



VERA BAIRD^{QC}
POLICE & CRIME COMMISSIONER



**NORTHUMBRIA
POLICE**

The Internal Audit Strategy Statement

2015/16 – 2017/18

& Annual Plan 2015/16

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1. Introduction

The Internal Audit 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 2015/16 has been formulated from a review of the major risks that are faced over the next three 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 three 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.

It is the responsibility of management to install and maintain effective internal control systems. The role of the Internal Audit Service, as outlined in the Audit Charter, is to assist managers in the effective discharge of this responsibility and in so doing, deliver the objectives of the Police and Crime Commissioner, Chief Constable and any associated bodies.

Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under a written agreement with Gateshead Council.

2. Purpose

This document sets out Internal Audit's Strategy for 2015-18 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2015/16. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:

- Meet the requirements of the UK Public Sector Internal Audit Standards 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;
- Ensure effective audit coverage and a mechanism to provide independent and objective assurance in particular to the Joint Independent 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; and

- 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 2015-18

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 monitor and follow-up agreed management actions to audit recommendations within the agreed timescales;
- To deliver the statutory requirements of the Accounts and Audit Regulations;
- To continue to develop and have a key role in corporate governance arrangements; and
- To provide support in respect of counter fraud and corruption investigations where required.

4. Key Issues & Annual Plan for 2015/16

Having regard to the current risk profile the following main areas have been included in the Annual Plan for 2015/16:

OPCC Audits

This area will focus on the two audits of Commissioning Arrangements and Treasury Management. The Commissioning audit will examine the programmes that focus the PCC's funding and activity priorities, derived from the Police and Crime Plan, which have been developed with partners and service users

The audit of Treasury Management will look at how all borrowing and investments are managed in line with the agreed strategy. The audit will also review the new banking contract arrangements.

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.

Combined Audit Areas

These audits are primarily focused around major financial systems and other areas of joint responsibility such as governance and business continuity and risk management.

General Allocations

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 is 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, Chief Constable or the Joint Independent Audit Committee 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 Service is also available to give ad hoc support and advice for staff and officers on internal control and governance issues. Activity in this area also includes preparation and delivery of reports for the Joint Independent Audit Committee.

2015/16 Annual Plan

To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered the Internal Audit 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;
- 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 three-year cycle. High priority areas are audited on an annual basis.

The audit plan for 2015/16 has been developed on this basis and is set out at Appendix A. The plan sets out the broad areas for the basis of work during 2015/16 but remains flexible to respond to changing risks and priorities during the year. The level of audit resources required to deliver the plan is 3,050 hours (3,030 hours for 2014/15).

5. How the service will be provided

Internal Audit provision is delivered under a written 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.

6. 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 five years by a recognised, qualified and independent assessor

To achieve the planned coverage for 2015/16, 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
Number of planned audits completed in year	92%
Actual hours against planned hours	97.25%
Draft audit reports issued within 17 working days following the completion of audit fieldwork	100%
Number of audit recommendations implemented	100%
Audits completed within agreed time	90%
Customer satisfaction levels	Within 97.5 – 99% range

Appendix A

Risk	Frequency	Audit Area	2015/16	2016/17	2017/18
		Police & Crime Commissioner			
Medium	Bi-annual	Commissioning Arrangements		140	
High	Annual	Treasury Management	130	80	80
		Chief Constable			
		IT & Departmental			
Medium	Bi-annual	IT Systems Capacity Management		80	
Medium	Bi-annual	IT Asset Management	80		80
Medium	Bi-annual	IT Change Management	80		80
Medium	Bi-annual	Crime Department (including witness protection)	140		140
Medium	Bi-annual	Asset Management	120		120
Medium	Bi-annual	Fleet Management		120	
Medium	Bi-annual	Human Resources & Training	80		80
Medium	Bi-annual	Legal Department and Insurance Arrangements	120		120
High	Annual	Police Operational Support Functions	100	100	100
High	Annual	Police Charities Funds	40	40	40
High	Annual	Procurement	120	120	120
Medium	Bi-annual	Professional Standards & Counter Fraud Arrangements		100	
		Theme Based Audits			
High	Annual	Property	120	120	120
High	Annual	Cash & Miscellaneous Income	150	150	150
		Combined Areas			
		Financial Systems			
High	Annual	Creditors	160	120	120
High	Annual	Debtors	160	120	120
High	Annual	Payroll & Pensions	160	120	120
High	Annual	Main Accounting System	200	100	100
High	Annual	Budgetary Control	80	80	80
High	Annual	Employee Claims	120	120	120
		Other Combined Areas			
Medium	Bi-annual	Risk Management and Business Continuity Arrangements	100		100
Medium	Bi-annual	Corporate Communications		80	
Medium	Bi-annual	Equality & Diversity		60	
Medium	Bi-annual	Joint Working Arrangements	80		80
High	Annual	Governance	120	120	120
Medium	Bi-annual	Health & Safety		40	
Medium	Bi-annual	Information Governance & Data Security	80		80
Medium	Bi-annual	Performance Management & Data Quality		120	
Medium	Bi-annual	VAT	60		60
Medium	Bi-annual	Complaints		100	
High	Annual	Annual Governance Statement - Review of Managers' Assurance	80	80	80
		Other			
		Follow Up Contingency	100	100	100
		General Advice, Consultancy and Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		Total Hours	3,050	2,680	2,780