

**NORTHAMPTONSHIRE OFFICE OF THE POLICE AND CRIME COMMISSIONER**  
**INDEPENDENT AUDIT COMMITTEE**

**30<sup>th</sup> July 2013 at 09.00am**

**Greenwell Room, Wootton Hall, Northampton, NN4 0JQ**

If you should have any queries in respect of this agenda, please contact Stuart McCartney on 03000 111 222 Ext 346665

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**AGENDA**

1. Apologies, if any, for non-attendance.
2. Minutes of meeting held on 27<sup>th</sup> June 2013
3. Declaration of personal and prejudicial interests in respect of items on the agenda.
4. Draft Internal Audit Plan 2013/4
5. **Urgent Business** – Such other business involving exempt information which, by reason of the special circumstances to be specified, the Chairman is of the opinion is of sufficient urgency to warrant consideration. (Members who wish to raise urgent business are requested to inform the Chairman beforehand).

In respect of the following items the Chair may move the resolution set out below on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the, Local Government Act 1972) would be disclosed to them:

“That under Section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A of the Act of the descriptions against each item would be disclosed to them”.

**ITEM**

**DESCRIPTION OF  
EXEMPTION**

1. Minutes of meeting held on 27<sup>th</sup> June 2013

PARAGRAPH 1 OF  
PART 1 OF SCHEDULE  
12A OF THE LOCAL  
GOVERNMENT ACT  
1972

IAIN BRITTON  
ASSISTANT COMMISSIONER (JUSTICE) & MONITORING OFFICER

# NORTHAMPTONSHIRE POLICE AND CRIME COMMISSION

## INDEPENDENT AUDIT COMMITTEE

Agenda No: 2

27<sup>th</sup> June 2013

(Excluding Exempt Items)

PRESENT: Mr S Schanschieff JP OBE DL (Chairman)  
Mrs J Haynes  
Ms G Newton CBE  
Mr R Wootton

Northamptonshire Police and Crime Commission attendees:

Mr. I Britton	-	Assistant Commissioner - Justice
Miss K Buckle	-	Assistant Commissioner – Governance
Mr J Neilson	-	Strategic Resources Manager
Ms R Yule	-	Treasurer
Mr S McCartney	-	Strategy Adviser

Northamptonshire Police attendees:

Mr M Jelley	-	Deputy Chief Constable
Mrs F Davies	-	Head of Corporate Services
Mr G Jones	-	Head of Finance and Asset Management
Mr. N Alexander	-	Chief Accountant

Other attendees:

Mr P Green	-	RSM Tenon
Mr S Stanyer	-	KPMG

### **APOLOGIES**

Apologies received from Mr J Raisin, Interim Assistant Commissioner – Resources

### **DECLARATION OF INTERESTS**

There were none.

## DRAFT ACCOUNTS 2012-13

The Chairman invited Mrs Davies to introduce the report and the draft accounts 2012-13. He indicated it is a fundamental responsibility of the Committee to review significant financial reporting issues and judgements made in preparing the accounts.

Mrs Davies briefed members on the new accounting procedures that have been used to prepare the accounts and the need to give assurance around the governance and financial controls of the Commissioner and the Chief Constable, as two corporations sole.

Mr Neilson introduced the draft Annual Governance Statement [AGS] for 2012-13 for the Commission. This was being shared with the Committee for their comments prior to being signed by the Commissioner and Monitoring Officer and shared with the external auditor in mid July. The draft AGS reflected the progress made in establishing the Commissioner's governance arrangements since 22<sup>nd</sup> November 2012 when the Commissioner took office.

It reflects work in progress and further progress will be made during 2013-14 to embed the governance arrangements fully.

It was noted the Internal Auditor in his Annual Report presented to the Audit Committee today states: *in our opinion the Office of the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police Force has effective, adequate and effective arrangements for governance, risk management and control.* Ms Newton noted that undertaking the establishment of a governance framework for a new organisation was not easy, and suggested that the draft should more fully reflect the role and contribution of the Audit Committee in the Commission's governance arrangements.

Ms Newton then commented on the work being undertaken in relation to the Internal Audit Plan. It was noted the Committee has not yet considered the draft Internal Audit Plan 2013-14 and she asked if members of the Committee could have sight of it to comment on. In response Mr Neilson stated this joint plan has not yet been agreed with Internal Audit by the Commissioner and the Chief Constable. It was acknowledged best practice would be for the draft plan to be considered *prior* to the relevant financial year.

Mr P Green also responded and updated members.

The Chairman felt it was important for the Committee to review the plan and suggested convening a further meeting within three weeks.

Ms Newton also drew attention to the fact that the Internal Audit report *Transition Payroll and Payments* [now re-styled as *Transitional Governance – Interim and Permanent Appointments (post 22 November 2012)*] was being presented to the Committee today. This was somewhat later than Members had been led to expect by the Internal Auditor, who had indicated at the meeting of the Committee on 19<sup>th</sup> March 2013 that work on that report would be completed by the end of April 2013.

[Minute 07/12 refers]. A draft report had been sent to the Commissioner on 30<sup>th</sup> April and the final report was issued on 17<sup>th</sup> June 2013.

Mr Schanschieff noted that it was important that the Committee quickly find a date when Members can see the draft Internal Audit Plan and asked for a meeting within the next three weeks. The Chairman then asked about regional co-operation, Mrs Davis responded and gave members of the Committee an update on the current position.

Ms Newton then asked about the auditing of MFSS, Mrs Davis responded and noted that Forces have sight of each others' audit reports and can call in any issues. Ms Newton asked whether or not Independent Audit Committee Members would have sight of these reports, Mrs Davies confirmed that they would. The Chairman then asked for an overall opinion on the draft 2012-13 accounts, Mrs Davis responded and noted it had been a good year for the Force financially.

The Chairman then asked if the financial situation affecting the Force had affected its performance. Mr Jelley updated members of the Force's performance and how improvements were being implemented.

Ms. Newton noted that this could be a useful item for the proposed workshop. The Chairman then asked if final reports will include an overview on performance and value for money, Mr Jelley responded and noted that the Force would work on this.

Mrs Haynes noted that the PCC has the potential to step up performance, and therefore may need to invest resources to deliver such improvements. She then noted that the accounts suggest that there is scope to invest. Mr. Britton responded and briefed members on where resources are being invested to help deliver the Commissioner's Police and Crime Plan.

Mr Schanschieff noted that looking forward the financial situation will get worse and explained that the table on page eight highlights the forthcoming financial challenges facing the Force. Mr Wootton asked if the document will be published wider for public scrutiny, in response Mrs Davis explained that further information will soon be published in the local media.

#### **RESOLVED:-**

**A further meeting of the Independent Audit Committee will be arranged to review the draft Internal Audit Plan 2013-14.**

#### **TREASURY MANAGEMENT OUTTURN 2012-13**

Mr. Jones briefed members on the outturn report and noted the overall, the Force had achieved an overall underspend of £111,000.

## **PCC RISK REGISTER**

Mr. Neilson introduced the paper and noted the challenges facing the PCC and the Force over the next four years. He explained that the paper sets out the approach to risk outlined at the last meeting. He noted this is the first risk register for the OPCC to be presented to the Committee. Three risks have been identified as amber.

Mrs Newton noted that it was much improved from the work in progress that was shared with the Committee. Mr Wootton asked about the ongoing financial challenges and the impact they will have on the identified risks.

Mr Neilson explained the Medium Term Financial Plan anticipates the financial situation will become more challenging and the risk register reflects that. Mrs Haynes asked whether the risk register had taken account of the general election due in 2015. Mr Neilson referred to the current assumption that PCCs are 'going concerns' and noted this assumption will be reviewed in the light of any significant changes in the political climate. Ms Newton noted that the minutes of the last meeting referred to the need for the Force Risk Register to be more top down and corporate. She asked what progress had been made on this. Mr. Jelley updated members on that point and stated an updated version was due to be presented at the next Audit Committee meeting in accordance with the previously agreed six-monthly schedule.

## **EXTERNAL AUDIT – VERBAL UPDATE**

Mr Stanyer updated members and noted that the next meeting of the Audit Committee was important. He explained that they had received the draft annual accounts in a timely basis and they had met with the Force's finance team. He then set out the proposed timetable over the coming months and noted that it was his intention to bring the ISO 260 report to the autumn meeting of the Committee.

## **INTERNAL AUDIT ANNUAL REPORT**

Mr Green introduced the Internal Audit Annual Report 2012-13 and noted that it had been an unusual year. He confirmed that since November 2012, the new arrangements were in order and that there was momentum regarding governance and risk management. He explained that Internal Audit has three draft reports outstanding and he was happy to bring them to the Committee.

Ms. Newton raised the issue of monitoring progress against recommendations and asked if an update report could be brought to the Committee. Mr Green responded and explained that would be helpful.

## **RESOLVED:-**

**The Commissioner and Chief Constable to ensure a report on the progress with implementing the recommendations of Internal [and External] audit reports is brought to each ordinary meeting of the Committee.**

## **PROPOSED TRAINING WORKSHOP DATES**

Mr Neilson suggested a number of dates for these sessions. Ms Newton felt it would be important to have some input from the Force. Mr Jelley was happy to contribute to this. Mr Wootton asked about the possibility of holding a regional workshop, in response, Mr Schanschieff felt it was important to hold the proposed workshop first and then look at developing it further. He also noted the position of Chairman of the Audit Committee was due to be advertised; therefore he felt it was important to hold the workshop as soon as possible. Ms Haynes asked for further information about the appointment process and how members of the audit Committee will be involved. Ms Newton asked for early sight of the job advert and related appointment process. Mr Britton assured members they will be consulted on the proposed arrangements.

## **09/12 MATTERS OF URGENCY**

None.

## **10/12 EXCLUSION OF THE PUBLIC AND PRESS**

**“That under Section 100(a) of the Local Government Act 1972 the public will be excluded from the meeting for the following item of business on the grounds that, if the public were present it would be likely that such information under part 1 of Schedule 12a if the Act of the description against each item would be disclosed.”**

### **ITEM**

### **DESCRIPTION OF EXEMPTION**

- |    |                                  |             |
|----|----------------------------------|-------------|
| 1. | Injury Awards Overpayment Update | Paragraph 1 |
|----|----------------------------------|-------------|

## **RESUME OF CONFIDENTIAL ITEM**

The Committee received the Transition Payroll and Payments report from RSM Tenon.



**Office of the Northamptonshire Police and Crime  
Commissioner and Northamptonshire Police**

Internal Audit Strategy  
2013/14 – 2015/16

Presented at the Audit Committee meeting of: 27 June 2013

Patrick Green  
Head of Internal Audit

## 1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

### 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: Chartered Institute of Internal Auditors)*

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Office of the Northamptonshire Police and Crime Commissioner and Northamptonshire Police to achieve its objectives. The opinion may also be used by the Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee.

In line with the Financial Management Code of Practice published by the Home Office, both the PCC and Chief Constable must have an internal audit service, and there must be an audit committee in place (which can be joint). To support this, we have developed one internal audit plan, which reflects our view of the audit needs for the coming year, and which maps each assurance assignment to the PCC, the Chief Constable, or reflects where an assurance may be of particular benefit to both.

## 2 DEVELOPING THE INTERNAL AUDIT STRATEGY

### 2.1 Issues influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of our strategy for delivery of internal audit services.

As part of the development of the audit plan we have reviewed the Police and Crime Plan and also the Risk Register for the Force. The Risk Register for the Office of the Police and Crime Commissioner was not available when developing our audit plan, but will be considered throughout the year when available to ensure that our work is reflective of the key risks where we can provide assurance.

Appendix A reflects the range of potential issues that may affect the PCC and Chief Constable. These were used to focus our conversations with the senior management team on where our work would be most effective.

In preparing your strategy and more detailed operational plan we have met with:

- Interim Assistant Commissioner Resources (OPCC);
- Strategic Resources Manager (OPCC);
- Head of Corporate Services (Force);
- Head of Finance & Asset Management (Force).

The strategy is set out in Appendix B, with the more detailed annual plan for 2013/14 set out at Appendix C. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Partner and Senior Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Audit Committee.

## **2.2 Working with other assurance providers**

We intend to meet with the External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/14.

The Audit Committee are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes relevant to the PCC and the Force. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

## **3 INTERNAL AUDIT RESOURCES**

### **3.1 Your Internal Audit Team**

Your internal audit team is led by Patrick Green as Head of Internal Audit.

Your Client Manager is Suzanne Lane.

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.

### **3.2 Internal Audit Fees**

The fee for your internal audit service for 2013/14 is £39,100 based on an estimated input of 115 days.

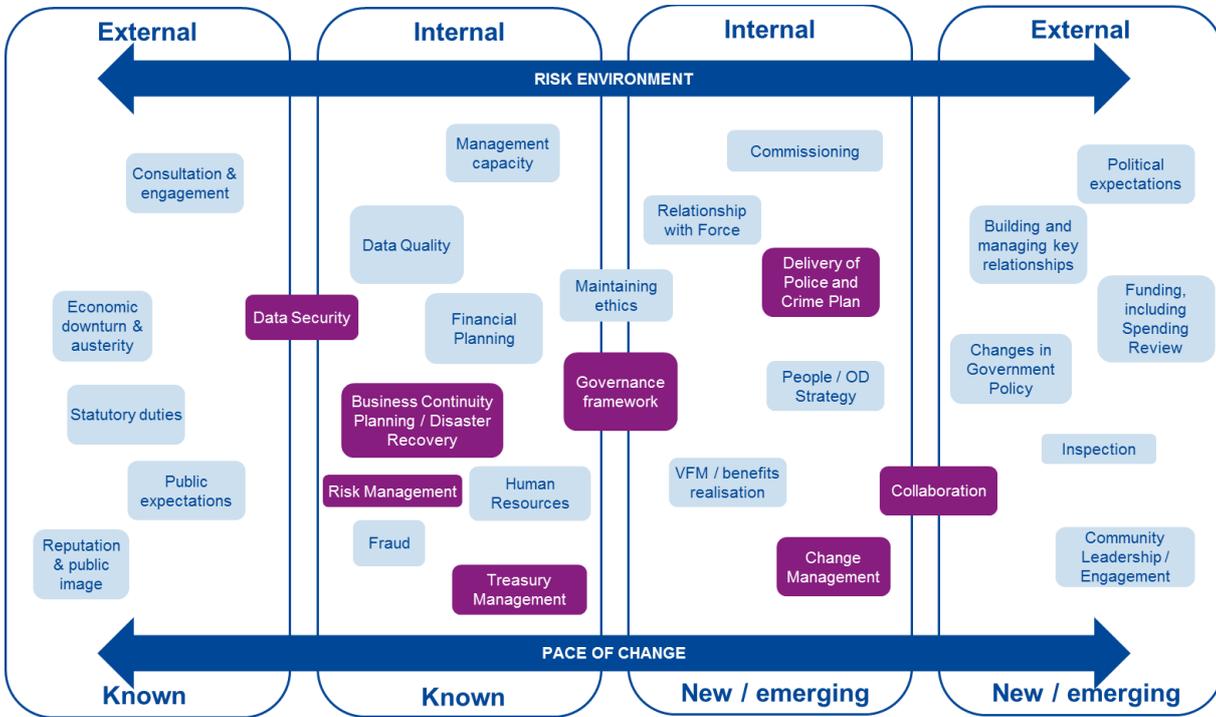
## **4 CONSIDERATIONS FOR THE AUDIT COMMITTEE**

- Does the Strategy for Internal Audit (as set out at Appendix B) cover the organisation's key risks as they are recognised by the Audit Committee and as listed in the Force and OPCC risk registers?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix C) reflect the areas that the Audit Committee believes should be covered as priority?
- Is the Committee satisfied that sufficient assurances are being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks (see Appendix A) not included in our annual plan?

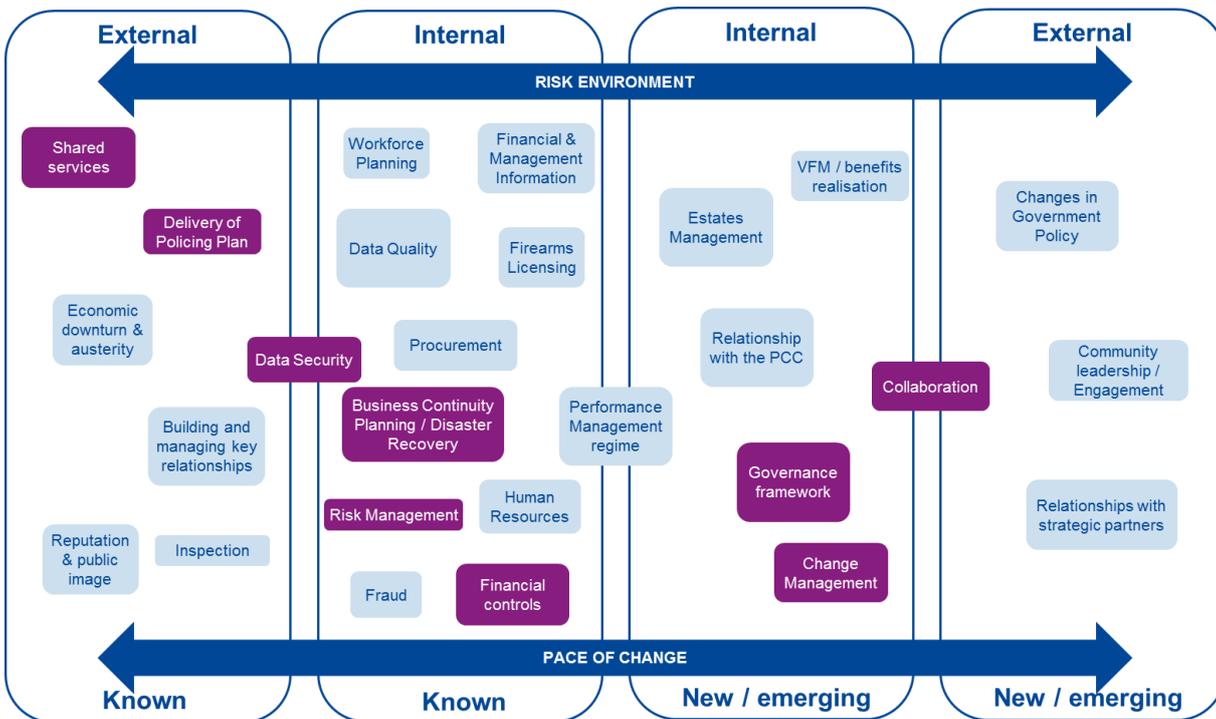
# APPENDIX A: ISSUES AFFECTING THE OFFICE OF THE NORTHAMPTONSHIRE POLICE AND CRIME COMMISSIONER AND NORTHAMPTONSHIRE POLICE

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

## Office of the Northamptonshire Police and Crime Commissioner



## Northamptonshire Police



**APPENDIX B: STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16**

**Risk Based Assurance**

Auditable Areas	Relevant Risks (from Force Risk Register)	2013/14	2014/15	2015/16
Change Management Programme	Due to insufficient capacity the Force / ONPCC are unable to deliver all of the programmed changes that are required to fulfil the Police and Crime Plan resulting in a failure to meet operational or financial targets. (Force)	✓		✓
Delivery of the Police and Crime Plan	<p>Lack of Plan. (OPCC)</p> <p>Doubts re capability to deliver plan. (OPCC)</p> <p>Failure to deliver key outcomes of the Polices and Crime Plan relating to the recruitment of reservists and volunteers and collaboration with other agencies will place increased demand on the Force resulting in reduced performance, budgetary pressure, loss of public confidence and possible adverse publicity. (Force)</p>	✓		
Partnerships Arrangements and Management	<p>A reduction in partnership resources due to budgetary constraints means that the Police increasingly have to perform roles on behalf of partners which is diverting resources away from key policing functions. (Force)</p> <p>Adverse stakeholder feedback particularly from HMIC and internal and external audit. (OPCC)</p>			✓
Medium Term Financial Planning	<p>Budget deficit of £20.22 million over 4 years to 2017-18. (Force)</p> <p>£2.92m Deficit in 2013-14. (Force)</p> <p>The ongoing financial pressures placing additional strain on resources resulting in a reduction in Force performance. (Force)</p> <p>Less funding available, both from public and private sources to enable the force to prepare for growth. (Force)</p>		✓	

Auditable Areas	Relevant Risks (from Force Risk Register)	2013/14	2014/15	2015/16
	Forecast Deficits. (OPCC)			
Human Resources, this could include: <ul style="list-style-type: none"> <li>Absence Management;</li> <li>Training and Development;</li> <li>Workforce Planning;</li> <li>Appraisals.</li> </ul>	The ongoing financial pressures placing additional strain on resources resulting in a reduction in Force performance. (Force)		✓	✓
Data Security	Information Security Breach (Internal or External) (Force)	✓		
Firearms Licensing	Differences in software used the by National Firearms Licensing Management System and Storm causes addresses to be 'mismatched' meaning that addresses are incorrectly identified as firearms being present, or not present. (Force)		✓	
Business Continuity	Following loss of mains electricity a failure in the power supply contingency system causes a prolonged disruption to force systems, reduction in operational performance, damage to equipment and harm to public confidence. (Force)	✓		

### Core Assurance

Audit Area	Outline scope	2013/14	2014/15	2015/16
Governance	Annual Review of the Governance Arrangements in place.	✓	✓	✓
Risk Management	Annual Review of the Risk Management Arrangements in place.	✓	✓	✓
Collaboration	Annual review of the Collaborations, this will include an element from each of the East Midlands audit plans, the scope of this review and resulting resource required will be agreed each year in collaboration with each OPCC / Force.	✓	✓	✓

### Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Rationale	2013/14	2014/15	2015/16
Key Financial Controls	To ensure external audit reliance on	✓	✓	✓

<ul style="list-style-type: none"> <li>▪ Budgetary Control</li> <li>▪ General Ledger</li> <li>▪ Payroll &amp; Expenses</li> <li>▪ Income &amp; Debtors</li> <li>▪ Fixed Assets and Inventory</li> </ul>	<p>our work and to provide assurance on compliance with the new Financial Regulations (approved March 2013).</p> <p>We will work with our colleagues in Cheshire Police to ensure that testing incorporates appropriate sample testing to ensure duplication is minimised and effective use of audit resource.</p>			
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#### Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Equiniti Pensions Administration	To follow up on the previous review within Xafinity which provide assurance over the accurate and efficient processing, administration, verification and approval of the pensions calculations and payments.	✓		
Commissioning	Key area of development for the Police and Crime Commissioner as part of the delivery of the Police and Crime Plan.		✓	
Multi Force Shared Services	Review to provide assurance on the contract / project management arrangements for the Multi Force Shared Service to ensure that this is being effectively monitored and managed.			✓
IT Audit	IT systems are key to the operation of the organisation, this review will provide assurance on the operation and management of the key systems.	See risk based	✓	✓
Estates Management	The Estates Strategy is currently being reviewed within the OPCC and Force, once a revised strategy has been agreed review of the monitoring and completion against the Estates Management Strategy.			✓
Procurement	The Force uses the Regional Procurement Hub for purchases over £25k and the MFSS for purchases under £25k. This review is to ensure that value for money is obtained through the procurement process.	✓		
Operational Areas	<p>This could include areas such as:</p> <ul style="list-style-type: none"> <li>▪ Management Information including Data Quality;</li> <li>▪ Vetting;</li> <li>▪ Stocks and Stores (clothing / firearms);</li> <li>▪ Storage and Disposal of Drugs;</li> <li>▪ Lost and Found Property;</li> <li>▪ Seized Property.</li> </ul>	✓	✓	✓

Activity	Rationale	2013/14	2014/15	2015/16
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

**APPENDIX C: INTERNAL AUDIT PLAN 2013/14**

Audit	Internal Audit Coverage	Internal Audit Approach	Audit Sponsor	Days	Proposed Timing
<b>Assurance and Advisory Work to Address Specific Risks</b>					
Change Management Programme	<p><i>Due to insufficient capacity the Force / ONPCC are unable to deliver all of the programmed changes that are required to fulfil the Police and Crime Plan resulting in a failure to meet operational or financial targets.</i></p> <p>Review of the change programme project management arrangements including the identifications of the projects, development and approval of business cases (including resources and budget required), monitoring of the delivery change programme and monitoring of the benefits and savings identified.</p>	Assurance	OPCC & Force	10	Q4
Delivery of the Police and Crime Plan	<p><i>Failure to deliver key outcomes of the Polices and Crime Plan relating to the recruitment of reservists and volunteers and collaboration with other agencies will place increased demand on the Force resulting in reduced performance, budgetary pressure, loss of public confidence and possible adverse publicity.</i></p> <p>Review of the Governance, delivery and monitoring of the Police and Crime Plan including the processes for:</p> <ul style="list-style-type: none"> <li>▪ Clear governance structure for monitoring and reporting.</li> <li>▪ Use of SMART objectives to establish achievement.</li> <li>▪ Monitoring and reporting of the Plan.</li> <li>▪ Performance Management criteria identified and monitored.</li> </ul>	Assurance	OPCC	10	Q3
Data Security	<p><i>Information Security Breach (Internal or External)</i></p> <p>Review of the use and management of IT systems and Data Security within the Force to prevent unauthorised use / misuse of IT systems and loss of information.</p>	Assurance	OPCC & Force	10	Q2
Business Continuity	<p><i>Following loss of mains electricity a failure in the power supply contingency system causes a prolonged disruption to force</i></p>	Assurance	Force	8	Q2

	<p><i>systems, reduction in operational performance, damage to equipment and harm to public confidence.</i></p> <p>Review of the Business Continuity arrangements including development and testing of Business Continuity and Disaster Recovery Plans.</p>				
<b>Core Assurance</b>					
Governance	Review of the new governance arrangements in place to establish if these are fit for purpose. This will include a review of the HR procedures within the OPCC.	Assurance	OPCC	8	Q3
Risk Management	Review of the key areas of Risk Management including the Risk Management Strategy, Risk Register, Risk Reporting. This will include the arrangement in place within the both the Office of the Police and Crime Commissioner and the Force.	Assurance	OPCC & Force	8	Q3
Collaboration (to be completed as part of a joint review with the East Midlands)	We will undertake a joint review to include each member of the East Midlands Collaboration. This may include an audit of the Collaborative Governance Framework, including a review against the Statutory Guidance for Police Collaboration and/or individual collaborated departments. However, the scope of this review will be agreed with the Chief Finance Officers in Collaboration prior to the start of the review.	Assurance	Force	5	Q1/2
<b>Financial Controls</b>					
Key Financial Controls	<p><u>Budgetary Control</u></p> <ul style="list-style-type: none"> <li>• Annual Budget setting process.</li> <li>• Budget Monitoring.</li> <li>• Budgetary Reporting.</li> </ul> <p><u>General Ledger</u></p> <ul style="list-style-type: none"> <li>• Access Controls.</li> <li>• Journals.</li> <li>• Month end closedown and reconciliation process.</li> </ul> <p><u>Payroll &amp; Expenses</u></p> <ul style="list-style-type: none"> <li>• Starters.</li> <li>• Leavers.</li> <li>• Changes to contract details.</li> <li>• Pensions contributions.</li> <li>• Expenses.</li> <li>• Payment authorisation &amp; run.</li> <li>• Reporting.</li> </ul>	Key Controls	OPCC & Force	15	Q3/4

	<p><u>Income &amp; Debtors</u></p> <ul style="list-style-type: none"> <li>• Raising and authorisation of invoices.</li> <li>• Chasing of outstanding debts.</li> <li>• Debt write off.</li> </ul> <p><u>Fixed Assets, Inventories</u></p> <ul style="list-style-type: none"> <li>• Maintenance of the asset register;</li> <li>• Internal verification of assets;</li> <li>• Disposals of assets;</li> <li>• Maintenance of inventory registers;</li> </ul> <p><i>We will work with our colleagues in Cheshire and ensure that testing incorporates appropriate sample testing so to ensure duplication is minimised and effective use of Internal Audit resource.</i></p>				
<b>Other Internal Audit Coverage</b>					
Equiniti Pensions Administration	Follow up of the previous recommendations made within the Xafinity Pensions Administration review.	Follow up review	Force	4	Q2
Procurement	Review of compliance with the Financial Regulations in relation to procurement including the use of the Regional Procurement Hub for purchases over £25k and the MFSS for purchases under £25k to ensure that value for money is obtained and contracts are tendered at the required stages. In addition, this review will include the procurement activities within the OPCC.	Assurance	OPCC & Force	8	Q3
Operational Areas	<p>Scope of the review to be agreed with management prior to the start of the review. This could include areas such as:</p> <ul style="list-style-type: none"> <li>▪ Management Information including Data Quality;</li> <li>▪ Vetting;</li> <li>▪ Stocks and Stores (clothing / firearms);</li> <li>▪ Storage and Disposal of Drugs;</li> <li>▪ Lost and Found Property;</li> <li>▪ Seized Property.</li> </ul>	TBC	Force	10	Q2
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	OPCC & Force	7	Q4

Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning.</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings.</li> <li>▪ Regular liaison and progress updates.</li> <li>▪ Liaison with external audit.</li> <li>▪ Preparation of the annual internal audit opinion.</li> </ul>	-	-	12	N/A
<b>Total</b>				<b>115</b>	

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## Police and Crime Commissioner for Northamptonshire and Northamptonshire Police

### Internal Audit Charter

July 2013

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## 1 The Internal Audit Charter

- 1.1 This Charter establishes the purpose, authority and responsibilities for the internal audit service for Police and Crime Commissioner for Northamptonshire and Northamptonshire Police.
- 1.2 The internal audit service is provided by RSM Tenon. Your key internal audit contacts are as follows:

	Head of Internal Audit	Senior Manager
<b>Name</b>	Patrick Green	Suzanne Lane
<b>Telephone</b>	07768 807469	07720 508148
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- 1.3 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards and RSM Tenon's Internal Audit Manual.
- 1.4 From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.
- 1.5 In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police to achieve their objectives. The opinion may also be used by the Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Independent Audit Committee.
- 1.6 The requirements for internal audit, and for Independent Audit Committees, for both PCCs and Chief Constables, are set out within the Financial Management Code of Practice published by the Home Office. To support this, RSM Tenon deliver a joint audit plan to the PCC and Chief Constable which maps each assurance assignment to the PCC, the Chief Constable, or reflects where an assurance may be of particular benefit to both.

## 2 Role and Definition of Internal Audit

“Internal Audit 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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.”

*Public Sector Internal Audit Standards*

- 2.1 Internal Audit is a key part of the assurance cycle for the Police and Crime Commissioner for Northamptonshire and Chief Constable for Northamptonshire Police and, if used appropriately, can assist in informing and updating the risk profile of the organisation. Internal Audit provides management with assurance on whether the organisation’s risk management, control and governance processes are adequate and operating effectively.
- 2.2 As public sector organisations, both the PCC and Chief Constable are required to have an internal audit service in place which conforms with the Public Sector Internal Audit Standards.

## 3 Independence and Ethics

- 3.1 To provide for the independence of Internal Audit, its personnel report direct to the Head of Internal Audit. The independence of the Head of Internal Audit is assured by him reporting to the Chief Finance Officer for Police and Crime Commissioner and Chief Finance Officer for Northamptonshire Police, with further reporting lines to the Police and Crime Commissioner, Chief Constable and Chair of Independent Audit Committee.
- 3.2 The Head of Internal Audit has unrestricted access to the Chair of Independent Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

## 4 Responsibilities

- 4.1 The Head of Internal Audit has a responsibility to:
  - Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Independent Audit Committee for review and approval each year before work commences on delivery of that plan.
  - Implement the audit plan as approved, including any additional tasks requested by management and the Independent Audit Committee.
  - Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
  - Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
  - Perform advisory activities where appropriate, beyond internal audit’s assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
  - Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
  - Evaluate and assess significant merging or consolidating functions and new or changing services, processes, operations within the organisation.
  - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
  - Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.

- Provide a list of significant measurement goals and results to the Independent Audit Committee.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

## 5 Reporting

- 5.1 The Head of Internal Audit shall issue progress reports to the Independent Audit Committee and management summarising outcomes of audit activities, including follow up reviews. These will be presented at every Independent Audit Committee.
- 5.2 As your internal audit provider, the assignment opinions that RSM Tenon Ltd provides the organisation during the year are part of the framework of assurances that assist the organisations in preparation of an informed annual governance statement.
- 5.3 As the provider of the internal audit service to Police and Crime Commissioner for Northamptonshire and Northamptonshire Police we are required to provide the PCC, the Chief Constable, and the Joint Audit Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by RSM Tenon Ltd at the financial year end.

## 6 Authority

- 6.1 The Head of Internal Audit and internal audit staff are authorised to:
- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
  - Have full and free access to the Independent Audit Committee.
  - Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives. Resources will be agreed with the Audit Committee each year as part of the agreement of the annual internal audit plan.
  - Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.
- 6.2 The Head of Internal Audit and internal audit staff are not authorised to:
- Perform any operational duties associated with the organisation
  - Initiate or approve accounting transactions on behalf of the organisation.
  - Direct the activities of any employee not employed by RSM Tenon unless specifically seconded to internal audit.

## 7 Data Protection

- 7.1 Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.
- 7.2 Personal data is not shared outside of RSM Tenon. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings.)
- 7.3 RSM Tenon has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

## 8 Fraud

- 8.1 The Independent Audit Committee, the PCC and the Chief Constable recognise that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Independent Audit Committee recognises that internal audit is not responsible for identifying fraud, however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Chairman of the Independent Audit Committee. Police and Crime Commissioner for  
Northamptonshire and Northamptonshire Police

Signature \_\_\_\_\_ Date \_\_\_\_\_

Chief Finance Officer for the Police and Crime Commissioner for Northamptonshire

Signature \_\_\_\_\_ Date \_\_\_\_\_

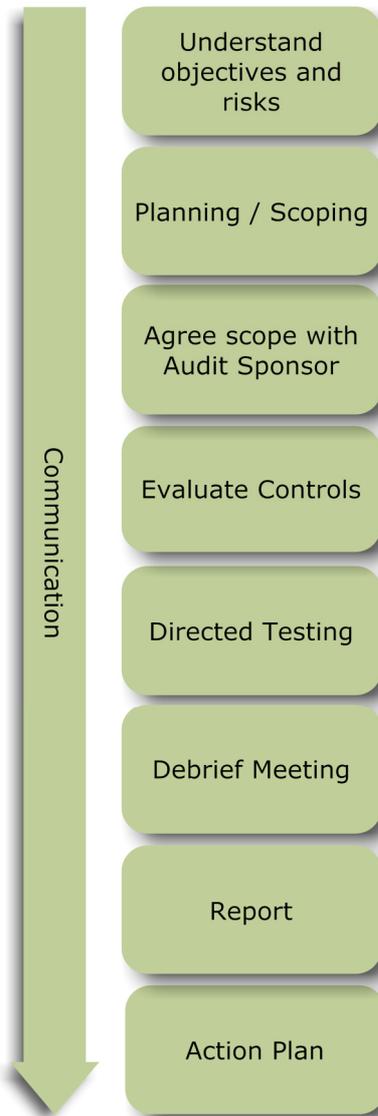
Chief Finance Officer for Northamptonshire Police



Signature \_\_\_\_\_ Date 9 July 2013

Head of Internal Audit, RSM Tenon Ltd

## Appendix A: Overview of the Internal Audit Process



### Planning the Assignment

Each audit will be planned individually to ensure that the scope addresses the risks facing your organisation, and is therefore a useful source of assurance, providing assurance on the controls that you rely on to manage your risks and deliver your objectives. We will meet with appropriate staff to understand the area under review and will then send you an Assignment Planning Sheet for your comment and sign off, so that we can discuss and agree the scope of each review; this provides the Audit Sponsor with an opportunity to comment on the scope of each audit. We will agree the audit date at the start of the year and you will receive a planning sheet at least two weeks before the audit commences.

### Undertaking the Audit

Once the scope has been agreed, our audit fieldwork is carefully planned to ensure that we thoroughly test the right controls. Should we identify any major issues during the audit, we will bring these to the attention of management straight away. We will keep you informed through the audit, and our team will be happy to answer any questions you may have. We will provide a list of information we will need when we issue the planning sheet so that you can prepare for the audit.

### Reporting our Findings

Before the internal audit team leaves site, we will hold a debrief meeting to discuss our findings and recommendations with you.

Therefore, there will be no surprises when you receive the draft internal audit report, and you have an opportunity to comment on the report before it is issued for wider circulation.

Each formal assurance report will contain a clear opinion, so you know instantly if your risk management of this area is effective.

### Agreeing Actions for Improvement

Every internal audit report contains an action plan which is completed by management. Once the action plan is completed the report is issued as a final report. This provides the Independent Audit Committee with a clear view of management's response to each recommendation, and also enables recommendation tracking. We will undertake follow up work to provide the Independent Audit Committee with an overview of progress in implementing actions that management have agreed.




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**Subject: Internal Audit Plan 2013-14**

**Recommendations: The Committee is recommended that:**

- a) The issues in Paragraph 4 are considered and determined, and advisory comments be made as appropriate.**
  - b) The Internal Audit Charter be accepted and signed.**
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## **1. Purpose of the report**

- 1.1 To provide the Joint Audit Committee with a draft risked-based audit plan for the financial year 2013/14 and advise the Police and Crime Commissioner and the Chief Constable of any comments to be taken into account in finalising the plan.
- 1.2 To provide the Joint Audit Committee with an Internal Audit Charter which clearly describes the roles and responsibilities of Internal Audit, and which will form an important part of the Governance and Assurance framework for both the OPCC and the Force.

## **2. Internal Audit Plan**

- 2.1 The Draft Internal Audit Plan for 2013/14 is attached at Appendix 1 and has been discussed by the Interim Assistant Commissioner Resources (OPCC) and the Head of Corporate Services (Force), supported by the Strategic Resources Manager (OPCC) and the Head of Finance and Asset Management (Force). The draft plan will be considered and finalised by the Commissioner and the Chief Constable at their meeting in August 2013.
- 2.2 The plan details the areas to be covered in the next three years and covers all the key financial controls including systems, governance arrangements and risk management which will give core assurance. Other Audits that are being undertaken are detailed in Appendix B. The operational audits (approximately 10 days allocated) will cover Vetting, Lost and Found Property, and Seized Property.

## **3. Internal Audit Charter**

- 3.1 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards.
- 3.2 From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the

*International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the Institute's definition of internal auditing and code of ethics.

- 3.3 In line with these requirements, RSM Tenon will perform the internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help the Police and Crime Commissioner for Northamptonshire and Northamptonshire Police to achieve their objectives.
- 3.4 The opinion will also be used by the Police and Crime Commissioner (PCC) and the Chief Constable, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Independent Audit Committee.
- 3.4 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards.

#### **4. Considerations**

- 4.1 The Committee are asked to consider the following matters, as set out in paragraph 4 of Appendix 1:-
- i) Does the strategy for Internal Audit as described in Appendix 1 cover the organisations key risks as they are recognised by the Audit Committee and as listed in the OPCC and Force risk registers?
  - ii) Does the detailed Internal Audit Plan for the coming financial year, reflect the areas that the Audit Committee believes should be covered as a priority?
  - iii) Is the Committee satisfied that sufficient assurances are being received to monitor the organisations risk profile effectively, including any emerging issues/ key risks not included in the annual plan?

#### **5. Recommendations**

- 5.1 The Committee is recommended to consider that:
- c) The issues in Paragraph 4 above are considered and determined, and advisory comments be made as appropriate.
  - d) The Internal Audit Charter be accepted and signed.

**Fiona Davies**  
**Head of Corporate Services**

**Northamptonshire Police**

**John Raisin**  
**Interim Assistant Commissioner**  
**Resources**  
**Office of Northamptonshire Police**  
**& Crime Commissioner**

**Author:** Fiona Davies  
Head of Corporate Services

**Background Papers:** Appendix A – Internal Audit Strategy 2013/14 – 2015/16  
Appendix B – Internal Audit Charter – July 2013