



**ORIGINATOR: RSM (INTERNAL AUDITORS)**

**PAPER NO: AC21/21**

**SUBMITTED TO: AUDIT COMMITTEE 30 JULY 2021**

**SUBJECT: AUDIT STRATEGY AND ANNUAL INTERNAL AUDIT PLAN 2021/22**

**SUMMARY**

1. The report attached is the Audit Strategy and Annual Internal Audit Plan 2021/22.

**RECOMMENDATION:**

1. The Audit Committee is requested to consider the attached report.

OFFICIAL



# POLICE AND CRIME COMMISSIONERS FOR NORFOLK AND SUFFOLK AND NORFOLK CONSTABULARY AND SUFFOLK CONSTABULARY

Internal Audit Strategy 2021 - 2024 (including our Internal Audit Plan 1 August 2021 – 31 March 2022)

Presented at the Joint Audit Committees July 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

# EXECUTIVE SUMMARY

Our Internal Audit Plan for 1 August 2021 – 31 March 2022 is presented for consideration by the Joint Audit Committees (JACs). As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

The key points to note from our plan are:



**2021/22 Internal Audit priorities:** Internal audit activity for 1 August 2021 – 31 March 2022 is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting you in the eight months ahead, including changes within the sector. Our detailed plan for 2021/22 is included at Section 1.



**Level of Resource:** All audits have been costed in line with the day rates quoted in our recent tender submission and are based on the areas discussed with management. We will utilise technology when undertaking our audits. During 2021/22 we will continue to react to the challenges of Covid-19 and embrace more ways of using technology to undertake our audit work including the use of MS Teams meetings, secure web portals for audit data sharing (Huddle) and data analytics technology to strengthen our sampling and focus our audit testing.



**Core Assurance:** Our plan for 1 August 2021 – 31 March 2022 includes audits designed to enable the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary to take assurance that controls are in place to mitigate the risks identified by management. Four of our audits in 2021/22 have been driven from **your strategic risks:**

- Police Education Qualifications Framework (PEQF)
- Data Quality
- Transformation and Strategic Planning / Change
- Collaborations / Partnership Working

whilst we also have coverage of the **risk management** arrangements in place at all of the organisations, **key financial controls** coverage, and **follow up** allocations to determine that progress is being made to implement previously agreed management actions.



**'Agile' approach:** Our approach to working will be one where we will respond to your changing assurance needs. By employing an 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery, keeping you informed of these changes in our progress papers to the JACs during the year.



**2021/22 Head of Internal Audit Opinions** – Please note that we have assumed that your previous internal audit service provider will be issuing a Head of Internal Audit Opinion for all organisations for the work undertaken in the first four months of 2021/22. Our opinion will cover the period from our appointment to the 31 March 2022. There are other options available regarding the opinions and we would be happy to discuss these further with you.



# CONTENTS

1. YOUR INTERNAL AUDIT PLAN 2021/22 .....	5
2. INTERNAL AUDIT PLAN 2021/22.....	7
APPENDIX A: INTERNAL AUDITS NOT INCLUDED IN 2021/22 .....	10
APPENDIX B: YOUR INTERNAL AUDIT SERVICE .....	11
APPENDIX C: INTERNAL AUDIT STRATEGY 2021/22-2023/24 .....	12
APPENDIX D: INTERNAL AUDIT CHARTER.....	16
FOR FURTHER INFORMATION CONTACT .....	21

# 1. YOUR INTERNAL AUDIT PLAN 1 AUGUST 2021 - 31 MARCH 2022

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary in the eight months ahead, including changes within the sector and the continued impact of Covid-19.

## Risk management processes

We have placed reliance on your risk registers to inform the internal audit strategy, albeit we have not yet undertaken a review of your risk management frameworks, which is scheduled to be undertaken later in 2021/22. We have used various sources of information (see Figure A below) to further inform our plans and strategy and discussed priorities for internal audit coverage with a range of individuals as shown below:

Norfolk OPCC	Norfolk Police	Suffolk OPCC	Suffolk Police	Joint
• Jill Penn	• Peter Jasper	• Tim Passmore • Chris Jackson • Chris Bland	• DCC Rachel Kearton • ACC Rob Jones • Kenneth Kilpatrick	• Ch Supt Julie Wvendth • Kevin Wilkins • Vicky Curtis • Hugh Zabel

Furthermore, our strategy has then been jointly reviewed by the two ACOs and two CFOs, in consultation with their Chief Officer colleagues, ahead of the JAC to further prioritise the suggested areas for review.

Figure A: Audit considerations – sources considered when developing the Internal Audit Strategy.



Based on our understanding of the organisations, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming eight months and a high level strategic plan (see Section 2 and Appendix C for full details).

## 2. INTERNAL AUDIT PLAN 1 AUGUST 2021 – 31 MARCH 2022

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 31 August 2021 – 31 March 2022. The table details the strategic objectives which may warrant internal audit coverage. This review of your risks allows us to ensure that the proposed plan will meet the organisations' assurance needs for the forthcoming eight months and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes time for following up the implementation of actions and an audit management allocation.

Objective of the review (Strategic risk)	Audit approach	Days	Proposed timing	Proposed JAC
<b>Workforce planning including Police Education Qualifications Framework (PEQF)</b>  A review of preparedness including how workforce plans have been adapted to meet the police officer uplift. We will also review how the Constabularies have modelled their workforce plans to incorporate the introduction of the PEQF, which will impact on the time given over to training and the timescales within which new police officers become deployable.	Risk Based	20	Q2	November 2021
<b>Risk SSR5 &amp; NSR1</b>				
<b>Data Quality</b>  Previous audits have identified concerns in relation to data quality, and for this reason management requested a further audit be included in the plan. Review of the project management processes in place designed to improve data quality including review and oversight of the five priorities identified by management in this area. This will include the activities of the Records Management Team and Data Quality Improvement Board. We will also include benchmarking of the arrangements against best practice seen at other clients in the sector.	Risk Based	20	Q2	September 2021
<b>Risk SSR8 &amp; NSR9</b>				
<b>Transformation and Strategic Planning / Change</b>  This audit will cover the planning cycle and how each of the elements within the transformation programme, including financial planning and change projects, support each other, ensuring strategies, aims and objectives are aligned, and that progress is being monitored and measured against original timescales/aims. We will also consider roles and responsibilities of individuals and departments.	Risk Based	25	Q3/Q4	March 2022
<b>Risk SSR6, SSR9, NSR7 &amp; SPCC1</b>				

Objective of the review (Strategic risk)	Audit approach	Days	Proposed timing	Proposed JAC
<b>Collaborations / Partnership Working</b>  This review will provide assurance that there is a robust framework in place which is consistently applied across collaborated services to measure and monitor the benefits identified and achieved across collaborated units. We will review whether the Constabularies/PCCs have sufficient information to be able to assess the effectiveness and value for money provided by the collaborations which they are part of.	Risk Based	25	Q2	November 2021
<b>Risk SSR3, NSR7 &amp; NPCC</b>				
<b>Core Assurance</b>				
<b>Risk Management</b>  Review of the Risk Management arrangements within each OPCC & Constabulary to ensure risks are adequately identified, managed and reported. This review will incorporate a 'deep dive' into the Constabulary and the PCC risk registers. Coverage will include a sample of risks from both risk registers and discussion with the risk owners in relation to the risk description, controls in place, risk score and assurances in place.	Key controls	20	Q3/Q4	March 2022
<b>Accounts Payable</b>  We will agree the detailed scope with management but this audit will include amongst other areas: <ul style="list-style-type: none"><li>• Placing of orders</li><li>• Confirmation of goods being received</li><li>• Authorisation of Invoices</li><li>• Processing of credit notes</li><li>• Verification of changes to supplier details</li><li>• Preparation and authorisation of payment runs</li></ul> We will also be using data analytics to undertake some analysis and inform testing.	Key controls	25	Q4	March 2022
<b>Cash, Banking &amp; Treasury Management</b>  To include: <ul style="list-style-type: none"><li>• Receipt of cash</li><li>• Processing of cash payments</li><li>• Bank mandate</li><li>• Bank reconciliation</li><li>• Controls over loans and investments</li></ul>	Key controls	15	Q4	March 2022

Objective of the review (Strategic risk)	Audit approach	Days	Proposed timing	Proposed JAC
<ul style="list-style-type: none"> <li>• Compliance with treasury management strategy.</li> </ul>				
<b>Capital Programme</b>  Review to ensure that an adequate capital programme is in place including submission of business cases, identification of benefits, approval process, reporting and monitoring of benefits achieved.	Key controls	20	Q4	March 2022
<b>Pensions Administration</b>  Review covering the controls around joiners, leavers and other changes to the pension scheme, including how deaths are captured and processed in a timely manner. We will consider the accounting practices around the pension function.	Key controls	14	Q4	May 2022
<b>Other Internal Audit Activity</b>				
<b>Follow Up</b>  To meet internal auditing standards, and to provide assurance on action taken to address actions previously agreed by management. This will include two follow up reviews.	Key controls	20	Q4	May 2022
<b>Management</b>  This will include: <ul style="list-style-type: none"> <li>• Annual planning to develop strategic and yearly internal audit plans</li> <li>• Preparation for, and attendance at, JAC</li> <li>• Regular liaison and progress updates</li> <li>• Liaison with external audit, HMICFRS and other assurance providers</li> <li>• Preparation of the annual opinions</li> </ul>	N/A	36	Ongoing	N/A

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

## 2.1 Working with other assurance providers

The JACs 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 within the organisation.

We will however continue to work closely with other assurance providers, such as external audit and HMICFRS where possible to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

## APPENDIX A: INTERNAL AUDITS NOT INCLUDED IN 2021/22

The following areas of coverage were originally identified as potential areas of coverage with management but have not been included in the final 2021/22 plan in order to keep the overall level of coverage within budget.

<b>Area</b>
Norfolk – OPCC Audit – Community Safety Partnership
Corporate and HR Policies
Systems – ERP / Enact / DMS / Chronicle interfaces
Key Financial Controls
Procurement Strategy and Policy
Establishment, Capacity, Recruitment and Retention
Duty Management System
Transport Strategy and Policies
Management - Maintenance, Repair, Disposal, Transport Stock
Estates Strategy and Policies, including future planning
Recovered Property and Seized Monies

The following areas of coverage included in the original 2021/22 plan having been completed by TIAA in quarter one.

<b>Area</b>
Disaster Recovery and Business Continuity
Shared Service Transaction Centre
Overtime
Absence Management, with limited duties
Dog Handling

# APPENDIX B: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Daniel Harris as your Head of Internal Audit, supported by Anna O'Keeffe as your client manager.

## Core team

The delivery of the 2021/22 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

## Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that "there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers." RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

Our next external review will be conducted during 2021 and we will inform the JACs of its findings.

## Conflicts of interest

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 internal auditing standards.

## APPENDIX C: INTERNAL AUDIT STRATEGY 2021/22-2023/24

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.







# APPENDIX D: INTERNAL AUDIT CHARTER

## Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the JACs.

The internal audit service is provided by RSM Risk Assurance Services LLP (“RSM”).

We plan and 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 you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

## Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

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*“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.*

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## Independence and ethics

To provide for the independence of internal audit, its personnel report directly to the Partner, Daniel Harris (acting as your head of internal audit). The independence of RSM is assured by the internal audit service reporting to the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary, with further reporting lines to the Section 151 Officers.

RSM also provides the Internal Audit and other Advisory Services to the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary, we do not consider there to be a conflict of interest by the services provided.

The head of internal audit has unrestricted access to the chairs of JAC to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service.

If a potential conflict arises through the provision of other services, disclosure will be reported to the JACs. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the JACs. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

## Responsibilities

In providing your outsourced internal audit service, RSM 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 JACs for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the JACs.
- 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.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- 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.
- Report regularly to the JACs to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit' and 'senior management'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

- Senior management team who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

## Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee six weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 15 working days of the debrief meeting and will be issued by RSM to the agreed distribution list / Huddle.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.



We continue to closely monitor and implement official guidelines from the Government and health organisations in respect of Covid-19. All our staff must adhere to the relevant RSM Policies, including limiting time on site and completing the relevant approvals prior to any site visit.

## Authority

The internal audit team is 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 JACs.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.

- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

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 unless specifically seconded to internal audit.

## Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the JACs. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the JACs and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual 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 to the board 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 Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

For 2021/22 our opinion will cover the period 1 August 2021 to 31 March 2022 only.

## Data protection

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.

## **Quality Assurance and Improvement**

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the JACs.

## **Fraud**

The JACs recognise that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the JACs recognise that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

## **Approval of the internal audit charter**

By approving this document, the internal audit strategy, the JACs are also approving the internal audit charter.

# FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of the Police and Crime Commissioners for Norfolk and Suffolk and Norfolk Constabulary and Suffolk Constabulary, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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