



**VERA BAIRD<sup>QC</sup>**  
POLICE & CRIME COMMISSIONER



# **The Internal Audit Strategy Statement**

**2018/19 – 2020/21**

**& Annual Plan 2018/19**

Anna Buckingham  
Internal Audit Manager  
Internal Audit – Gateshead Council

# 1. Introduction

- 1.1 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 2018/19 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.
- 1.2 Our objectives over the three years are 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.
- 1.3 It is the responsibility of management to install and maintain effective internal control systems. The role of Internal Audit, 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.
- 1.4 Internal Audit is provided to the Police and Crime Commissioner and Chief Constable under an agreement with Gateshead Council.

# 2. Purpose

- 2.1 This document sets out Internal Audit's Strategy for 2018/19 – 2020/21 and Annual Audit Plan for the Police and Crime Commissioner and Chief Constable for the financial year 2018/19. The purpose of the Internal Audit Strategy and Annual Audit Plan is to:
  - Meet the requirements of the Public Sector Internal Audit Standards (PSIAS) that requires the Chief Audit Executive 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 2015;
  - 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 2018-21**

3.1 Internal Audit will deliver the following key responsibilities:

- 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 2015;
- 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 Audit Plan for 2018/19**

4.1 Having regard to the current risk profile the following main areas have been included in the Annual Plan for 2018/19:

#### **Police and Crime Commissioner Audit Areas**

4.2 This area will focus on the two audits of Grant Distribution and Treasury Management. The Grant Distribution 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, as well as reviewing the arrangements in place following the transfer of treasury management activities to Northumbria Police Finance Department.

### **Chief Constable Audit Areas**

- 4.3 These audits will focus upon the 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**

- 4.4 These audits are primarily focused around major financial systems and governance.

### **General Allocations**

- 4.5 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.
- 4.6 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 some scope to do this. Internal Audit 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.

### **2018/19 Annual Audit Plan**

- 4.7 To allow an annual opinion on the effectiveness of the respective internal control environments to be delivered Internal Audit 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.

- 4.8 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 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. However there are some audits where the frequency is dictated by other criteria such as external reporting requirements in which case they may be conducted annually even though they are not categorised as high risk.
- 4.9 The Annual Audit Plan for 2018/19 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 2018/19 but remains flexible to respond to changing risks and priorities during the year. The level of audit resources required to deliver the plan is 2,500 hours (2,640 hours for 2017/18).

## **5. How the service will be provided**

- 5.1 Internal Audit 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.
- 5.2 In order to deliver the Annual Audit Plan at the required level of quality and professionalism, we strive to ensure the team have the necessary mix of skills and experience. All internal audit staff are either fully qualified CCAB Accountants and/or qualified Association of Accounting Technicians or undertaking professional studies.
- 5.3 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.
- 5.4 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

- 6.1 The standards for 'proper practice' in relation to internal audit are laid down in the Public Sector Internal Audit Standards and we will continually ensure compliance with these professional standards through a combination of internal and external reviews; with the outcomes reported to the Joint Independent Audit Committee. Examples of this include:
- Internal self-assessments by the Internal Audit Manager
  - Customer satisfaction questionnaires
  - Reliance placed on our work by external auditors, where applicable
  - CIPFA benchmarking information
  - External assessment every five years by a recognised, qualified and independent assessor
- 6.2 To achieve the planned coverage for 2018/19, 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:

<b>Performance Indicator</b>	<b>Target</b>
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%
Customer satisfaction levels	Within 97.5 – 99% range

## Appendix A

Audit Plan 2018/19 - 2020/21					
Risk	Frequency	Audit Area	2018/19	2019/20	2020/21
		<b>Police &amp; Crime Commissioner</b>			
Medium	Annual	Grant Distribution	50	50	50
High	Annual	Treasury Management	140	80	80
		<b>Chief Constable</b>			
		<b>IT &amp; Departmental</b>			
High	Annual	IT Audit: ICT Security	60	60	60
Medium	Biennial	IT Audit: Change Management	60		60
Medium	Biennial	IT Audit: Programme/Project Management	60		60
Medium	Biennial	IT Audit: Asset & Device Management	60		60
Medium	Biennial	IT Audit: Disaster Recovery & Continuity		60	
Medium	Biennial	IT Audit: Patch Management		60	
Medium	Biennial	IT Audit: ICT Strategy		60	
Medium	Biennial	Asset Management		120	
Medium	Biennial	Fleet Management	110		110
Medium	Biennial	Human Resources & Training		80	
Medium	Biennial	Legal and Insurance Arrangements		90	
Medium	Biennial	Custody	50		50
Medium	Biennial	Firearms Licensing		80	
Medium	Biennial	Police Operational Support Functions		100	
Low	Annual	Police Charities Funds	40	40	40
High	Annual	Procurement	100	100	100
High	Annual	Information Management	50	50	50
Medium	Biennial	Counter Fraud Arrangements	60		60
		<b>Theme Based Audits</b>			
High	Annual	Property	180	180	180
High	Annual	Cash & Miscellaneous Income	150	150	150
		<b>Combined Areas</b>			
		<b>Financial Systems</b>			
High	Annual	Creditors	100	100	100
High	Annual	Debtors	70	70	70
High	Annual	Payroll & Pensions	130	130	130
High	Annual	Main Accounting System	80	80	80
High	Annual	Budgetary Control	60	60	60
High	Annual	Employee Claims	80	80	80
		<b>Other Combined Areas</b>			
Medium	Biennial	Risk Management and Business Continuity Arrangements		100	
Low	Triennial	Equality & Diversity		50	
Medium	Biennial	Joint Working Arrangements		60	
High	Annual	Governance	50	50	50
Medium	Biennial	Health & Safety	60		60
Medium	Biennial	Information Governance & Data Security	50		80
Medium	Biennial	Performance Management & Data Quality	60		60
Medium	Biennial	VAT		60	
Medium	Biennial	Complaints	100		100
High	Annual	Annual Governance Statement - Review of Managers' Assurance	100	100	100
		<b>Other</b>			
		Follow Up Contingency	70	70	70
		General Advice, Consultancy and Systems Review	150	150	150
		Joint Independent Audit Committee - Preparation & Support	120	120	120
		<b>Hours</b>	<b>2,450</b>	<b>2,640</b>	<b>2,420</b>
		NERSOU	50	50	50
		<b>Total Hours</b>	<b>2,500</b>	<b>2,690</b>	<b>2,470</b>