluating risk exposures relating to the OPCC and Force's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

Reporting

For each engagement, Internal Audit will issue a report to the appropriate senior management and business risk owner, and depending on the nature of the engagement and as agreed in the engagement's Terms of Reference, with a summary to the Chief Officer Group / PCC Executive Team and the JIAC.

The UK Public Sector Internal Audit Standards require the Chief Internal Auditor to report at the top of the organisation and this is done in the following ways:

- The Internal Audit Charter is reported to the Chief Officer Group / PCC Executive Team and the JIAC.
- The annual risk-based plan is compiled by the Chief Internal Auditor taking account of the OPCC and Force's risk management / assurance framework and after input from members of the Chief Officer Group / PCC Executive Team. It is then presented to the Chief Officer Group / PCC Executive Team and JIAC annually for noting and comment.
- The internal audit budget is reported to the JIAC for approval annually as part of the overall budget.
- The adequacy, or otherwise, of the level of internal audit resources (as determined by the Chief Internal Auditor) and the independence of internal audit will be reported annually to the JIAC.
- Performance against the annual risk-based plan and any significant risk exposures and breakdowns, failures or weaknesses of internal control systems arising from internal audit work are reported to the Chief Officer Group / PCC Executive Team and JIAC on a quarterly basis.
- Any significant consulting activity not already included in the risk-based plan and which might affect the level of assurance work undertaken will be reported to the JIAC.
- Results from the Quality Assurance and Improvement Programme will be reported to both the Chief Officer Group / PCC Executive Team and the JIAC.

- Any instances of non-conformance with the Public Sector Internal Audit Standards must be reported to the Chief Officer Group / PCC Executive Team and the JIAC and will be included in the annual Chief Internal Auditor's report. If there is significant non-conformance, this may be included in the Annual Governance Statement.

Independence

The Chief Internal Auditor has free and unfettered access to the following:

- Police & Crime Commissioner
- Chief Constable;
- Head of Finance (or equivalent) at the OPCC and Force;
- Chair of the JIAC; and
- Any other member of the Chief Officer Group / PCC Executive Team.

The independence of the contracted Chief Internal Auditor is further safeguarded as his annual appraisal is not inappropriately influenced by those subject to internal audit.

To ensure that auditor objectivity is not impaired and that any potential conflicts of interest are appropriately managed, all internal audit staff are required to make an annual personal independence responsibilities declaration via the tailored 'My Compliance Responsibilities' portal which includes personal deadlines for:

- Annual Returns (a regulatory obligation regarding independence, fit and proper status and other matters which everyone in Mazars must complete);
- Personal Connections (the system for recording the interests in securities and collective investment vehicles held by partners, directors and managers, and their immediate family members); and
- Continuing Professional Development (CPD).

Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. However, any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the JIAC. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for a period of at least 12 months.

External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between Internal Audit and the external auditors will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal Audit will follow up the implementation of internal control issues raised by external audit.

Internal Audit and external audit meet periodically to:

- Plan the respective internal and external audits and discuss potential issues arising from the external audit; and
- Share the results of significant issues arising from audit work.

Due Professional Care

The Internal Audit function is bound by the following standards:

- Institute of Internal Auditor's International Code of Ethics;
- Seven Principles of Public Life (Nolan Principles);
- UK Public Sector Internal Audit Standards;
- All OPCC and Force Policies and Procedures; and
- All relevant legislation.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, on-going performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of CPD is maintained for all staff working on internal audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies to deliver the risk-based plan. Both the Chief Internal Auditor and the PSIA Engagement Manager are required to hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

Performance Measures

In seeking to establish a service which is continually improving, we acknowledge it is essential that we agree measures by which Internal Audit should demonstrate both that it is meeting the OPCC and Force's requirements and that it is improving on an annual basis. This will be both through quantifiable factors within the Key Performance Indicators (KPI's) and additionally through a number of measures to further seek to establish the value derived from internal audit.

Below we provide example KPI's against which we regularly report our performance. Should you require additional performance measures, these will be incorporated within our regular reports to management and the JIAC.

No	Indicator	Criteria
1	Annual report provided to the JIAC	As agreed with the Client Officer
2	Annual Operational and Strategic Plans to the JIAC	As agreed with the Client Officer
3	Progress report to the JIAC	7 working days prior to meeting.
4	Issue of draft report	Within 10 working days of completion of final exit meeting.
5	Issue of final report	Within 5 working days of agreement of responses.
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.
7	Follow-up of other recommendations	100% within 12 months of date of final report.
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.
9	Customer satisfaction (measured by survey)	85% average satisfactory or above

[1] Previous audit recommendations are followed up through the review of the Implementation Progress Report that is presented at each JIAC by the DCC. Additionally, those audits that are carried out on an annual basis include a follow-up of previous recommendations.

Statement of Responsibility

Status of our reports

The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.

The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

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