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VERA BAIRD^{QC}
POLICE & CRIME COMMISSIONER



**NORTHUMBRIA
POLICE**

The Internal Audit Strategy Statement

2013 - 16

& Annual Plan 2013/14

Jim Farquhar
Chief Internal Auditor
Internal Audit & Risk Service – Finance & ICT
Gateshead Council

1. Introduction

The Internal Audit & Risk Service for the Police and Crime Commissioner and Chief Constable plays an essential role in supporting each body to achieve its objectives and outcomes. The Annual Audit Plan for 2013/14 has been formulated from a review of the major risks that are faced over the next 3 years. The plan therefore focuses on areas where we can add the most value and provide assurance that risks are being properly managed. Our objective over the 3 years is to promote and champion sound governance and effective and efficient internal controls throughout both bodies and to provide objective assurance by ensuring key business controls are operating as planned and value for money is being achieved to support delivery of the Police and Crime Plan.

Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under a Shared Services Agreement with Gateshead Council.

2. Purpose

This document sets out Internal Audit's Strategy for 2013-16 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2013/14. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- Meet the requirements of the newly introduced Public Sector Internal Audit Standards (2013) that requires the Chief Internal Auditor to produce a risk based annual plan taking into account the requirement to give an independent annual opinion on the overall adequacy and effectiveness of each organisation's framework of governance, risk management and control;
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations (2011);
- Ensure effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Audit Committee and Senior Managers.
- Identify the key risks that could prevent each body from achieving its objectives and determine the corresponding level of audit resources required to assess mitigating controls.
- Add value and support senior management in providing effective internal controls and identifying opportunities for improving value for money.

- Support lead staff in the areas of finance and legal in fulfilling their obligations as the Section 151 and Monitoring Officers respectively.

3. Key Outputs 2013-16

The Internal Audit & Risk Service will deliver our key responsibilities as follows:

- To provide ongoing assurance to management on the control environments comprising systems of governance, risk management and internal control;
- To support the Police and Crime Commissioner and Chief Constable's values and expected standards of behaviour;
- To be responsive to transformational change and service demands;
- To work together with the external auditors to ensure reliance can be placed on our audit work where at all appropriate;
- To continue to develop our joint working relationships with other related regional and national groups and bodies;
- To embed the integration of internal audit work with governance and service improvement and produce a clearly co-ordinated risk-based approach to the audit of business systems across both organisations;
- To ensure agreed management actions to audit recommendations made are fully implemented;
- To deliver the statutory requirements of the Accounts and Audit Regulations 2011;
- To continue to develop and have a lead role in corporate governance arrangements including their review and the production of the Annual Governance Statements;
- To provide support in respect of counter fraud & corruption investigations where required.

4. Key Issues & Annual Plan for 2013/14

Having regard to the current risk profile the following main areas have been included in the Annual Plan for 2013/14: -

OPCC Audits

This work will cover specific areas of responsibility such as the Community Safety Fund and also any areas where there are joint arrangements such as in the areas of Governance and Risk Management.

Chief Constable Audit Areas

These assignments will focus upon the audits of systems and procedures undertaken at establishments and departments across the Force and will also include some tailored work in respect of information technology.

Any joint areas of responsibility or working practices with the PCC will also be included in our coverage.

Corporate Systems

The Police and Crime Commissioner purchases support in a number of areas from Gateshead Council, predominantly in respect of financial systems, under a Shared Services Agreement. The effectiveness of controls and management of risks within key financial systems, such as the general ledger, payroll, creditors and debtors, remains a core part of our audit work. This work is important in providing annual assurance and to support the requirements of the external auditors. With the introduction of a new financial management system with effect from 1st April 2013 (Agresso 5.6) key controls within the new system will be documented and tested.

General Allocations

The Internal Audit & Risk Service has a key co-coordinating role in the production of an Annual Governance Statement for both the Police and Crime Commissioner and Chief Constable. Activity in this area also includes preparation and delivery of reports into the Joint Independent Audit Committee.

Where audit reports have had a high priority finding or had an overall opinion of significant weakness they will be followed up by Internal Audit within six months of the final report being issued and time is provided within the plan for any such activity. There is also an allocation to cover any investigations into fraud or irregularities that may arise during the period.

During the course of the year the Police and Crime Commissioner or Chief Constable can ask Internal Audit to carry out additional work on control systems which may not have been planned for. This time allocation is to provide the

scope to do this. The Internal Audit & Risk Service is also available to give ad hoc support and advice for staff and officers on internal control and governance issues.

2013/14 Annual Plan

To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered the Internal Audit & Risk Service will review all major systems and areas of activity within a three-year period. The three-year risk based strategic plan is reviewed annually after considering: -

- Organisational priorities;
- A review of risk documentation;
- Consultation with senior managers and the external auditors;
- Changes in legislation;
- The scope of planned external audit work;
- The implications of any external inspection reports;
- Time elapsed since the previous audit; and
- The availability of resources.

Once this information has been analysed the perceived level of risk for each audit area is assessed based on thirteen areas taking into account such factors as materiality, complexity, potential for fraud and sensitivity. Based on a score derived from these assessments audits are categorised as either high, medium or low priority which dictates where they will be audited within the 3-year cycle. High priority areas are audited on an annual basis.

The audit plan for 2013/14 has been developed on this basis and is set out at Appendix A. The level of audit resources required to deliver the plan is broadly consistent with 2012/13 which was agreed at 3,600 hours.

How the service will be provided

Internal audit provision is delivered under a Shared Services Agreement with Gateshead Council. This includes the use of specialist auditors from Newcastle Council for ICT auditing. This arrangement will be kept under review on an annual basis.

In order to deliver the Annual Audit Plan at the required quality and professionalism, we strive to ensure the team have the required mix of skills and experience. All our internal audit staff are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians; or undertaking professional studies.

Our professional judgement has been applied in assessing the level of resources required to deliver the annual Audit Plan. The level of resource applied is a product of:

- The complexity of the areas to be reviewed;
- Factors such as number of locations, number and frequency of transactions; and
- Assurance that can be brought forward from previous audits and other internal and external reviews carried out.

Staff development needs are continually assessed to ensure we maintain the optimal level and mix of skills required to deliver a highly professional and added value internal audit service.

Our Performance Management

The standards for 'proper practice' in relation to internal audit are laid down in the UK Public Sector Internal Audit Standards and we will continually ensure compliance with these professional standards through a combination of internal and external reviews of compliance and quality; with the outcomes reported to the Audit Committee. Examples of this include: -

- Internal self assessments by the Chief Internal Auditor
- Customer satisfaction questionnaires
- Reliance placed on our work by external auditors
- CIPFA benchmarking information
- External assessment every 5 years by a recognised, qualified and independent assessor

To achieve the planned coverage for 2013/14, deliver a high standard of customer care and demonstrate effectiveness of the service, we have well established internal performance targets based on best professional practice. The following indicators will be reported to the Committee on a quarterly basis: -

Performance Indicator	Target
Productive (Chargeable) time as a % of overall time	69%
Actual hours against planned hours achieved in 2013/14	97.25%

Draft audit reports issued within 17 working days following the completion of audit fieldwork	100%
Number of audit recommendations implemented	90%
Audits completed within agreed time	90%
Customer satisfaction levels	Within 97.5 – 99% range

Appendix A

DRAFT Audit Plan 2013/14	Planned Hours
<u>PCC Audit Areas</u>	
1. Community Safety Fund	120
2. Capital Accounting	80
3. Treasury Management	40
4. IAS 19 Pensions Disclosure	40
5. Insurance Arrangements	40
	320
<u>Chief Constable Audit Areas</u>	
Theme Based Audits	
6. Property	250
7. Cash & Miscellaneous Income	150
Departmental Based	
	60
8. Communications	60
9. Crime Department	120
10. Procurement and Supplies Section	120
11. Human Resources	80
12. Legal Department	60
13. Operations Department	120
14. Corporate Finance	150
15. Force Payroll & Pensions	150
IT Audits	
16. Disaster Recovery (IT Audit)	80
17. Capacity Management (IT Audit)	80
Other	
18. Police Charities Funds	40
	1520
<u>PCC & Chief Constable Combined Audit Areas</u>	
19. Information Governance & Data Security	80
20. Partnerships	70
21. Risk Management	120
22. Budgetary Control	120
23. Employee Claims & Purchasing Arrangements	150
24. Governance	120
	660

Corporate System Based Audits	
25. Payroll & Pensions	120
26. Debtors	120
27. Creditors	120
28. Main Accounting System	80
	440
General Allocations	
Annual Governance Statement - Preparation	50
Joint Independent Audit Committee	150
Follow Up Contingency	50
Special Investigations	50
General Advice, Consultancy and Systems Review	300
	600
Total	3540