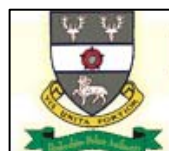


**RSM Tenon**

Leicestershire Police Authority  
Updated Strategy for Internal Audit  
2010/11

For presentation at the Audit Committee meeting of 18 March 2010  
Approved by Chris Harris as Head of Internal Audit



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# 1 INTRODUCTION

## 1.1 THE PURPOSE OF INTERNAL AUDIT

This document sets out the proposed internal audit plan for 2010/11 and updates the internal audit strategy agreed by the Treasurer and Audit Committee in April 2009.

RSM Tenon (formerly RSM Bentley Jennison) was appointed to provide internal audit services to five Police Authorities (Bedfordshire, Derbyshire, Leicestershire, Northamptonshire and Nottinghamshire) from 2009/10. From April 2010 Lincolnshire Police Authority joins this group.

Each Authority has a risk based internal audit plan designed to meet their risk profile, but their plan will also include thematic reviews where we will undertake the same work at each organisation.

## 1.2 OUR RESPONSIBILITIES

The purpose of internal audit is to provide the Authority and Chief Constable, through the Audit Committee, with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the organisation's agreed objectives. This opinion forms part of the framework of assurances that the Audit Committee receives and should be used to help inform the Statement on Internal Control within the annual governance statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors (IIA). Our approach to internal audit also meets the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. 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, in particular to how those elements contribute to how the organisation will achieve its objectives.

## 2 THE UPDATED INTERNAL AUDIT PLAN

### 2.1 HOW THE STRATEGY WAS DEVELOPED

The plan has been updated following discussions with Treasurer and the Director of Finance, and taking into account concerns identified by the Audit Committee as well as changes in the organisation's risk profile.

In 2008/09 we undertook a review of the organisation's risk maturity and concluded that Leicestershire Police Authority is a risk managed organisation. Therefore we are able to place reliance on your risk registers to inform the update of the internal audit strategy (see the Risk Maturity Matrix at Appendix A).

The changes made to the internal audit plan for 2010/11 are as follows:

- The risks within the Internal Audit Strategy have been updated to reflect the current risks of the Authority and the Force.
- As a result of the need to save up to £15 million from the budget, we have included within our work an allocation for value for money / efficiency work. The scope of this work will be agreed following completion of the work by RSM Tenon on benefits realisation in addition to plan to be developed by the Authority.
- Partnerships has been added to the three year strategy to reflect the risk on the Authority risk register.
- In agreement with the External Audit, we have changed our approach to auditing the financial systems in that we will do an audit of the key financial systems once every three years. In the interim years, we will only review those key controls identified by the External Audit to ensure that they can place reliance on our work.
- To allow time for our value for money / efficiency work we have delayed the following audits until 2011/12 (this has resulted in an increased resource for 2011/12, however, this will be addressed as part of the annual review of the Internal Audit Strategy):
  - Divisional Reviews
  - Firearms Licensing
  - Communications (Airwaves)
  - Polices and Procedures
  - Uniform Stores
  - Estates Management
  - Independent Custody Visiting Scheme
- Transport was bought forward to the 2009/10 plan, as such this has been removed from the 2010/11 audit plan.

### 2.2 REVIEWS INVOLVING ALL SIX POLICE AUTHORITIES

We have discussed topics with the six Police Authority Treasurers that would be beneficial or of interest to all six Authorities. Accordingly, we have included two reviews within our plan for 2010/11 that are of a thematic nature:

#### **Use of Mobile Data**

In the past few years, police forces have implemented mobile solutions to reduce bureaucracy and to improve the efficiency and effectiveness of front line policing. This thematic review across

all six authorities will consider how each force captures information on activity from its mobile data and how this data is used. We will also consider whether the forces and authorities have been able to assess whether the planned benefits of implementing a mobile solution have been realized.

#### **Review of East Midlands Collaboration Team**

This will be undertaken as one review (using an allocation from each of the six internal audit plans).

Collaboration is a key element of the way that police authorities and forces in the East Midlands work together. While one of the intentions of collaborating is to help forces and authorities manage the financial pressures facing them, the regional collaboration team at Newark is a cost that all of the organisations must bear. Therefore, it is considered appropriate to undertake a review of the East Midlands Regional Collaboration Team.

We will also seek to obtain some information from the Eastern Regional Collaboration Team to compare arrangements across the two teams but also to benchmark costs.

The DCC heading up the Collaboration Team at Newark will be consulted on scope and timing, as will the Chair of the East Midlands Joint Collaboration Board.

A detailed scope for the review and timing of the work will be agreed with the Treasurers of the six police authorities once the Collaboration Plan has been approved in early 2010.

### **3 INTERNAL AUDIT RESOURCES**

#### **3.1 YOUR INTERNAL AUDIT TEAM**

Your internal audit team is led by Chris Harris.

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**

In line with our tender and subsequent engagement letter, we estimate resources of 130 days which equates to the fee for your internal audit service for 2010/11 is £41,210. A breakdown of fees for each assignment is provided at Appendix B as part of the detailed internal audit plan for 2010/11. This is based on our tender submission to the six authorities in December 2008. As all six authorities have appointed RSM Tenon from April 2010, the internal audit daily fee has been reduced to £317 per day.

## 4 CONSIDERATIONS REQUIRED OF THE AUDIT COMMITTEE

- Does the detailed internal audit plan for the coming financial year (see Appendix B) reflect the areas that the Audit Committee believe should be covered as priority?
- Does the updated Strategy for Internal Audit (as set out at Appendix C) cover the organisation's key risks as they are recognised by the Audit Committee?
- Does the audit strategy include all those areas that the Audit Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?

## APPENDIX A: RISK MATURITY MATRIX

Risk Maturity	Characteristics of your risk management arrangements	RSM Tenon's Internal Audit Approach
Risk Naïve	No formal approach developed for risk management	<p>Promote risk management, advisory work to help put the risk management framework in place.</p> <p>Rely on internal audit's assessment of risk to drive the internal audit plan.</p>
Risk Aware	Scattered silo based approach to risk management	<p>Promote embedded and joined up risk management activities.</p> <p>Rely on internal audit's assessment of risk to drive the internal audit plan.</p>
Risk Defined	Strategy and policies in place and communicated. Risk appetite defined	<p>Facilitate risk management/liaise with risk management. Review of risk management processes already in place.</p> <p>Internal Audit rely on your assessment of risk, but will also identify other risk areas for internal audit coverage.</p>
Risk Managed	<p>Enterprise wide approach to risk management developed and communicated.</p> <p>Risk management is considered at the highest level of the business, but could be further developed to inform decision making.</p>	<p>Depending on the business's attitude to risk management, provide advice and support to move to a risk enabled organisation. Audit existing risk management processes to confirm effectiveness.</p> <p>Management's assessment of risk drives the audit plan, although internal audit will continue to challenge whether there are other risks that require internal audit coverage.</p>
Risk Enabled	<p>Risk management and internal control fully embedded into the operations.</p> <p>Risk management is used to help manage the business; consequently the business is able to take risks on an informed basis to achieve its objectives.</p>	<p>Audit risk management processes to confirm effectiveness.</p> <p>Management's assessment of risk drives the audit plan, although internal audit will continue challenge whether there are other risks that require internal audit coverage.</p>

Source: Based on Risk Maturity Matrix, Institute of Internal Auditors, Risk Based Auditing Position Statement

## APPENDIX B: DETAILED INTERNAL AUDIT PLAN 2010/2011

## RISK BASED COVERAGE

Audit Title	Risk	Mitigating Controls to be considered in IA review	Fee per assignment	Provisional Timing
Value for Money / Efficiency work	The need to save up to £15million from our budget  Reduction of non-mainstream funding  Failure to adequately fund services	Scope of the work to be agreed with client and Audit Committee prior to completion	£4,324	TBC
Management Information (MOPI)	Delivery of MOPI requirements.	<ul style="list-style-type: none"> <li>▪ NPIA Submissions.</li> <li>▪ Quarterly briefings.</li> <li>▪ Peers Reviews.</li> </ul>	£1,844	Q2
Information Systems Assurance Audits	Risk of virus on force IT network  Risk of loss of IT / Comms infrastructure	The focus of this review will be discussed within management prior to the start of the audit, however, the may include the Code of Connections.	£2,875	Q2
Performance Management	Failure to deliver a strategic agenda by not linking performance to planning and resource allocation	<ul style="list-style-type: none"> <li>▪ PA received regular reports about performance to full authority and its committees and panels.</li> <li>▪ Performance Panel picks up specific elements of force performance.</li> <li>▪ Members receive APA training on Performance Data.</li> <li>▪ Members sit on Force Programme Boards.</li> <li>▪ Members sot on Strategic Financial Planning Group.</li> <li>▪ Business Planning paper June 2009.</li> </ul>	£1,844	Q4
Business and Strategic Planning	Failure to deliver a strategic agenda by not aligning strategic plans between Authority and Force	<ul style="list-style-type: none"> <li>▪ Recruitment of members focuses on the strategic aspects of the PA.</li> <li>▪ Induction of new members.</li> </ul>	£1,844	Q1

		<ul style="list-style-type: none"> <li>▪ Strategic Planning is embedded into the PA meeting timetable</li> <li>▪ Production of the Policing Plan to reinforce.</li> </ul>		
<b>Total</b>			<b>£12,731</b>	

#### THEMATIC REVIEWS / COLLABORATIVE AUDITS

See paragraph 2.2 for further detail

Audit Title	Scope	Fee per assignment	Provisional Timing
Use of Mobile Data	This thematic review across all six authorities will consider how each force captures information on activity from its mobile data and how this data is used. We will also consider whether the forces and authorities have been able to assess whether the planned benefits of implementing a mobile solution have been realized.	£4,923	Q2
Review of East Midlands Collaboration Team	A detailed scope for the review and timing of the work will be agreed with the Treasurers of the six police authorities once the Collaboration Plan has been approved in early 2010. See paragraph 2.2 for further detail	£1,415	To be agreed
<b>Total</b>		<b>£6,338</b>	

**COVERAGE FOR EXTERNAL AUDIT RELIANCE**

Audit Title	High Level Controls to be considered in IA review	Scope	Fee per assignment	Provisional Timing
Governance	<ul style="list-style-type: none"> <li>▪ Members induction Policy</li> <li>▪ Members Training Policy</li> <li>▪ Completion of skills mix</li> <li>▪ Identification of Training needs</li> </ul>	<p>Annual review of the Governance processes for the Authority / Force.</p> <p>To review new member's induction and identification of training needs of members.</p>	£1,582	Q4
Risk Maturity	<ul style="list-style-type: none"> <li>▪ Risk Strategy</li> <li>▪ Risk Register</li> <li>▪ Risk Reporting</li> </ul>	Annual review of the Risk Management process for the Authority / Force	£1,582	Q4
General Ledger	<ul style="list-style-type: none"> <li>▪ Access controls</li> <li>▪ Journals</li> <li>▪ Month end closedown and reconciliation processes.</li> </ul>	Controls to be tested will be agreed with External Audit prior to the commencement of the fieldwork.	£965	Q3
Payroll (including Pensions and Expenses)	<ul style="list-style-type: none"> <li>▪ Starters</li> <li>▪ Leavers</li> <li>▪ Changes in contract details</li> <li>▪ Pensions Contributions</li> <li>▪ Expenses</li> <li>▪ Payment authorisation and run.</li> <li>▪ Reporting</li> </ul>	Controls to be tested will be agreed with External Audit prior to the commencement of the fieldwork.	£1,687	Q3
Key Financial Controls	<p>Key controls within the following areas:</p> <ul style="list-style-type: none"> <li>▪ Budgetary Control</li> <li>▪ Cash, Banking and Treasury Management</li> <li>▪ Payments and Creditors</li> <li>▪ Income and Debtors</li> <li>▪ Asset Management</li> </ul>	Controls to be tested will be agreed with External Audit prior to the commencement of the fieldwork.	£2,607	Q3
<b>Total</b>			<b>£8,423</b>	

**OTHER INTERNAL AUDIT WORK**

Topic	High Level Scope	Fee per assignment	Provisional Timing
Proactive Fraud / Counter Fraud	Review of the Authority's Anti Fraud and Corruption Strategy and Whistle Blowing Strategy	£1,097	Q3
Procurement	A review of the implementation of the organisations Procurement / Value for Money Strategies to ensure that these are working within the organisation.	£2,052	Q1
Capital Projects	Review of the benefits realisation within capital projects. This will include if the benefits have been identified at the start of the review and the organisations processes for evaluating if the benefits have been achieved. This will include a sample of two major projects within the organisation.	£1,909	Q2
Follow Up	To provide management and Authority Members with ongoing assurance regarding implementation of recommendations.	£866	Q1
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>	£7,794	Ongoing
<b>Total</b>		<b>£13,718</b>	
<b>TOTAL FOR 2010/11 Internal Audit Plan</b>		<b>£41,210</b>	

## APPENDIX C: UPDATED STRATEGY FOR INTERNAL AUDIT 2009/10 – 2011/12

### RISK BASED COVERAGE

Risks	Auditable Area	Objective Type <sup>1</sup>	Source	2009/10	2010/11	2011/12
The need to save up to £15 million from our budget	Value for Money / Efficiency work	Strategic Operational Compliance Reporting	Force Risk Register		✓	✓
Reduction of non-mainstream funding			Force Risk Register			
Failure to adequately fund services			Authority Risk Register			
Failure to deliver and monitor a robust financial plan			Authority Risk Register			
Delivery of MOPI requirements.	Management Information (MOPI)	Operational	Force Risk Register		✓	
Failure to attract and retain quality candidates for Authority and Force roles	Employee Related Issues	Strategic Operational Compliance Reporting	Authority Risk Register			✓
Risk of virus on force IT network	Information Systems Assurance Audits	Strategic	Force Risk Register	✓	✓	✓
Risk of loss of IT / Comms infrastructure						
Failure to deliver a strategic agenda by not linking performance to planning and resource	Performance Management	Strategic	Authority Risk Register	✓	✓	✓

<sup>1</sup> Ref: COSO ERM Framework

allocation						
Failure to deliver a strategic agenda by not aligning strategic plans between Authority and Force	Business and Strategic Planning	Strategic	Authority Risk Register	✓	✓	✓
Failure to engage fully in partnership working, including political partnerships	Partnerships	Strategic	Authority Risk Register			✓

### THEMATIC REVIEWS

Systems	Source of Requirement	2009/10	2010/11	2011/12
Each year a number of reviews will be undertaken as a thematic exercise across all six organisations. The topics will be agreed each year.		✓	✓	✓

### COVERAGE FOR EXTERNAL AUDIT RELIANCE OR TO MEET REGULATORY REQUIREMENTS

Systems	Source of Requirement	2009/10	2010/11	2011/12
Governance	Annual Review required of the Authority's/Force's Governance process.	✓	✓	✓
Risk Maturity	Annual Review required of the Authority's/Force's Risk Management process.	✓	✓	✓
Budgetary Control	External audit want to place reliance on testing undertaken by internal audit.	✓		
General Ledger	External audit want to place reliance on testing undertaken by internal audit.		✓	
Cash, Banking & Treasury Management	External audit want to place reliance on testing undertaken by internal audit.			✓
Payroll (including Pensions and Expenses)	External audit want to place reliance on testing undertaken by internal audit.		✓	
Payments & Creditors	External audit want to place reliance on testing undertaken by internal audit.	✓		
Income & Debtors	External audit want to place reliance on testing undertaken by internal audit.			✓
Asset Management	External audit want to place reliance on testing undertaken by internal audit.	✓		
Key Financial Controls	External audit want to place reliance on testing undertaken by internal audit. Therefore the key controls not covered within the individual reviews will be covered within this review.	✓	✓	✓

**ADVISORY INPUT AND OTHER INTERNAL AUDIT COVERAGE**

Internal Coverage	Audit	Source / Rationale	2009/10	2010/11	2011/12
Proactive Fraud / Counter Fraud		CIPFA's updated Red Book 2, Managing the Risk of Fraud was issued recently and should be complied with by the Authority. As part of this review we could provide assistance in the validation of NFI data provided.		✓	✓
Procurement		To review the procurement/tendering process used by the Authority/Force to ensure integrity and compliance with statutory legislation.		✓	
Overtime		A material system with high levels of expenditure which may be prone to error or mistake.	✓		
Divisional Review		An allocation of time to review key controls in operation in the regions to be selected on a rolling programme each year.			✓
Firearms Licensing		Considered to be a risk to the Authority/Force due to the potential adverse public perception if license eligibility guidelines are not followed. Licensed firearms may be used to commit an offence			✓
Communications (Airwaves)		To ensure that the Airwaves agreement is working effectively and costs are adequately managed			✓
Police Pensions Injury Award		To ensure that the administration around Police Pensions Injury Award is in place to provide a consistent and appropriate support.	✓		
Covert Human Intelligence Source Payments		A review to ensure that adequate arrangements are in place for the requirement for source confidentiality, the potential for inadequate records and fraud.			✓
Policies & Procedures		To ensure that adequate arrangements are in place for the development, review and dissemination of key Policies within the organisation.			✓
Uniform Stores		To ensure that adequate arrangements are in place for the management of stock and stores.			✓
Interpret & Translate		To ensure that adequate arrangements are in place for the instructing and management of interpretation and translation.			✓
Business Continuity (Non-IT)		Availability of Force staffing resources are dramatically reduced resulting in inability to deliver core policing services	✓		✓
Estates Management		Corporate Security: Security of the estate and corporate assets.			✓
Health and Safety – Accident and Incident Reporting		A key risk to the Force in how it identifies, assesses and acts upon all accidents, incidents and near misses to ensure the protection of all	✓		

Internal Coverage	Audit	Source / Rationale	2009/10	2010/11	2011/12
		individuals on Force property.			
Transport		A high level of expenditure for the Force, a review of the Transport internal control systems is key within the Strategic Plan.	✓		
Capital Projects		Inadequate management of capital projects may result in inadequate/ delayed facilities being developed or capital budgets being exceeded.		✓	
Independent Custody Visiting Scheme		Failure to maintain an effective custody visiting scheme.			✓
Seized / Lost Property		Sensitive Property in Police possession is lost, stolen or deteriorates.			✓
Follow Up		To meet the IIA Standards and to provide management with ongoing assurance regarding implementation of recommendations.	✓	✓	✓
Audit Management		<p>This will include:</p> <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>	✓	✓	✓