



RSM Tenon

CLEVELAND POLICE AUTHORITY

Strategy for Internal Audit

2011/12 – 2013/14

For presentation at the Audit and Internal Control Panel meeting of 21 April 2011

Approved by Ian Wallace as Head of Internal Audit

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1 INTRODUCTION

1.1 Overall Approach

This strategy sets out the approach we have taken to develop your internal audit plan for 2011 / 2014. It provides the Authority with a three year strategy and a more detailed plan for 2011/12.

1.2 The Purpose and Function 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.

(Chartered Institute of Internal Auditors)

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.

As such, 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, focusing in particular on how these arrangements help Cleveland Police Authority achieve its objectives.

2 DEVELOPING YOUR INTERNAL AUDIT STRATEGY

2.1 Developing the Strategy and the Detailed Plan for 2011/2012

Cleveland Police Authority's objectives and risk profile are the starting point in the development of the strategy for internal audit for the organisation, which is set out at Appendix A to this document.

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

- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the Audit and Internal Control Panel;
- 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 Director, and Senior Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Audit and Internal Control Panel.

The strategy will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

The detailed plan for 2011/2012 is set out at Appendix B.

In preparing your strategy we have also met with the Deputy Chief Constable, ACO Finance and Commissioning and the Chair and Vice Chair of the Audit and Internal Control Panel.

Key Areas discussed with Management	
1	The possible abolition of the Authority was discussed and an allocation included for Transitional Governance Arrangements.
2.	<p>Management of the Steria contract has been included and it is expected that this review will cover performance management, vetting arrangements, risk management and business and service continuity planning arrangements. We recognise that this review will need to be scoped in consultation with the Project Manager in the Force.</p> <p>During 2010/11 we have met with the Contract Support Officer in the Force to discuss and provide support on the audit of KPI/PI data that will be undertaken within the Force.</p>
3.	The Chair of the Audit and Internal Control Panel has requested a detailed follow up of the HR Policies and Procedures and Data Quality / Accuracy reports from 2010/11.

2.2 Impact of the Government's Spending Review and Other Austerity Measures.

Your internal audit plan for 2011/12 is designed to reflect the considerable impact of the Government's comprehensive spending review and other austerity measures on Cleveland Police Authority.

These changes will all impact on the organisation's risk management, control and governance arrangements and, if poorly

implemented, these areas could be weakened. At the same time Cleveland Police Authority's risks are likely to increase as:

- the scale of change reduces the time that senior management can devote to day to day management oversight
- public organisations establish new models of working, in which to date they have had limited experience
- contractors / suppliers face their own financial pressure, which could lead to corners being cut in service delivery
- fraud risks increase as disaffected staff will have more opportunity and incentive to perpetrate fraud and contractors could take advantage of weakened controls systems

We have therefore reviewed the resources necessary to discharge our responsibilities as the organisation's internal auditors and this plan:

- provides for additional senior input by the client manager and Head of Internal Audit to help ensure that emerging risks are identified and considered for example before contractual commitments are made or new systems are developed;
- includes more provision for compliance testing key controls to provide assurance that these controls are continuing to operate (extending the work we undertake as part of the managed audit in liaison with the external auditors);
- includes data interrogation routines and data analysis to identify potentially suspicious or duplicate transactions for further review.

2.3 Your Internal Audit Team

Your internal audit team is led by Ian Wallace.

Your Client Manager is Sue Turner.

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.

2.4 Internal Audit Fees

In line with our tender and subsequent engagement letter, the fee for your internal audit service for 2011/12 is £44,400.

3 CONSIDERATIONS FOR THE AUDIT AND INTERNAL CONTROL PANEL

To assist the Audit and Internal Control Panel with their consideration of the Internal Audit Plan, we have set out at Appendix C a number of areas that have not been included within the detailed Internal Audit Plan for 2011/12 but where internal audit could provide assurance. These are linked to your risk profile as well as to emerging issues in the sector.

- Does the Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Audit and Internal Control Panel?
- Does the audit strategy include all those areas that the Audit and Internal Control Panel 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 Panel and agreed as appropriate, given the level of assurance required?
- Does the detailed internal audit plan for the coming financial year (see Appendix B) reflect the areas that the Audit and Internal Control Panel believes should be covered as priority?
- Is the Audit and Internal Control Panel satisfied that sufficient assurances are being received by the organisation to effectively monitor the organisation's risk profile, including any emerging issues as set out in Appendix C?

APPENDIX A: UPDATED STRATEGY FOR INTERNAL AUDIT 2011/12 – 2013/14**Risk Based Coverage**

All of the risks included in the table below are scored as primary gross risks.

Risks	Auditable Areas	Source	Previous Coverage	2011/12	2012/13	2013/14
Authority Risk Register January 2011						
Risk of failure to provide effectiveness and value for money in policing services and to achieve the efficiency saving necessary to enable core services to be protected and enhanced against a backdrop of tight funding settlements.	VFM Arrangements	Risk Register 542	-		✓	
Risk of failure to comply with the provisions of the Code of Corporate Governance and the relevant Acts/Orders/Regulations.	Corporate Governance	Risk Register 545	2010/11 Green		✓	
Risk of costs and possible litigation in relation to current workforce policies and the failure to apply effective employment law practices.	HR Management Polices and Procedures	Risk Register 546	2010/11 Amber / Red			✓
Risk of the current HQ becoming increasingly expensive and unfit for purpose.	Project Management of Relocation of HQ	Risk Register 547	-	✓	✓	✓
Force Strategic Risk Register January 2011						
Lack of a viable fall back for the Control Room. Loss of local Call Taker and Dispatch trained staff. Service Continuity plans have not been fully developed and are not established.	Service Continuity Planning	Risk Register 62 168 701 1046	2009/10 Adequate		✓	

Risks	Auditable Areas	Source	Previous Coverage	2011/12	2012/13	2013/14
Complete failure of the Email system. Complete failure of the NSPIS Custody system. Complete failure of the Pegasus system. Complete failure of the VISOR system. Complete loss of the Mirweb / Casweb systems.		1049 1050 1055 1058				
Complete loss of or failure to gain access to District HQ.	Business Continuity Planning	Risk Register 149	-		✓	
The potential risk to staff safety and welfare when attending chemical sites. Business Interruption and associated depletion of Force resources.	Major Incident Planning	Risk Register 66 1187	-			✓
The Force is not keeping pace with licence classification changes.	Management of Driving Licences	Risk Register 119	-			✓
Lack of staff succession planning for specialist roles. Loss of knowledge within the Coroners office. Lack of succession planning in CBRN and PSU Bronze and Silver Commander roles. Force Analytical Function – Staff resilience, capacity and capability	Succession Planning	Risk Register 710 765 936 9	2008/09 Adequate	✓		
Non compliance with the Single Equality Scheme.	Equality and Diversity	Risk Register 727	-			✓
The lack of a recognised job evaluation system.	HR Management – Job Evaluations	Risk Register 728	-			✓

Risks	Auditable Areas	Source	Previous Coverage	2011/12	2012/13	2013/14
Increasing workload for lower staff numbers within the Coroners Unit.	Lean Process Review	Risk Register 764	-		✓	
Network system risk for peripheral Police occupied premises.	Network Security (Remote Access)	Risk Register 773	2009/10 Adequate	✓		
Force policies and procedures are not being reviewed or updated.	Polices and Procedures	Risk Register 980	-		✓	
Non compliance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).	Health and Safety	Risk Register 1009	2009/10 Substantial		✓	
Further and future budget cuts from Central Government.	Financial Planning and Budgetary Control	Risk Register 1052	2010/11 Green	✓		
Further and future budget cuts from Central Government. Ability to mitigate risk of Force staying within budget.	Futures Working Group and Efficiency Savings	Risk Register 1052 1094	2007/08 Substantial	✓		
Steria's failure to deliver the Outsourced Service Improvement Plans.	Performance Management of the Steria Contract	Risk Register 1189	-	✓		✓
Failure to meet Government guidelines for paying suppliers.	Creditor Payments See below for 2011/12. The audit of Purchasing and Payments will include consideration of this risk.	Risk Register 540	2009/10 Substantial			

Coverage for External Audit Reliance or to meet Regulatory Requirements

Systems	Source of Requirement	Previous Coverage	2011/12	2012/13	2013/14
Key Financial Controls	To support the Authority in the production of its Annual Governance Statement and external audit reliance.	2010/11 Green	✓	✓	✓
Payroll and Expenses	As above.	2009/10 Substantial	✓		✓
Purchasing and Payments	As above.	2009/10 Substantial	✓		
Income and Debtors	As above.	2008/09 Adequate			✓
Treasury Management	As above.	2008/09 Substantial		✓	
Budgetary Control	As above.	2010/11 Green			✓
Procurement	As above.	2009/10 Substantial		✓	
Capital Accounting and Asset Register	As above.	2008/09 Substantial			✓
Register of Interests, Gifts and Hospitality	As above.	-			✓
VAT	Following the implementation of the outsourcing to Steria and the Oracle system the ACO Finance and Commissioning has requested a review of VAT treatment.	2008/09 Advisory		✓	

Other Internal Audit Coverage

Internal Audit Coverage	Source / Rationale	Previous Coverage	2011/12	2012/13	2013/14
Transitional Governance – Abolition of the Authority	<p>Recent correspondence has announced that there is likely to be an immense change in the way the police services are to be managed. Early indications has highlighted that there is the potential for the Police Authorities to be migrated into Police Commissioners.</p> <p>During a period of change and uncertainty, the risk management and governance arrangements of an organisation are required to be more expansive and include not only the ongoing governance and risks of the day to day operations, but also need to explore the new reporting and governance arrangements, the additional risks arising through the transitional arrangements and the impact that this has on the business as a whole.</p>	-	✓		
Risk Management	<p>In 2009/10 we completed a review of Risk Maturity.</p> <p>In 2010/11 we completed an Assurance Stocktake review.</p> <p>In 2011/12 we will focus upon the risk management of the Steria Contract as part of the 'Management of the Steris Contract' review.</p>	2010/11 Advisory	✓	✓	✓
Vetting / Disclosure	The Force receives several thousand vetting requests each year. It is important that staff and visitors with access to confidential documents receive the appropriate level of vetting prior to working for / with the Force.	2009/10 Adequate			✓
Corporate Planning	In the current changing environment the organisation needs a Corporate Plan that is direct, targeted and explicitly linked to the long term financial forecast.	2009/10 Adequate		✓	
Estates Management	<p>With the planned relocation of the Headquarters in 2013 our estates audit work will focus upon the project management of the relocation.</p> <p>If the plans for either the new site or the current site are rejected we will revisit the audit plan and reallocated the days assigned to 'Relocation of HQ' included in the risk based section above.</p>	2008/09 Substantial			

Internal Audit Coverage	Source / Rationale	Previous Coverage	2011/12	2012/13	2013/14
Project Management	In 2011/12 we will focus upon the relocation of the HQ.	-		✓	✓
DPA Compliance	Non compliance with the Data Protection Act 1998 can result in a monetary penalty. From 6 April 2010 the Information Commissioner has been able to issue a penalty notice of up to £500,000 to deal with serious contraventions of the data protection principles.	2008/09 Substantial	✓		
IT Audit	IT is central to the efficient discharge of service objectives and the efficient and effective running of the Organisation.	-		✓	✓
Performance Management and Reporting	Measuring and monitoring performance across the organisation is a means of assessing whether targets are being met and objectives achieved. In 2011/12 our review of the Steria Contract will include performance monitoring and reporting against that contract.	-			✓
Follow Up - Data Quality / Data Accuracy	Amber / Red opinion given in 2010/11. A detailed follow up has been requested by the Audit and Internal Control Panel.	2010/11 Amber / Red	✓		
Follow Up – HR Policies and Procedures	Amber / Red opinion given in 2010/11. A detailed follow up has been requested by the Audit and Internal Control Panel.	2010/11 Amber / Red	✓		
Follow Up - General	To meet the internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	2010/11	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Audit and Internal Control Panel meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	-	✓	✓	✓

APPENDIX B: DETAILED INTERNAL AUDIT PLAN 2011/2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Audit and Internal Control Panel
Assurance and Advisory Work to Address Specific Risks					
Project Management of Relocation of HQ	This will include the following: <ul style="list-style-type: none"> • Appointment of contractors • Function of the Major Projects Panel • Procurement • Authorisation of payments The full scope of this review will depend upon when planning permission is received.	Key Control	TBC	8	
Succession Planning	This will include the following: <ul style="list-style-type: none"> • Identification of lack of resilience, possible loss of specialist knowledge, posts at risk etc. • Production of a Succession Plan and whether this is a live document that is updated on an ongoing basis. • How the risk to the organisation is quantified, for individual service units and in totality. • How the impact of risk could affect Force operations and performance statistics. • Identification of individuals and use of talent pools to minimise risk. • Monitoring and reporting arrangements. 	Key Control	July 2011	5	

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Audit and Internal Control Panel
Network Security	The scope of this audit will be prepared by our specialist audit team in consultation with management.	Key Control	TBC	10	
Financial Planning and Budgetary Control	This will include the following: <ul style="list-style-type: none"> • Preparation of the long term Financial Forecast. • How identified savings have been incorporated into the Financial Forecast. • The robustness of any estimates used. • Use of sensitivity analysis. • Preparation of the budget for 2011/12. • Ownership of individual budgets. • Budget monitoring and reporting. 	Key Control	September 2011	9	
Futures Working Group and Efficiency Savings	This will include the following: <ul style="list-style-type: none"> • Function, terms of reference and membership of the Futures Working Group. • Identification of efficiency savings. • Achievement of identified efficiency savings; testing of a sample of efficiency savings to ensure they can be verified. • Reporting arrangements. 	Key Control	July 2011	7	

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Audit and Internal Control Panel
Performance Management of the Steria Contract	<p>This will include the following:</p> <ul style="list-style-type: none"> • How KPI's are reported and monitored. • Auditing of source data and documents. <p>We will also review the following:</p> <ul style="list-style-type: none"> • Vetting Arrangements. • Business Continuity Planning and Service Continuity Planning. • Risk Management. 	Key Control	July 2011	9	
Coverage for External Audit Reliance or to meet Regulatory Requirements					
Key Financial Controls	A systematic audit covering input to the ledger through to production of the trial balance to provide assurance that the financial data is complete and accurate.	Systematic	October 2011	8	
Payroll and Expenses	<p>We will use a data interrogation tool, IDEA, to extract data from the system and undertake testing in the following areas,</p> <ul style="list-style-type: none"> • Temp or no NI Numbers. • Duplicate names on payroll matched to DOB. • Salary comparison to grades • Total salary paid to date. compared to expected salary – May indicate overpayments or high level of paid overtime. <p>We will also use the data analysis to select samples for testing of starters, leavers and authorisation controls.</p>	Key Control	September 2011	7	

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Audit and Internal Control Panel
Purchasing and Payments	We will use a data interrogation tool, IDEA, to extract data from the system and undertake testing in the following areas, <ul style="list-style-type: none"> • Duplicate Supplier Names. • Duplicate Invoices. • Duplicate Bank Accounts. • Summary of Invoices to Supplier. • List of all suppliers and number of records. • Invoice amount does not equal paid amount. • Time taken to pay Invoices. • Invalid VAT numbers. • Analysis of refunds to payments. • High value cash payments. 	Key Control	October 2011	7	
Other Internal Audit Input					
Transitional Governance – Abolition of the Authority	The focus of this review will depend upon the issues relevant to Cleveland Police Authority and scoping meetings will be held once the plan has been approved.	To be agreed	TBC	7	
DPA Compliance	We will review the policies, procedures and processes in place to ensure compliance with the 8 Principles of the Data Protection Act 1998.	Key Control		8	
Follow Up – Data Quality / Data Accuracy	To provide management with ongoing assurance regarding the implementation of recommendations arising from the Data Quality / Data Accuracy Audit completed in 2010/11.	Follow up review	November 2011	4	

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Audit and Internal Control Panel
Follow Up – HR Policies and Procedures	To provide management with ongoing assurance regarding the implementation of recommendations arising from the HR Policies and Procedures Audit completed in 2010/11.	Follow up review	November 2011	4	
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	January 2012	4	
Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning ▪ Preparation for, and attendance at, Audit and Internal Control Panel meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion 	-	Ongoing	18	-
Contingency	This has been included at the request of the DCC and ACO Finance and Commissioning.	-	-	5	-
Total	-	-	-	120	-

NOTE: 5 days have been carried forward from 2010/11.

APPENDIX C: ISSUES IDENTIFIED AT THE PLANNING STAGE BUT NOT COVERED WITHIN THE 2011/2012 INTERNAL AUDIT PLAN DUE TO LIMITED RESOURCES

AUDIT AREA	HOW RSM TENON CAN ASSIST	LINK TO YOUR RISK PROFILE
The Bribery Act	A joint review with our Fraud Solutions Team to review preparedness for the Bribery Act.	Compliance with legislation
Coroners Unit – Lean Process review	We could complete a lean process review within the Unit, identifying inefficiencies and savings within the processes undertaken by the staff in the Unit.	Risk 764 Increasing workload for lower staff numbers within the Coroners Unit.
VAT	Our specialist team would complete a review of VAT treatment to ensure this is correct following the outsourcing to Steria and the implementation of the Oracle system.	Requested by the ACO Finance and Commissioning.
HR Management – Structure and Process (Advisory)	This would be an advisory review and as such could be sourced from the advisory budget agreed at the last tender. Our specialist team would scope this review in consultation with the DCC.	Requested by the DCC.