

To: Joint Audit Committee
Date: 24th March 2014
By: David Taylor, Baker Tilly
Title: Internal Audit Plan 2014/15

Purpose of Report/Issue:

This paper sets out the approach taken by Baker Tilly, the Police & Crime Commissioner's (PCC) and Chief Constable's (CC) internal auditors, in developing a draft internal audit strategy for 2014/15.

The paper seeks the views of the Committee on the proposed strategy and agreement that it addresses the current risks and needs of both the PCC and CC.

Summary:

The proposed Internal Audit Strategy 2014/15 has been prepared taking into account the views of the PCC's Treasurer and the CC's Head of Finance who have also discussed its content with other representatives of the PCC and CC.

Recommendation(s) -

Members are asked to consider and approve the Internal Audit Strategy for 2014/15.

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Office of the Police and Crime Commissioner for Surrey and Surrey Police

Internal Audit Strategy 2013/2014 - 2015/2016

Presented at the Joint Audit Committee meeting
of: 24th March 2014

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1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2012/2013 – 2015/2016 and the annual plan for 2014/2015.

1.1 Role of Internal Audit

Internal auditing is 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.

Definition of Internal Audit: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the Office of the Police and Crime Commissioner for Surrey and Surrey Police has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit Committee. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Board to support its Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

Following a meeting with senior representatives from the OPCC and Force, we have updated the existing strategy in terms of scope and coverage.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Ian Perkin
- Paul Bundy
- Bev Foad

The key areas / factors are summarised below.

| Key areas discussed and their impact on the 2014/2015 internal audit plan | |
|---|--|
| 1 | Joint working with Sussex Police |
| 2 | Inclusion of coverage of three new areas namely Forensic Medical Examiners, Disaster Recovery and PAYE at the request of the Audit Committee |
| 3 | Inclusion of coverage of two new areas at the request of management namely Crime recording, Victim Support and Covert Accounts |

The strategy is set out at Appendix B, with the detailed internal audit plan for 2014/2015 set out at Appendix C.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- Planned assurance on core areas of activity;
- A contingency allocation, which will only be utilised should the need arise, and which will be subject to prior approval by the Joint Audit Committee;
- Time to follow up previous recommendations and actions to provide the Joint Audit Committee with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used at Partner and Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at the Joint Audit Committee.

2 Assurance Resources

2.1 Your Internal Audit Team

Your internal audit team is led by David Taylor as Head of Internal Audit.

Your Client Manager is Lorna Raynes.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.2 Internal Audit Fees

The fee for your internal audit service for 2014/2015 is in line with our original tender.

2.3 Working with other assurance providers

We intend to meet with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Joint Audit Committee is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained, particularly in relation to joint working initiatives with Sussex Police.

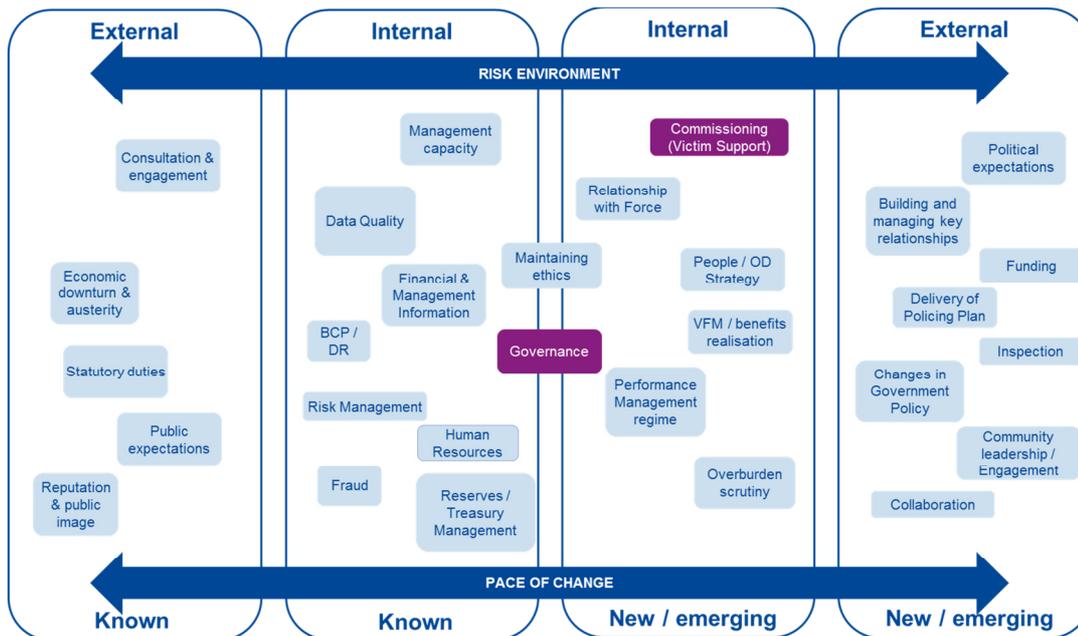
2.4 Considerations for the Audit Committee

- Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Joint Audit Committee?
- Does the internal audit plan for 2014/2015 (Appendix C) reflect the areas that the Joint Audit Committee believes should be covered as priority?
- Is the Joint Audit Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?

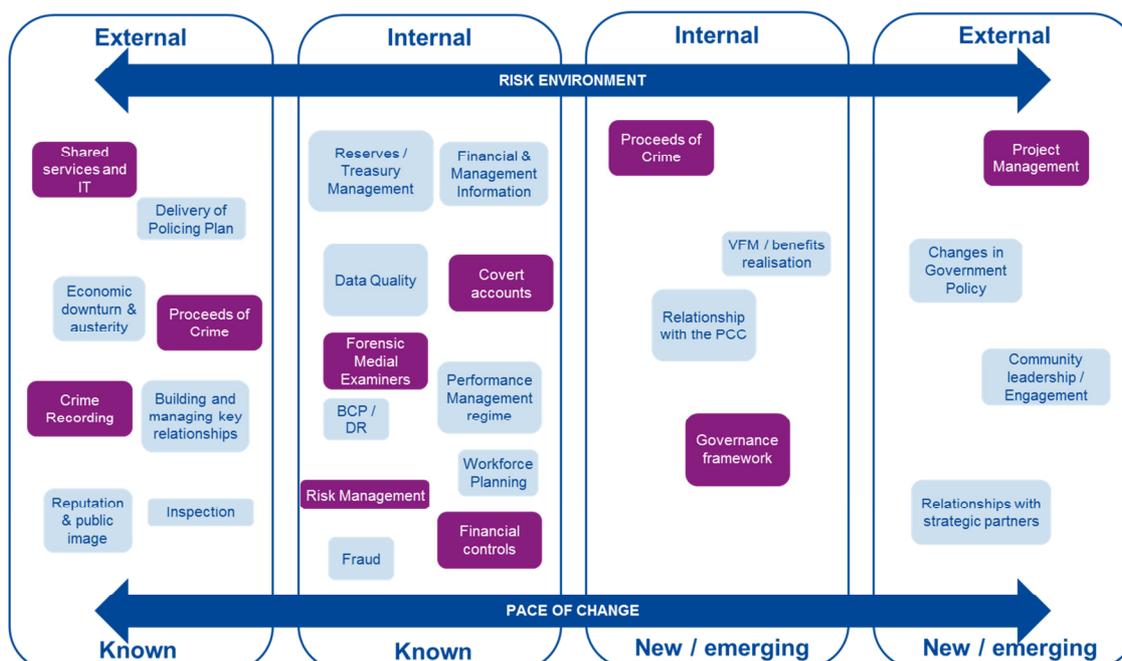
Appendix A: Issues affecting the OPCC for Surrey and Surrey Police

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in dark blue) are those where internal audit coverage is planned in the coming year.

Office of the Police and Crime Commissioner



Force / Constabulary



Appendix B: Internal Audit Strategy 2012/13 – 2015/16

| Auditable Area | Outline scope | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|--------------------------------------|---|-----------|-----------|-----------|-----------|
| Risk based reviews | | | | | |
| Gifts and Hospitality | This review will assess the effectiveness of the implementation of the recommendations from the internal review and compliance with the revised governance procedure on gifts and hospitality. | | ✓ | | |
| Business Interests | This review will assess the effectiveness of and compliance with Surrey Police's Business Interests procedures. | | ✓ | | |
| Disposal Methods and Crime Recording | Our review will consider the effectiveness of internal checks and compliance with the National Decision Model and national and local policy and procedures. | | ✓ | | |
| Neighbourhood Engagement | Following concerns being identified in this area, a review of the effectiveness of community engagement across the Force is being conducted. We will consider the progress with the internal review and the implementation of any recommendations arising therefrom. | | ✓ | | |
| Staff Market Supplement | This review will consider whether the current process is transparent, based on a business case with annual review and has appropriate authority levels and whether the agreed process is complied with. | | ✓ | | |
| Stage 2 transfer | We will provide support to the PCC and Force in this area by reviewing the plans for the Stage 2 transfer prior to submission in order to provide an independent check and challenge of the plans. | | ✓ | | |
| Commissioning | The exact scope of this review will be determined by the level of Commissioning proposed, but could include review of internal controls for awarding and monitoring grants as well as review of potential/actual partners. | | ✓ | | |
| Procurement | As both the PCC and the CC may be undertaking procurement, this review will consider the processes undertaken by both, and how value for money is achieved. The review will also consider the governance arrangements in respect of the procurement collaboration with Sussex Police. | | | ✓ | |
| Proceeds of Crime | Review to ensure that the Force complies with the requirements of the Proceeds of Crime Act and that all items seized are | | | ✓ | |

| Auditable Area | Outline scope | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|--|--|-----------|-----------|-----------|-----------|
| | held in a secure manner until release | | | | |
| Project management | This review will consider how any major projects are managed to ensure that they are delivered efficiently. | ✓ | | ✓ | |
| Joint estates management | This review will consider the processes undertaken to manage the estate, and how value for money is achieved. | ✓ | | | ✓ |
| Contract arrangements | Review of ESA Ltd | ✓ | | | |
| Partnerships review | Review of Surrey Youth Services, East Surrey Domestic Abuse Services and Surrey Drug and Alcohol Abuse Team | ✓ | | | |
| Value for money for collaboration arrangements | Review of one of the collaborative initiatives to ascertain that the objectives of the collaboration have been achieved, as has value for money for the Authority and Force. | ✓ | | | |
| Asset Due Diligence | A review to verify that the Authority and Force have appropriate records in place covering the assets that are likely to be transferred to the new Police and Crime Commissioner in November 2012. | ✓ | | | |
| Risk Management | Review of how the organisation uses risk management within its management and governance arrangements. | ✓ | ✓ | ✓ | ✓ |
| Governance | The exact scope of this review will be determined with reference to the plans for Stage 2 Transfer. | ✓ | ✓ | ✓ | ✓ |
| IT review | In 2013/14 we are proposing a review of application security and in 2014/15 a review of disaster recovery and joint working with Sussex Police. These areas will address key IT risks. | ✓ | ✓ | ✓ | ✓ |
| Covert accounts | New review added in at the request of management for 2014/15. | | | ✓ | |
| Forensic Medical Examiners | New review added in at the request of management for 2014/15. | | | ✓ | |
| Victim Support | New review added in at the request of management for 2014/15. | | | ✓ | |
| Crime recording audit | New review added in at the request of management for 2014/15. | | | ✓ | |
| Financial Controls | | | | | |
| General Ledger | External audit will place reliance on our work to inform their audit. | ✓ | ✓ | ✓ | ✓ |
| Financial Reporting | | ✓ | ✓ | ✓ | ✓ |
| Creditor payments | | ✓ | ✓ | ✓ | ✓ |
| Cash Receipting and Treasury Management | | ✓ | ✓ | ✓ | ✓ |
| Income and Debtors | | ✓ | ✓ | ✓ | ✓ |

| Auditable Area | Outline scope | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 |
|--------------------------------------|---|-----------|-----------|-----------|-----------|
| Other Internal Audit Activity | | | | | |
| Contingency | To allow additional reviews to be undertaken in agreement with the Joint Audit Committee or management based in changes in risk profile or assurance needs as they arise during the year. | ✓ | ✓ | ✓ | ✓ |
| Follow up | To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management. | ✓ | ✓ | ✓ | ✓ |
| Management | This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, the Joint Audit Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion | ✓ | ✓ | ✓ | ✓ |

Appendix C: Internal Audit Plan 2014/2015

| Audit | Internal Audit Coverage | Assurance / Advisory | Audit Sponsor | Proposed Timing | Days | Proposed Audit Committee |
|---|--|----------------------|---------------|-----------------|------|--------------------------|
| Reviews relating to specific risks | | | | | | |
| Procurement | All contracts are in the name of the PCC but are operationally managed by the Force. Our review will ensure that there are proper controls in place to ensure effective arrangements for procurement. We will also examine any joint procurement arrangements particularly with Sussex Police. | Assurance | Both | Q3 | 10 | March 2015 |
| Proceeds of Crime | We understand that there is a lower level of recovery than in other Forces. We will examine the controls around this area including recording, storage, policies and procedures and training of staff. | Assurance | Force | Q1 | 10 | September 2014 |
| Project Management | We will examine the overall project management arrangements within the Force including how these have been applied to particular project which is to be confirmed. | Assurance | Force | Q4 | 12 | June 2015 |
| Risk Management | Building upon our risk management work in previous years, particularly since the creation of the OPCC we will examine how risk management is being embedded across both organisations, particularly in relation to the risks associated with collaborative working. | Advisory | Both | Q2 | 10 | December 2014 |
| Governance | The exact scope of this review will be determined with reference to the plans for Stage 2 Transfer. | Assurance | Both | Q3 | 10 | March 2015 |
| IT Review | Review of IT disaster recovery arrangements to ensure that adequate plans and procedures are in place particularly in light of the joint working with Sussex Police. | Assurance | Both | Q3 | 14 | March 2015 |
| Covert Accounts | Review of arrangements and controls in place to manage covert accounts. | Assurance | Force | Q1 | 10 | September 2014 |

| Audit | Internal Audit Coverage | Assurance / Advisory | Audit Sponsor | Proposed Timing | Days | Proposed Audit Committee |
|---|---|----------------------|---------------|-----------------|------|--------------------------|
| Forensic Medical Examiners | A specific review requested by the Audit Committee to examine the arrangements in place for the effective and efficient provision of this service | Assurance | Force | Q1 | 10 | September 2014 |
| Victim Support | A review of arrangements for the commissioning of Victim Support services by the PCC. These arrangements start from October 2014 and therefore we will undertake this review in quarter 4. | Developmental | PCC | Q4 | 12 | June 2015 |
| Crime recording audit | A review to ensure the accuracy of recording crime which has been raised as an issue nationally. We will examine the arrangements for ensuring the quality of reporting. | Assurance | Force | Q2 | 12 | December 2014 |
| Financial Controls | | | | | | |
| PAYE audit | PAYE healthcheck | Assurance | Both | Q2 | 12 | December 2014 |
| General Ledger | <ul style="list-style-type: none"> Access controls Journals Month end closedown and reconciliations | Assurance | Both | Q3 | 6 | March 2015 |
| Financial Reporting | <ul style="list-style-type: none"> Raising and authorisation of invoices Chasing of outstanding debts Debt write off | Assurance | Both | Q3 | 6 | March 2015 |
| Creditor payments | <ul style="list-style-type: none"> Placing of orders Confirmation of goods received Authorisation of invoices Preparation and authorisation of payment runs | Assurance | Both | Q3 | 6 | March 2015 |
| Cash Receipting and Treasury Management | <ul style="list-style-type: none"> Receipt of cash and processing of cash payments Bank mandate Bank reconciliation Control over loans and investment | Assurance | Both | Q3 | 6 | March 2015 |
| Income and Debtors | <ul style="list-style-type: none"> Raising and authorisation of invoices Chasing of outstanding debts | Assurance | Both | Q3 | 6 | March 2015 |

| Audit | Internal Audit Coverage | Assurance / Advisory | Audit Sponsor | Proposed Timing | Days | Proposed Audit Committee |
|--------------------------------------|---|----------------------|---------------|-----------------|------|--------------------------|
| | <ul style="list-style-type: none"> Debt write off | | | | | |
| Other Internal Audit Activity | | | | | | |
| Follow up | To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management. | Follow-up review | Both | Q4 | 10 | To each Audit Committee |
| Management | This will include: <ul style="list-style-type: none"> Annual planning Preparation for, and attendance at, the Joint Audit Committee Regular liaison and progress updates Liaison with external audit and other assurance providers Preparation of the annual opinion | - | Both | Ongoing | 15 | - |