

OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



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AUDIT COMMITTEE

Tuesday 14th March 2017 at 2.00 p.m.
Wroxham Room, Jubilee House, Falconers Chase,
Wymondham, Norfolk NR18 0WW

A G E N D A

Note for Members of the Public: If you have any specific requirements to enable you to attend the meeting, please contact the OPCCN (details overleaf) prior to the meeting.

Part 1 – Public Agenda

1. Welcome and Apologies
2. Declarations of Personal and/or Prejudicial Interests
3. To approve the minutes of last meeting held on 2nd December 2016
4. Treasury Management Strategy 2017/18 – Report from CFO
5. Enterprise Resource Planning System – update – Report from CFO
6. Report from Head of Internal Audit –
 - Internal Audit Progress Report – 2016/17 Plan
 - Internal Audit Strategic and Annual Plan 2017/18
7. External Audit Plan 2017/18 – Report from Director, Ernst & Young
8. Forward Work Plan – Report from CFO

Part 2 – Private Agenda

9. Strategic Risk Register update – Report from CExec and CC
– (OPCC Risk Register to follow)
10. Date of Next Meeting

Wednesday 7th June 2017 at 10:30 a.m. in the Wroxham Room

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**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON TUESDAY 2 DECEMBER 2016 AT 2 PM
IN THE FILBY ROOM, JUBILEE HOUSE, FALCONERS CHASE, WYMONDHAM**

Attendance:

Mr R Bennett (Chairman)
Mrs J Hills
Mr P Hargrave
Ms A Bennett

Also in attendance:

Mr M Stokes	Chief Executive OPCC
Mr J Hummersone	Chief Finance Officer (CFO)
Mr S Bailey	Chief Constable
Mr C Hewitt	Ernst and Young
Mr C Harris	Head of Internal Audit, TIAA
Ms F Dodimead	Director of Audit, TIAA

1. Welcome and Apologies

The Chairman welcomed those present, and apologies were received from Mr R Chapman and Lorne Green, Police and Crime Commissioner.

2. Declarations of Personal and/or Prejudicial Interests

None reported. The CFO agreed to circulate the necessary forms to ensure all interests could be reported to OPCC.

3. To confirm the minutes of the meeting held on 27 September 2016

The minutes were agreed.

4. Internal Audit:

a) Internal Audit Plan Update 2016/17

Mr Harris/Ms Dodimead presented the report. Four audits had been finalised since the last meeting of the Committee:-

Firearms Licencing	Substantial Assurance
Recruitment	Limited Assurance
Duty Management	Limited Assurance
Budgetary Control	Substantial Assurance

Good progress was being made with the Audit Plan which should be completed by the end of the financial year.

Members focussed their questions and discussion around HR processes in relation to the Limited Assurance audits. Unfortunately the Director of HR was unable to attend the meeting but would be invited to the March meeting.

The CFO described his disquiet with the Limited Assurances which highlighted problems with the ERP (Enterprise Resource Planning) System. There had been significant reductions in the staffing of HR and Finance in order to meet Spending Review targets. With hindsight these cuts had been too deep and as a result some temporary resources were required.

The CFO agreed to bring an update report to the Committee on ERP with specific reference to areas which had been identified in audit reports as needing improvement.

b) Internal Audit Follow Up Review – 2016/17

Ms Dodimead introduced the report which summarised progress on all the outstanding audit recommendations.

The position was reported as follows:-

Implemented	13	23%
In progress	13	23%
Awaiting Management Update	19	33%
Revised Target Date	9	16%
No longer applicable	3	5%
Total	57	100%

The CFO agreed to discuss the format of the report with TIAA. The report was a lengthy list and did not identify the most important recommendations. It was noted that for 19 recommendations no management update had been provided.

CC Bailey felt that the process (within the Constabulary) needed to be sharpened up and **the CFO agreed** to ensure that Organisational Board and Chief Officers were sighted on progress with recommendations.

c) Draft 3 Year Strategic Internal Audit Plan 2017/20 and Annual Internal Audit Plan 2017/18

Ms Dodimead introduced the early draft of the Internal Audit Strategic and Annual Audit Plans. These were risk based and had been prepared in consultation with the CFOs. The aim was to determine the extent to which the network of risk management, control and governance processes was adequate and operating in the designed manner.

TIAA uses a risk analysis model to determine the risk category of each system. The model considers (i) identified major risks (from risk registers), (ii) audit risks,

(internal control risks including results of previous audits), and (iii) public relations risks.

CC Bailey asked for the Plans to be shared with Chief Officers and more widely disseminated. **The CFO agreed** to ensure that the Plans were placed on the agenda of the Organisational Board.

The Committee noted that the Annual Plan, with any amendments, would come back to the next meeting.

5. Annual (External) Audit Letter for the year ended 31 March 2016

Mr Hewitt presented the Letter which summarised the audit activity for the year and the reports previously presented to the Committee.

The Executive Summary highlighted very satisfactory conclusions with an unqualified opinion on the accounts and no matters of report.

The CFO reported that the Letter would be placed on the PCC and Constabulary websites. Any additional audit fees would be discussed and agreed with the CFO.

6. Treasury Management update 2015/16

The CFO presented the mid year Treasury Management Monitoring Report 2016/17.

The Committee endorsed the Report.

7. Forward Work Plan

The Committee noted the Plan.

Part 2 – Private Agenda

7. Strategic risks Update

The Committee received the Strategic Risk registers of the OPCC and Constabulary. The Committee noted that Athena continued to feature in various risks. The Chief Constable updated the Committee on the current situation which continued to slowly, but steadily improve. Mark Stokes updated the Committee on changes to the risks since the report was published and the amended risk management arrangements within the Office of the Police and Crime Commissioner. The Committee was pleased to note that the OPCC had won a national transparency award for the second year in a row.

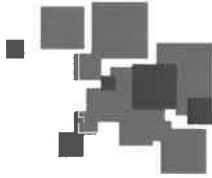
8. Date of Next Meeting

The next meeting to be held on 14 March 2017 at 2 pm in the Filby Room, Jubilee House, Falconers Chase, Wymondham.

Meeting closed at 3.30 pm.

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Mr R Bennett
CHAIRMAN



OFFICE OF THE POLICE & CRIME COMMISSIONER FOR NORFOLK

ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: To note.

SUBJECT: Annual Investment and Treasury Strategy for 2017/18

SUMMARY:

Government regulations require the Police and Crime Commissioner (PCC) to approve an Annual Investment Strategy prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy. The Strategy, attached to this report, was included in the budget and precept report presented by the PCC to the Police and Crime Panel (PCP) on 2 February 2017. The Strategy was circulated to Committee members for comment prior to publication.

There are no significant changes in the 2017/18 Strategy compared to the prior year.

RECOMMENDATION:

It is recommended that the Audit Committee notes, for the record, the Annual Investment and Treasury Strategy for 2017/18.

**The Office of the Police and Crime Commissioner for Norfolk
Annual Investment and Treasury Strategy 2017/18**

1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) requires local authorities to produce a treasury management strategy for the year ahead. The PCC is required to comply with the Code through regulations issued under the Local Government Act 2003 and has adopted specific clauses and policy statements from the Code as part of its Financial Regulations.
- 1.2 Complementary to the CIPFA Code is the Department for Communities and Local Government's (DCLG's) Investment Guidance, which requires local authorities and PCCs to produce an Annual Investment Strategy. This report combines the reporting requirements of both the CIPFA Code and DCLG's Investment Guidance.
- 1.3 The primary objectives of the PCC's Investment Strategy are to safeguard the timely repayment of principal and interest, whilst ensuring adequate liquidity for cash flow and the generation of investment yield. A flexible approach to borrowing for capital purposes will be maintained which avoids the 'cost of carrying debt' in the short term. This strategy is prudent while investment returns are low and counterparty risk (the other party involved in a financial transaction, typically a bank or building society) remains relatively high.

2. The Treasury Management Function

- 2.1 The CIPFA Code defines treasury management activities as "the management of the PCC's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 2.2 The PCC is required to operate a balanced budget, which broadly means that cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensures this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties, providing adequate liquidity before considering investment return.
- 2.3 A further function of the treasury management service is to provide for the borrowing requirement of the PCC, essentially the longer term cash flow planning, typically 30 years plus, to ensure the PCC can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using internal cash balances on a temporary basis. Debt previously borrowed may be restructured to meet PCC risk or cost objectives.
- 2.4 The PCC has delegated responsibility for treasury management decisions taken within the approved strategy to the PCC CFO. Day to day execution and administration of investment and borrowing decisions is undertaken by the Specialist Accountant (Treasury Management, Cash Management & VAT) based in the Joint Finance Department for Suffolk and Norfolk Constabularies.

2.5 External treasury management services continue to be provided by Capita Asset Services in a joint contract with the PCC for Suffolk. Capita Asset Services provides a range of services which include:

- Technical support on treasury matters and capital finance issues.
- Economic and interest rate analysis.
- Debt services which includes advice on the timing of long term borrowing.
- Debt rescheduling advice surrounding the existing portfolio.
- Generic investment advice on interest rates, timing and investment instruments.
- Credit ratings/market information service for the three main credit rating agencies (Fitch, Moody's and Standard & Pools).

2.6 Whilst Capita Asset Services provide support to the treasury function, under market rules and in accordance with the CIPFA Code of Practice, the final decision on treasury matters remains with the PCC.

2.7 Financial Regulations Section C7 includes:-

7.6 Responsibility for the implementation of the PCC's treasury management policies and practices, and day to day administration of treasury management decisions is vested in the CC CFO, in liaison with the PCC CFO, who will act in accordance with the organisation's policy statement and Treasury Management Practices (TMPs) and, CIPFA's Statement of Professional Practice on Treasury Management.

7.7 The PCC and CC nominate the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2.8 Performance will continue to be monitored and reported to the PCC as required.

3. Capita Asset Services Economic Forecast

Economic Overview

3.1 **UK.** GDP growth rates in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

3.2 The referendum vote for Brexit in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an

impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016. The Bank of England reduced the Bank Rate from 0.50% to 0.25 in August 2016 and it has remained at this level since.

3.3 The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017. This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, however the MPC is expected to look through the acceleration in inflation caused by external influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of cost pressures on consumers, then they would take action to raise the Bank Rate.

3.4 **Brexit Timetable / Process:**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU but may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU.
- On exit from the EU the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

3.5 **USA.** Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation; the Fed. indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures. The result of the presidential election in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment

3.6 **Europe** GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is

likely to continue at moderate levels. ECB measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

- 3.7 **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.
- 3.8 **Spain** has had two inconclusive general elections in 2015 and 2016. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- 3.9 **Italy / Germany** the under capitalisation of Italian banks poses a major risk. Some German banks are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also ‘too big, and too important to their national economies, to be allowed to fail’.
- 3.10 The following table gives Capita Asset Services central view of UK Base Rate and Public Works Loan Board (PWLB) borrowing rates:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

4. Investment Strategy 2017/18

4.1 Forecasts of short-term interest rates, on which investment decisions are based, suggest that the 0.25% Bank Rate will remain unchanged until the end of the first quarter of 2019 and not to rise above 0.75% by the first quarter of 2020.

4.2 The investment earnings rate which most closely matches our average deposit profile is the 3 month LIBID (London Intra Bank Bid rate for money market trades) forecast. The suggested budgeted interest rates for the following 3 financial years are as follows:

Financial Year	Budgeted Interest Earnings
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%

4.3 There are 3 key considerations to the treasury management investment process. CLG's Investment Guidance ranks these in the following order of importance:

- security of principal invested,
- liquidity for cash flow, and
- investment return (yield).

Each deposit is considered in the context of these 3 factors, in that order.

4.4 CLG's Investment Guidance requires local authorities and PCCs to invest prudently and give priority to security and liquidity before yield, as described above. In order to facilitate this objective, the Guidance requires the PCC to have regard to CIPFA's Code of Practice for Treasury Management in the Public Sector.

4.5 The key requirements of both the Code and the Investment Guidance are to produce an Annual Investment and Treasury Strategy covering the following:

- Guidelines for choosing and placing investments – Counterparty Criteria and identification of the maximum period for which funds can be committed – Counterparty Monetary and Time Limits (Section 5).
- Details of Specified and Non-Specified investment types (Section 6).

5. Investment Strategy 2017/18 - Counterparty Criteria

- 5.1 The PCC works closely with its external treasury advisors to determine the criteria for high quality institutions.
- 5.2 The criteria for providing a pool of high quality investment counterparties for inclusion on the PCC's 'Approved Authorised Counterparty List' is provided below

- (i) **UK Banks** which have the following minimum ratings from at least one of the three credit rating agencies:

UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1	A-1	P-1
Long Term Ratings	A-	A-	A3

- (ii) **Non-UK Banks** domiciled in a country which has a minimum sovereign rating of AA+ and have the following minimum ratings from at least one of the credit rating agencies:

Non-UK Banks	Fitch	Standard & Poors	Moody's
Short Term Ratings	F1+	A-1+	P-1
Long Term Ratings	AA-	AA-	Aa3

- **Part Nationalised UK Banks** – Royal Bank of Scotland Group (including Nat West). These banks are included while they continue to be part nationalised or they meet the minimum rating criteria for UK Banks above.
- **The PCC's Corporate Banker** – If the credit ratings of the PCC's corporate banker (currently Barclays Bank plc) fall below the minimum criteria for UK Banks above, then cash balances held with that bank will be for account operation purposes only and balances will be minimised in terms of monetary size and time.
- **Building Societies** – The PCC will use Building Societies which meet the ratings for UK Banks outlined above.
- **Money Market Funds (MMFs)** – which are rated AAA by at least one of the three major rating agencies. MMF's are 'pooled funds' investing in high-quality, high-liquidity, short-term securities such as treasury bills, repurchase agreements and certificate of deposit. Funds offer a high degree of counterparty diversification that include both UK and Overseas Banks.
- **UK Government** – including the Debt Management Account Deposit Facility & Sterling Treasury Bills. Sterling Treasury Bills are short-term (up to six months) 'paper' issued by the UK Government. In the same way that the Government issues Gilts to meet long term funding requirements, Treasury Bills are used by

Government to meet short term revenue obligations. They have the security of being issued by the UK Government.

- **Local Authorities, Parish Councils etc.** – Includes those in England and Wales (as defined in Section 23 of the Local Government Act 2003) or a similar body in Scotland or Northern Ireland.

5.3 All cash invested by the PCC in 2017/18 will be either Sterling deposits (including certificates of deposit) or Sterling Treasury Bills invested with banks and other institutions in accordance with the Approved Authorised Counterparty List.

5.4 The Code of Practice requires local authorities and PCCs to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for use, additional market information will be used to inform investment decisions. This additional market information includes, for example, Credit Default Swap rates and equity prices in order to compare the relative security of counterparties.

5.5 The current maximum lending limit of £10m for any counterparty will be maintained in 2017/18 to reflect the level of cash balances and to avoid large deposits with the Debt Management Office (HM Treasury).

5.6 In addition to individual institutional lending limits, “Group Limits” will be used whereby the collective investment exposure of individual banks within the same banking is restricted to a group lending limit of £10m.

5.7 The Strategy permits deposits beyond 365 days (up to a maximum of 2 years) but only with UK banks which meet the credit ratings at paragraph 5.2. Deposits may also be placed with UK Part Nationalised Banks and Local Authorities for periods of up to 2 years.

5.8 A reasonable amount will be held on an instant access basis in order for the PCC to meet any unexpected needs. Instant access accounts are also preferable during periods of credit risk uncertainty in the markets, allowing the PCC to immediately withdraw funds should any concern arise over a particular institution.

6. Investment Strategy 2017/18 – Specified and Non-Specified Investments

6.1 As determined by CLG’s Investment Guidance, Specified Investments offer “high security and high liquidity”. They are Sterling denominated and have a maturity of less than one year. Institutions of “high” credit quality are deemed to be Specified Investments. From the pool of high quality investment counterparties identified in Section 5, the following are deemed to be Specified Investments where the period of deposit is 364 days or less:

- Banks: UK and Non-UK;
- Part Nationalised UK Banks;
- The PCC’s Corporate Banker (Barclays Bank plc)
- Building Societies (which meet the minimum ratings criteria for Banks);

- Money Market Funds;
- UK Government;
- Local Authorities, Parish Councils etc.

6.2 Non-Specified Investments are those investments that do not meet the criteria of Specified Investments. From the pool of counterparties identified in Section 5, they include:

- Any investment greater than 364 days.

6.3 The categorisation of 'Non-Specified' does not in any way detract from the credit quality of these institutions, but is merely a requirement of the Government's guidance.

6.4 The PCC's proposed Strategy for 2017/18 therefore includes both Specified and Non-Specified Investment institutions.

7. Borrowing Strategy 2017/18

7.1 Capital expenditure can be paid for immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of available capital resources or revenue contributions will add to the PCC's borrowing requirement. The PCC's need to borrow is measured by the Capital Financing Requirement, which simply represents the total outstanding capital expenditure, which has not yet been paid for from either capital or revenue resources.

7.2 For the PCC, borrowing principally relates to long term loans (i.e. loans in excess of 364 days). The borrowing strategy includes decisions on the timing of when further monies should be borrowed.

7.3 The main source of long term loans is the Public Works Loan Board (PWLB), which is part of the UK Debt Management Office (DMO). The maximum period for which loans can be advanced by the PWLB is 50 years.

7.4 External borrowing currently stands at £8.36m. At 31 March 2016 there was a £11.69m capital funding requirement relating to unfunded capital expenditure financed from internal resources. The net capital funding requirement is estimated to be £12.20m at 31 March 2017 and £14.09m at 31 March 2018. The new borrowing requirement is estimated at £ 0.83m for 2016/17 and £2.20m for 2017/18. The capital funding requirement figure does not include the funding requirement in respect of assets financed through PFI or leasing.

7.5 The challenging and uncertain economic outlook outlined by Capita Asset Services in Section 3, together with managing the cost of "carrying debt" requires a flexible approach to borrowing. The PCC, with advice from the CFO, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks identified in Capita Asset Services economic overview (Section 3).

- 7.6 The level of outstanding debt and composition of debt, in terms of individual loans, is kept under review. The PWLB provides a facility to allow the restructure of debt, including premature repayment of loans, and encourages local authorities and PCCs to do so when circumstances permit. This can result in net savings in overall interest charges. The PCC CFO and Capita Asset Services will monitor prevailing rates for any opportunities during the year. As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt
- 7.7 The PCC has flexibility to borrow funds in the current year for use in future years. but will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the PCC can ensure the security of such funds
- 7.8 PWLB borrowing has become less attractive in recent years, due to its policy decision to increase the margin payable over interest rates (Gilts). In response, the Local Government Association is currently in the process of setting up a "Municipal Bond Agency" which will be offering loans to local authorities in the near future. It is hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB).
- 7.9 The PCC will continue to use the most appropriate source of borrowing at the time of making application, including; the PWLB, commercial market loans and the Municipal Bond Agency.

8. Treasury Management Prudential Indicators

- 8.1 There are four treasury related Prudential Indicators. The purpose of the indicators is to restrict the activity of the treasury function to within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However, if these indicators are too restrictive, they will impair the opportunities to reduce costs/improve performance. The Indicators are:
- **Upper Limits on Variable Interest Rate Exposure** – This identifies a maximum limit for variable interest rates based upon the debt position net of investments. It is recommended that the PCC set an upper limit on its variable interest rate exposures for 2017/18, 2018/19 and 2019/20 of 100% of its net outstanding principal sums.
 - **Upper Limits on Fixed Interest Rate Exposure** – Similar to the previous indicator, this covers a maximum limit on fixed interest rates. It is recommended that the PCC set an upper limit on its fixed interest rate exposures for 2017/18, 2018-2019 and 2019-2020 of 100% of its net outstanding principal sums.

- **Maturity Structures of Borrowing** – These gross limits are set to reduce the PCC's exposure to large fixed rate sums falling due for refinancing and require upper and lower limits. It is recommended that the PCC sets the following limits for the maturity structures of its borrowing.:

	Lower Limit	Upper Limit
Under 12 months	0%	15%
12 months and within 24 months	0%	15%
24 months and within 5 years	0%	45%
5 years and within 10 years	0%	75%
10 years and above	0%	100%

- **Total Principal Funds Invested for Greater than 364 Days** – This limit is set with regard to the PCC's liquidity requirements. It is estimated that in 2017/18, the maximum level of PCC funds invested for periods greater than 364 days will be no more than £10m.

Report Author:

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ORIGINATOR: Chief Finance Officer

REASON FOR SUBMISSION: For information

SUBMITTED TO: Audit Committee – 14 March 2017

SUBJECT: Enterprise Resource Planning System

SUMMARY:

1. The report sets out the initial plans for the review of ERP system and the related functions and business processes.

RECOMMENDATION:

1. The Committee is invited to discuss and note the report.

1. Background

- 1.1 The ERP system went live on the 1 April 2015.
- 1.2 The system is estimated to cost around £5m over its 7 year life (including implementation, hardware and ongoing licence fees).
- 1.3 A Programme Board (ERP and Shared Services) has been created to review the ERP system and a programme of work is being developed to ensure that all parts of the system have been delivered and are working well and that the organisation has secured all the efficiencies it can from the use of the system and related processes.
- 1.4 Her Majesty's Inspector of Constabulary has raised the matter of the Constabulary's investment in ICT systems and will look at whether all the benefits have been realised when they return in the early summer. Their focus will be on ERP and Athena.
- 1.5 Recent Internal Audit reports have made recommendations in areas of business which use the ERP system and as a result there have been some audits with limited assurance opinions. Appendix 1 lists these recommendations.
- 1.6 The ERP system and business processes have to be working efficiently and effectively as a precursor to any consideration of the creation of shared (transactional) services for Norfolk and Suffolk.
- 1.7 It should be noted that the 2015/16 Accounts were closed on ERP with no issues. Budget monitoring and general ledger internal audit reviews have received Substantial Assurance opinions. The payroll system is paying police officers and staff every month and the procure to pay (ordering, payment of suppliers) processes are working well.

2. Scoping the Review and Improvement Plan

- 2.1 The Programme Board had its first meeting on the 27 February 2017. The main purpose was to establish the scope of the Review and how the improvement plan would be driven and monitored.
- 2.2 The scoping work has identified the following work streams:-
 1. Has the system (each part) purchased been implemented successfully?
Has it delivered the savings required?
 2. Review of the key decisions which were taken as part of the procurement/implementation. (E.g. establishment control, work flow and Duty Management System feeding payroll).
 3. ERP system maintenance. (Support is partly outsourced to the original supplier CapGemini). NB The budget provides for some 'development days'.
 4. Business processes review and data quality.

5. Organisation responsibility for ERP.
6. Reporting.
7. Development of the system.

3. Next Steps

- 3.1 Work is in hand to document the various work streams and identify the lead managers. At its next meeting the Programme Board will consider the review report, the draft work plans and the resources required to complete the work.

4. Recommendation

- 4.1 The Committee is recommended to note the report.

Appendix 1

Internal Audit Recommendations Relating to ERP

Listed below are the recommendations raised directly relating to ERP. It is noted that where ERP is not working as required departments have implemented work arounds, such as overtime managed separately. The audits have assessed the compensating controls in place.

Audit	Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
NSC1714 Overtime, Expenses	3	Whilst, ERP records all expenses that have been paid to staff the report function on ERP is not working effectively as no reports can be run from ERP on expenses paid.	The reports function on the ERP payroll element for expenses to be investigated to establish what reports can be produced.	2	There are limited reports which can be run against an individual to ascertain what has been claimed. However it is accepted that global reports cannot be run until reports can be generated from ERP. The Forces have taken the decision in the interim, to mitigate the risk of no formal authorisation through 10% spot checks, budgetary check and monitoring by Finance Business Partners, access to the system by Professional Standards Department and checks for very high claims as part of the payroll upload and payroll checking.	30 September 2017	Head of Transactional Services

Audit	Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
NSC1716 Pensions	1	The payroll system is not capable of reporting on pensionable pay calculations, this means that it is not straightforward to verify whether pension contributions are correct.	The payroll system to be investigated to establish if a report can be run to calculate pensionable pay for staff.	2	Pension contributions are set at system level and the appropriate contribution is deducted from the employee in accordance with their pensionable pay each month. It is accepted that this cannot be checked at a global level, however. We are confident that the deductions made are correct at an employee level however when reporting for ERP is reviewed then this will be considered as part of the requirements.	1 September 2017	Head of Transactional Services

Audit	Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
NSC1718 HR Strategy and Workforce	3	There is a need for a data cleansing exercise to be undertaken. There are a number of duplicate entries on ERP, as ERP records unsuccessful applicants as well as the successful applicants.	Data cleansing exercise to be undertaken on ERP. The exercise to involve removal of unsuccessful applicants on ERP.	1	A data cleansing exercise is currently being completed in relation to all skills data. The HR Department are working with the Chief Finance Officer and Corporate Development and Change, to put in place a data cleansing work stream under the ERP development work. The implementation date is given as a guide due to the nature and extent of the work involved and may require extension for completion.	1st September 2017	Director of HR

Audit	Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
NSC1718 HR Strategy and Workforce	2	The ability to make amendments to roles and create roles on ERP has not been restricted to the Management Information and Technical Advisors. All members of HR are able to make amendments to job roles and create new roles, which increases the risk of inappropriate or incorrect changes being made to the establishment.	Access rights on ERP to be reviewed so that only the Management Information and Technical Advisors can create and/or make amendments to posts on ERP.	2	<i>This will be referred to the ERP Working Group to review and amend access rights to the system. Whilst the ability to make amendments to roles and create roles on ERP is not currently restricted, no other individuals have been trained to be able to carry out this function. Given its relative complexity, it would be difficult for an individual to complete this without the prerequisite training. In addition the Management Information and Technical Advisors regularly review and reconcile the data which further mitigates this risk.</i>	28th February 2017	Head of Resourcing

Audit	Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
NSC1719 Payroll	1	<p>In respect of system access to the payroll element of ERP, there are two relevant user profiles: Payroll Manager and Payroll Officer. A review of access reports found that while all staff listed are current employees, there is a need to review whether the access granted remains relevant. The Head of Transactional Services has access to Payroll Manager in ERP and also BACS sign off, which is reasonable given the job role and taking into account secondary level authorisation of BACS is required. However the Head of Financial Accounting and Specialist Services, a secondary authoriser for BACS, also has Payroll Manager access. This thereby presents a weakness in the segregation of duties.</p>	<p>EPR payroll access permissions be reviewed, particularly in respect of the Head of Financial Accounting and Specialist Services who should not have access to both Payroll Manager in ERP and BACS.</p>	2	<p><i>This is accepted and modifications to the access levels will be made.</i></p>	28/02/17	Head of Transactional Services

Operational Effectiveness Action Plan

Audit	Ref	Item	Management Comments
NSC1716 Pensions	1	The ERP system to be investigated to establish whether the pension scheme fund function can be restricted, ensuring that starters are added to the appropriate pension scheme.	Awaiting management response to the draft report.
NSC1718 HR Strategy and Workforce	1	ERP to be investigated to establish if unique reference numbers can be assigned for posts.	This has been raised on multiple occasions by the HR Department. The decision not to have post numbers was made as part of the procurement of the ERP. The HR Department will raise this at the ERP Coordination Group, which is attended by Cap Gemini and request a costing for the system change. This will then be an organisational decision and referred to Chief Officers.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	No
Has the PCC's Chief Finance Officer been consulted?	Yes
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Not applicable
Have human resource implications been considered?	Not applicable
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Not applicable
Has communications advice been sought on areas of likely media interest and how they might be managed?	No – not considered necessary.
Have all relevant ethical factors been taken into consideration in developing this submission?	None relevant

In relation to the above, please ensure that all relevant issues have been highlighted in the 'other implications and risks' section of the submission.

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**Police and Crime Commissioners for Norfolk and Suffolk and Chief
Constables of Norfolk and Suffolk Constabularies**

Norfolk Internal Audit Progress Report

March 2017

INTRODUCTION

1. This summary report provides an update on the progress of our work at the Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies as at 3rd March 2017. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since our last progress report.

PROGRESS AGAINST THE 2016/17 ANNUAL PLAN

2. Our progress against the Annual Plans for 2016/17 is set out in Appendix A. The results of these reviews are summarised at Appendix B.

AUDITS CARRIED OUT SINCE THE PREVIOUS PROGRESS REPORT

3. The table below sets out details of audits carried out since the previous meeting of the Audit Committee.

Review	Evaluation	Draft issued	Key Dates			Number of Recommendations			
			Responses Received	Final issued	1	2	3	OEM	
NSC1706 Recruitment – update from December	Limited	14/09/16	08/11/16	10/11/16 & 21/02/17	0	6	0	2	
NSC1701 Risk Management (Norfolk PCC)	Substantial	01/02/17	14/02/17	03/03/17	0	0	5	1	
NSC1713 Purchase Cards (Norfolk only)	Limited	27/10/16	27/01/17	01/02/17	1	5	0	1	

	Reasonable	27/01/17	03/03/17	03/03/17	0	3	0	2
NSC1714 Overtime, Expenses, Additional Payments								
NSC1716 Pensions	Substantial	16/02/17	03/03/17	03/03/17	0	1	0	1
NSC1718 HR Strategy	Limited	19/12/16	01/03/17	01/03/17	1	2	0	1
NSC1719 Payroll	Reasonable	20/12/16	17/02/17	21/02/17	0	1	1	2
NSC1722 ICT – Exchange 2010 / Email Archiving	Substantial	16/02/17	01/03/17	02/03/17	0	0	1	0

OEM = Operational Effectiveness Matters

Summaries of the finalised reports are attached at Appendix B, Full reports are available to Audit Committee Members on request. The details for Norfolk only reports will not be included in the Suffolk progress report.

CHANGES TO THE ANNUAL PLAN 2016/17

4. There has been two further changes made to the annual plan since the last meeting:
 - NSC1701 Assurance Framework originally incorporated the assurance framework, governance and risk management across the PCCs and Constabularies, since agreed for risk management to be covered at each of the PCCs.
 - Estates – Duty of Care / Cost Allocations, originally planned for Q2, moved to Q4 due to extent of implementation of the changes in the helpdesk arrangements, which are still in progress, suggested move to April 2017 to provide value in the audit.

FRAUDS/IRREGULARITIES

5. We have not been advised of any frauds or irregularities in the period since the last summary report was issued. We regularly liaise with PSD regarding any work streams that may be relevant for internal audit.

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LIAISON

6. Liaison is undertaken with the following:

- Liaison with external audit: We have liaised with EY during the year and kept them informed of our work and will make available to them all final audit reports. Liaison with the Chief Finance Officers: Regular progress meetings are held with the Chief Finance Officers.
- Liaison with PSD: Regular meetings are held with PSD during the year.
- Liaison with Risk Management: Increased liaison has commenced, to directly link internal audit with risk management.

PROGRESS ACTIONING URGENT and NOT APPROVED RECOMMENDATIONS

7. We have made two urgent recommendations (i.e. fundamental control issues) since the previous Progress Report:
- Purchase card expenditure to be uploaded on to the ledger monthly.
 - Data cleansing exercise to be undertaken on ERP. The exercise to involve removal of unsuccessful applicants on ERP.
8. We have made no recommendations which have not been approved by management since the previous Progress Report.

RESPONSIBILITY/DISCLAIMER

9. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Progress against the Annual Plan for 2016/17

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Assurance	Comments
Transport Services	1	15	15	Final report issued	September 2016	Reasonable	
Corporate Communications / Network	1	12	18	Final report issued	September 2016	Reasonable	Network aspects covered within Corporate Communications, 4 days moved from ICT Network / Social Media
HR Recruitment	1	12	12	Final report issued	December 2016	Limited	Reissued March 2017 to update the management response for recommendation 5.
Duty Management System	1	15	15	Final report issued	December 2016	Limited	
FoI / DP / Document Security	1	15	15	Final report issued	September 2016	Reasonable	
ICT – Firewall	1	12	12	Final report issued	September 2016	Substantial	
ICT – Network / Social Media	2	12	-	Complete	n/a	n/a	Social Media aspects within Corporate Communications due to areas now within the same management responsibilities.
Firearms Certificates	2	12	12	Final report issued	December 2016	Substantial	
Estates – Facilities (Catering – Suffolk)	2	6	6	Final report issued	December 2016	Limited	
ICT – Disaster Recovery	2	12	12	Final report issued	September 2016	Reasonable	
Purchase Cards	2	12	12	Final report issued	March 2017	Limited	
Risk Management - Norfolk PCC	4	9	9	Final report issued	March 2017	Substantial	Focus changed to risk management arrangements in place as individual audits at each PCC. Findings from Norfolk reported to Norfolk Audit Committee only.

System	Planned Quarter	Planned Days	Actual Days	Current Status	Expected Audit Committee	Assurance	Comments
Risk Management – Suffolk PCC	4	9	9	Final report issued	March 2017	n/a	Findings from Suffolk reported to Suffolk Audit Committee only
Overtime, Expenses and Additional Payments	2	16	16	Final report issued	March 2017	Reasonable	
Performance Management	3	15	15	Draft report issued	June 2017		Management response due 10 th March 2017
Budgetary Control	3	12	12	Final report issued	December 2016	Substantial	
Pensions Administration	3	10	10	Final report issued	March 2017	Reasonable	
HR – Strategy & Workforce Planning	3	10	10	Final report issued	March 2017	Limited	
Payroll	4	10	10	Final report issued	March 2017	Reasonable	
ICT – Exchange 2010 / Email Archiving	4	12	12	Final report issued	March 2017	Substantial	
ICT – ERP Second / Third Line Support	4	12	12	In progress	June 2017		Draft report due 17 th March
Key Financial Controls	4	30	30	In progress	June 2017		Draft report due 14 th March
Estates – Health and Safety	4	12		Scheduled	June 2017		Draft report due 24 th March
Commissioners Grants (Norfolk only)	4	10		In progress	June 2017		Draft report due 17 th March
Complaints	4	10		Scheduled	June 2017		Due to timing of the change in rules in November 2016 and transfer to OPCC. Draft report due April 2017
Collaborations	4	10		In progress	June 2017		Draft report due 24 th March
Estates – Duty of Care / Cost Allocations	2	12	--	TBC	March 2017		Postponed until 2017/18
Follow Up Work	2 / 4	10	10	Ongoing			Year-end reporting June / in-year reporting December
Contingency	1-4	42	53	As required			
Audit Management	1-4	20	20	Ongoing			
Total Days	-	399	357				


KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

Summaries of Finalised Audit Reports issued since the last report

Audit Report: NSC1706 HR Recruitment

Report Re-Issued: 21st February 2017

<p>SCOPE</p> <p>The purpose of the audit was to assess the adequacy and effectiveness of the internal controls in place at the Constabularies for managing the recruitment function for both Constabularies.</p> <p>MATERIALITY</p> <p>There have been 85 new starters at Suffolk Constabulary during the period January to August 2016, of which 40 were officers and 45 staff.</p> <ul style="list-style-type: none"> There have been 125 new starters at Norfolk Constabulary during the same period, of which 26 were officers and 99 staff. 	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> HR service desks are based in Suffolk and Norfolk and operate as a single service for recruitment across both Constabularies. The establishment of a formal framework for recruitment is required across the Constabularies, as there are several areas requiring process improvement, such as the need for an internal promotion policy and taking advantage of social media for advertising vacancies. There is insufficient evidence that recruitment processes are being routinely followed across both forces. Re-vetting of staff is not being undertaken at the designated timescales. 								
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0	6	0	2						

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	An independent check is required to be undertaken on recruitment files, to verify that relevant employment checks have been undertaken. Audit testing found that for the sample randomly selected, that there was no evidence that the independent sample check of recruitment files had been completed.	An independent member of the HR team to undertake the necessary check to verify that relevant employment checks and processes have been undertaken and recorded.	2	<i>This recommendation will be actioned. Audit Update: Recommendation implemented. The HR Service Centre Manager has confirmed that this has been written into processes, using a buddy scheme, whereby a different colleague signs off the new starter files.</i>	01/11/16	Head of HR


Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	The Constabularies do not have a recruitment framework, without this there is lack of clarity as to how recruitment will be undertaken.	A recruitment framework to be developed across the Constabularies.	2	There are well established recruitment processes in place and for police officers this follows national guidance. However a code of practice is required to set out clearly the practice and decision making process to be followed across a variety of recruitment situations and the standards required across all roles involved with recruitment. Code of practice and accompanying selection and training, including assessor training to be developed and implemented.	01/04/17	Head of HR Head of Learning and Development
3	Directed	The Constabularies do not have a promotion policy in place.	A promotion policy be developed and published on the Constabularies' intranet.	2	Police staff and rank above Inspector will be addressed under the code of practice. For police officers at sergeant and Inspector rank, a promotion policy is in place and reflects the National Police Promotions Framework (NPPF).	01/04/17	Head of HR Head of Learning and Development

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	There is no formal process in place for approving vacancies to be filled, and for notifying the HR service desk of vacancies that require filling.	A standard recruitment to recruit form be completed for all vacancies. The form to be approved by line managers and by finance, to confirm that there is sufficient funding to cover the role.	2	Within the last three months, a new Workforce Planning Group has been set up and therefore new arrangements have been put in place for approval of vacancies. If vacancies are "like for like" then this requires sign off from the Line Manager, Finance Business Partner, HR Business Partner and Head of Resourcing. Further details in relation to the course can be provided upon request.	Complete	Head of HR
5	Directed	Results of vetting are fed back to HR rather than to individual applicants.	The vetting department be required to notify the applicants directly of the results of their vetting application, to enable any issues raised in the vetting to be addressed. The HR service desk to be copied in to replies sent by the vetting team.	2	Within the last three months, a new Workforce Planning Group has been set up and therefore new arrangements have been put in place for approval of vacancies. If vacancies are "like for like" then this requires sign off from the Line Manager, Finance Business Partner, HR Business Partner and Head of Resourcing. Further details in relation to the course can be provided upon request.	Complete	Head of HR

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	Sample testing found that re-vetting of employed staff was not being undertaken at the required timescales.	Re-vetting of employed staff be undertaken at the required timescales.	2	Chief Officer Teams in both Forces are aware of the current vetting backlog (this includes the issue of re-vetting). The OBB process includes a proposal for an increase in staff within the Vetting Unit for a limited period to address the backlog issue. Currently, the Vetting Unit are focusing re-vetting on high risk roles.	30/09/17	T/Detective Chief Inspector – Professional Standards Department


Audit Report: NSC1701 Risk Management

Report Issued: 3rd March 2017

<p>SCOPE</p> <p>The review appraised how the Office of the Police Crime Commissioner (OPCC) for Norfolk have engaged with risk management and how well these are embedded.</p> <p>MATERIALITY</p> <p>Risk management provides a framework for management to identify, assess and mitigate risks affecting the organisation meeting its objectives.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • A Risk Management Policy is in place and is accessible to staff. • Directorate and strategic risk registers are in place. The strategic risk registers are presented to the Senior Management Team monthly and Audit Committee quarterly. • It is not clear on the strategic and directorate risk registers if the score for the risk is before or after the control has been implemented. • It would be more appropriate for the strategic risk register to be used for recording amber and red rated risks rather than all risks. • Controls on the risk registers to be made specific in relation to how they will address the risk to which they relate. 								
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Audit Report: NSC1713 Purchase Cards

Report Issued: 1st February 2017

<p>SCOPE</p> <p>The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the PCCs and Constabularies for management of purchase cards.</p> <p>Separate reports will be issued for Suffolk and for Norfolk, due to the exceptions identified within the audit.</p> <p>MATERIALITY</p> <p>£96k has been spent on purchase cards in Norfolk for the period April to July 2016.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • Card expenditure for April to July 2016 had not been uploaded on the ledger. • Some of the assigned authorising officers for purchase cards are no longer with the Constabulary. • Cardholders are not submitting purchase card expenditure monthly for approval, there was over £2,000 of July expenditure awaiting to be submitted for approval. • Purchase card expenditure is not always authorised on a timely, monthly basis. There was over £2,000 of submitted expenditure awaiting to be authorised. • Two exceptions were identified where cardholders had split transactions, so that individual transactions are not over the individual £500 limit. For both instances the transactions were emergency requirements out of normal office hours and as such no office staff were available to increase card limits to cover these. 								
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Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

An update on the Purchase Cards recommendations below is being obtained and checked


Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	No card expenditure since April 2016 has been uploaded onto the ledger. For Norfolk there is a total of £96k to be uploaded onto the ledger. As such, expenditure is not allocated to budgets on a timely basis. Budgets may be exceeded.	Card expenditure to be uploaded on to the ledger monthly.	1	Since the previous internal audit report further guidance has been issued to cardholders and authorisers to clarify the requirements placed upon them to complete transactions. Whilst this saw improvements from both cardholders and authorisers there are still delay issues which we are to improve upon. Cardholders have been advised that cards will be withdrawn if this continues to be an issue on the basis of three warnings and then withdrawal. The transactions have now been uploaded to July and a reminder was issued to all cardholders in August to advise them that statements must be completed by the 15 th of each month. We are also reviewing the processes with regard to the uploading to ascertain if this can be loaded earlier prior to all card transactions being finalised in the on-line solution. If this option is utilised then appropriate checks will be in place to ensure that all transactions are fully completed.	31 Jan 2017 Recommendation outstanding	Head of Transactional Services

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	There are some officers assigned to authorise card expenditure that are no longer employed by the Constabulary.	Review of authorised signatories, to ensure that an appropriate authorised signatory has been assigned.	2	As the approach outlined above is put into place and the process is up to date this issue will no longer be a significant problem. <i>Audit Update: Implemented</i>	31 Jan 2017	Head of Transactional Services
2	Directed	Not all authorising officers are authorising submitted expenditure on a timely basis, monthly. For July there is over £2,000 of submitted expenditure awaiting to be authorised at the time of audit testing in September 2016.	Authorising officers to be advised that expenditure should be authorised on a timely, monthly basis, with training provided to such officers where required.	2	A reminder will be issued to all cardholders and all cardholders will be advised of the 3 strikes rule re retraction of card. This has been agreed at the CFO meeting. <i>Audit Update: Outstanding</i>	31 Jan 2017	Head of Transactional Services
3	Directed	Not all officers are submitting their purchase card expenditure monthly. For July there is over £2,000 of expenditure awaiting to be submitted for approval.	Purchase card holders to be reminded that there is a need to submit their purchase card expenditure for approval promptly.	2	A reminder will be issued to all cardholders and all cardholders will be advised of the three strikes rule re retraction of card. This has been agreed at the CFO meeting. <i>Audit Update: Outstanding</i>	31 Jan 2017	Head of Transactional Services

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Sample testing of monthly credit card statements found that VAT receipts were not attached to all statements. To ensure that the Constabulary is able to recover VAT paid, staff to be reminded of the need to obtain VAT receipts.	Staff to be reminded of the need to submit VAT receipts for all credit card expenditure items.	2	A reminder will be issued but it should be noted that it is not always possible for VAT receipts to be obtained for internet purchases. In addition, management felt that it is extremely unlikely that it would not be possible to reclaim VAT without a receipt as most of the retailers used are nationally recognised companies who are VAT registered. Audit Update: Implemented	31 Jan 2017	Head of Transactional Services
5	Compliance	The Transactional Team Leader (AP/AR) is expected to undertake a monthly check, to ensure that VAT is reclaimed appropriately, this control is not undertaken.	The Transactional Team Leader (AP/AR) be required to undertake a monthly check to ensure that VAT is reclaimed appropriately.	2	This is a training issue and will be addressed. Audit Update: Outstanding	31 Jan 2017	Head of Transactional Services

Audit Report: NSC1714 Overtime, Expenses and Additional Payments

Report Issued: 3rd March 2017

<p>SCOPE</p> <p>The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the Constabularies for managing the overtime, expenses and additional payments. The audit covered both Norfolk and Suffolk Constabularies and the office of the Police and Crime Commissioners for Norfolk and Suffolk. The control weaknesses in the report provide for the same assurance assessment, as such a joint report is issued.</p> <p>MATERIALITY</p> <p>The materiality for overtime and expenses cannot be currently established, as system reporting does not distinguish these areas of expenditure within the payroll system.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> The Duty Management System (DMS) is not being used for recording overtime. This was raised in the 2016/17 DMS audit, as such no further recommendation is raised. There are separate expenses policies for Norfolk and Suffolk Constabularies. The expenses policies have not been bought in line. Expenses can only be used for individual claimants claiming up to 8,500 miles. Claimants that have claimed more than 8,500 are using hard copy expenses forms. The reporting function for the payroll element on ERP is not working. <p>Note: the assurance level is based on the processes and controls operating. This is not a review of the DMS or ERP systems.</p>								
<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>3</td> <td>0</td> <td>2</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	3	0	2
Urgent	Important	Routine	Operational						
0	3	0	2						


Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Currently there are separate expenses policies for Norfolk and Suffolk Constabularies. The expenses policies have not been harmonised.	Joint expenses policies for Norfolk and Suffolk Constabularies for police officers and police staff to be developed. The updated expenses policies to be placed on the intranet.	2	New Conditions of Service for Police Staff are to be introduced from April 2017 (this was expected to be implemented in October 2016 but was delayed nationally). As a result we will take this opportunity to revise once the new Conditions have been agreed and implemented.	30 June 2017	Director of Human Resources
2	Directed	expenses only accepts mileage claims up to 8,500 miles. If an individual is required to submit a claim for more than 8,500 miles then these claims are recorded on hard copy forms.	The fault within the lexpenses element of the payroll system to be investigated so that individuals that have claimed for more than 8,500 miles can use lexpenses for submitting of their expenses.	2	It should be noted that this affects a very small number of claims and controls are in place to ensure claims are legitimate. This is not affecting any integrity or controls. This is an issue which has been raised with CapGemini and a Request for Change raised. It is in the process of being developed but not yet tested, as the test environment has not been updated until very recently. This will be tested and anticipated to be resolved by 31 March 2017.	31 March 2017	Head of Transactional Services

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	Whilst, ERP records all expenses that have been paid to staff the report function on ERP is not working effectively as no reports can be run from ERP on expenses paid.	The reports function on the ERP payroll element for expenses to be investigated to establish what reports can be produced.	2	<p>There are limited reports which can be run against an individual to ascertain what has been claimed. However it is accepted that global reports cannot be run until reports can be generated from ERP.</p> <p>The Forces have taken the decision in the interim, to mitigate the risk of no formal authorisation through 10% spot checks, budgetary check and monitoring by Finance Business Partners, access to the system by Professional Standards Department and checks for very high claims as part of the payroll upload and payroll checking.</p>	30 September 2017	Head of Transactional Services

Audit Report: NSC17116 Pensions

Report Issued: 3rd March 2017


<p>SCOPE</p> <p>The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the Norfolk and Suffolk PCCs and Constabularies for managing the pension administration function.</p> <p>MATERIALITY</p> <p>Pension payments for the Office of the Police and Crime Commissioners and Constabularies to the local government pension scheme for the period 1st April 2016 to the 31st January 2017 were approximately £5.8 million for Suffolk and £7 million for Norfolk.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> Following a tender exercise, a joint pension administrator has been appointed for both Constabularies. Payments to the Constabularies' joint pension administrator are in line with the contract. Quarterly performance reports are received from the pension administrator. ERP is not restricted to prevent police staff from being added to the police office pension fund, and police officers from being added to the police staff local government pension fund. The payroll system is not able to report on the total pensionable pay calculated, thus it is not possible to verify whether appropriate pension contributions are being made. 								
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Urgent	Important	Routine	Operational						
0	1	0	1						

Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The payroll system is not capable of reporting on pensionable pay calculations, this means that it is not straightforward to verify whether pension contributions are correct.	The payroll system to be investigated to establish if a report can be run to calculate pensionable pay for staff.	2	<i>Pension contributions are set at system level and the appropriate contribution is deducted from the employee in accordance with their pensionable pay each month. Accepted that this cannot be checked at a global level, however. We are confident that the deductions made are correct at an employee level however when reporting for ERP is reviewed then this will be considered as part of the requirements.</i>	1 st September 2017	Head of Transactional Services

Audit Report: NSC1718 HR Strategy and Workforce

Report Issued: 3rd March 2017


<p>SCOPE</p> <p>The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at Suffolk and Norfolk OPCCs and Constabularies for managing the HR strategy and workforce planning process. The audit involved a review of the strategies in place for the current and future HR needs for the Constabularies.</p> <p>MATERIALITY</p> <p>The audit covered Norfolk and Suffolk Constabulary only. Since the 1st August 2016, Norfolk has had 52 new posts created and Suffolk has had 95 new posts created.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • A Workforce Planning Group has been established, a workforce plan has been devised and responsibility for managing the day to day aspects of managing the workforce planning unit has been assigned. • Processes in place for approving of the creation and amendment of new roles within ERP for the Office of Police and Crime Commissioners (OPCC) staff are inappropriate. • Access rights to create and make amendments to roles on ERP are not appropriate. • A data cleansing exercise to be undertaken on the data on ERP. There are a number of duplicate entries on ERP, as staff that have applied for roles and were unsuccessful are still recorded against the role as well as the successful applicant and the role for which they actually hold. The duplicate entries are manually removed. • Posts are not given unique post numbers. <p>Note: The overall opinion is based on the issues relating to ERP and the effects of this on the systems and processes.</p>								
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Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance	There is a need for a data cleansing exercise to be undertaken. There are a number of duplicate entries on ERP, as ERP records unsuccessful applicants as well as the successful applicants.	Data cleansing exercise to be undertaken on ERP. The exercise to involve removal of unsuccessful applicants on ERP.	1	A data cleansing exercise is currently being completed in relation to all skills data. The HR Department are working with the Chief Finance Officer and Corporate Development and Change, to put in place a data cleansing work stream under the ERP development work. The implementation date is given as a guide due to the nature and extent of the work involved and may require extension for completion.	1st September 2017	Director of HR

Audit Report: NSC1719 Payroll

Report Issued: 21st February 2017


<p>SCOPE</p> <p>The audit covered the payroll function including procedures, systems access, payroll data, and checks in place, across the OPCCs and Constabularies for Suffolk and Norfolk. The scope of the audit did not include a review of the Human Resources (HR) function or access controls over the HR IT system.</p> <p>MATERIALITY</p> <p>The annual pay budgets (including Police Officer/Staff/PCSO - Basic Pay, Allowances, Overtime, NI and Pension Contributions) are £129,394,072 for Suffolk and £93,750,107 for Suffolk. 5380 payments were made through the payroll in November 2016.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> Responsibility for Payroll is set out in the Financial Regulations and payroll processes are documented through comprehensive procedures. There is a weakness around segregation of duties as two officers have both Payroll Manager ERP access and BACS authorisation access. Testing of starters and leavers found that all were correctly paid and supported by workflow forms, which showed evidence of Payroll team checks. Sample testing of tax payments identified one underpayment to HMRC in respect of Norfolk PCC. <p>Note: the assurance level is provided based on the processes and controls in place, this is not based on the ERP system.</p>								
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Recommendations – Urgent (Priority 1), Important (Priority 2) and Not Approved

Report Ref	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	In respect of system access to the payroll element of ERP, there are two relevant user profiles: Payroll Manager and Payroll Officer. A review of access reports found that while all staff listed are current employees, there is a need to review whether the access granted remains relevant. The Head of Transactional Services has access to Payroll Manager in ERP and also BACS sign off, which is reasonable given the job role and taking into account secondary level authorisation of BACS is required. However the Head of Financial Accounting and Specialist Services, a secondary authoriser for BACS, also has Payroll Manager access. This thereby presents a weakness in the segregation of duties.	EPR payroll access permissions be reviewed, particularly in respect of the Head of Financial Accounting and Specialist Services who should not have access to both Payroll Manager in ERP and BACS.	2	<i>This is accepted and modifications to the access levels will be made.</i> <i>Audit Update: Outstanding</i>	28/02/17	Head of Transactional Services

Audit Report: NSC1722 Exchange 2010 and Email Archiving

Report Issued: 2nd March 2017

<p>SCOPE</p> <p>The review looked at the effectiveness of the controls in place around Microsoft Exchange 2010, email archiving and email security on mobile devices covering both Constabularies and PCCs.</p> <p>MATERIALITY</p> <p>Robust management of Microsoft Exchange is critical to ensuring the effective delivery of the email service to the Constabularies.</p>	<p>KEY FINDINGS</p> <ul style="list-style-type: none"> • There are relevant user and ICT policies and procedures in place. A review process is underway for the policies and procedures designed for users. • BlackBerry Enterprise Server version 12 is used to manage all mobile devices. • The security policies deployed to the mobile devices have been configured according to good practice guidance issued by the National Cyber Security Centre. • Policies and procedures covering Patch Management and the administration of the Exchange 2010 infrastructure were found to be in place and processes operating effectively. 								
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**Police and Crime Commissioners for Norfolk and Suffolk
and Chief Constables of Norfolk and Suffolk Constabularies**

Audit Strategic Plan and Annual Plan

2017/18

Internal Audit Annual Plan

INTRODUCTION

This Annual Plan is drawn up in accordance with the Terms of Reference of TIAA and the Internal Audit Strategic Plan.

AUDIT STRATEGY METHODOLOGY

We adopt a risk based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, previous internal audit work for the PCCs and Constabularies, the Regulatory Framework, HMIC workplan and assessment of the PCCs and Constabularies, external audit recommendations together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Strategy will be based predominantly on our understanding of the inherent risks facing the PCCs and Constabularies and those within the sector and has been developed with senior management and Committee.

INTERNAL AUDIT ANNUAL PLAN

The rolling strategic plan is set out in Annex A. The Annual Plan (Annex B) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews. The rolling strategic plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The timings shown in the Annual Plan assume that the expected controls will be in place.

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the PCCs and Constabularies and additional time will be required to carry out such testing. The PCCs and Constabularies are responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

AUDIT COMMITTEE RESPONSIBILITY

It is the responsibility of the Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

REPORTING

Assignment Reports: A separate report will be prepared for each review, with separate reports for each PCC and Constabulary where a different opinion is given. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Annual Report will include our opinion of the overall adequacy and effectiveness of the PCCs and Constabularies governance, risk management and operational control processes.

LIAISON WITH THE EXTERNAL AUDITOR, INTERNAL RISK MANAGEMENT AND PSD

We will liaise with the PCCs and Constabularies External Auditor, along with the risk manager and PSD. Any matters in the areas included in the Annual Plan that are identified by the External Auditor in their audit management letters will be included in the scope of the appropriate review.

Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
Professional Standards	Final report issued within 10 working days of receipt of responses.	95%
	Compliance with Public Sector Internal Audit Standards.	100%

ASSURANCE MAPPING

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex C.

AUDIT REMIT

The Audit Remit (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the PCCs and Constabularies and defines the scope of internal audit activities and ensures compliance with the PSIAS.

CONFLICT OF INTEREST

We are not aware of any conflicts of interest and should any arise we will manage them in line with PSIAS requirements, the PCCs and Constabularies requirements and TIAA's internal policies.

PERFORMANCE

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed within time allocation.	100%

KEY CONTACT INFORMATION

Name	Contact Details
Chris Harris Director	Chris.harris@tiaa.co.uk 07766 115439
Fiona Dodimead Director of Audit	Fiona.dodimead@tiaa.co.uk 07980 738465
Claire Lavery Principal Auditor	Claire.lavery@tiaa.co.uk 07580 971330

LIMITATIONS AND RESPONSIBILITY

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should

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internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

RELEASE OF REPORT

The table below sets out the history of this plan.

Date plan issued:

March 2017

Rolling Strategic Plan

Review Area	PCC Plan Reference	Type	Audits Delivered				Days Required					
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20		
Governance												
Strategic Control, Governance and Ethics		Assurance	12					12				
Performance Management		Assurance		15	Feb 17					15		
Transformation and Strategic Planning		Assurance										10
Risk Management												
Strategy and Policy – PCC Suffolk		Assurance		9	Feb 17							
Strategy and Policy – PCC Norfolk		Assurance		9	Feb 17							
Mitigating Controls		Assurance								11		
Embedding		Assurance	12									
Business Continuity		Assurance										10
RAID Log		Assurance	15									
ICT												
ICT – Area to be agreed		Assurance										14
Cyber Security		Assurance	10									12
ITIL		Assurance	10									
Network Security		Assurance										
Police		Assurance	12									
ERP/Athena		Assurance								12		
Exchange 2010/Email Archiving		Assurance		12	Feb 17							
Data Assurance		Assurance								12		12
Website Content		Assurance									10	
Mobile Device Management		Assurance	15							10		10

Review Area	PCC Plan Reference	Type	Audits Delivered					Days Required				
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20		
Firewalls		Assurance	12	Aug 16	Substantial							
IT Governance		Assurance				12						
Disaster Recovery		Assurance	12	Aug 16	Reasonable							
Business Continuity		Assurance							12			
ERP First/Second/Third Line		Assurance	12	Mar 17	TBA							
Software Licensing		Assurance							10			
Finance												
Key Financial Controls		Assurance	30						30			30
Payroll		Assurance	10	Feb 17	Reasonable				10			10
Accounts Payable		Assurance	10						10			10
Accounts Receivable		Assurance	10									10
General Ledger		Assurance	10									
Treasury Management		Assurance	10									
Capital Expenditure		Assurance	10									
Budgetary Control		Assurance	12	Nov 16	Substantial							10
Fixed Assets		Assurance										
Pensions Administration		Assurance	10	Feb 17	TBA							
Overtime, Expenses, Additional Payments		Assurance	16	Feb 17	TBA				14			
Information Management												
Audit Team Assessment		Assurance							8			
Data Quality		Assurance							12			12
Specified Information Order		Assurance										10
Records Management		Assurance	4									10
Fol / Data Protection / Document Security		Assurance	15	Sep 16	Reasonable							12
MOPI Project Implementation		Assurance							10			
Human Resources												
Strategy		Assurance	10	Feb 17	TBA							

Review Area	PCC Plan Reference	Type	Audits Delivered				Days Required			
			2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20	
Recruitment		Assurance		12	Nov 16			12		
Absence Management		Assurance	10				12			12
Duty Management System		Assurance		15	Nov 16	Limited		15		
Learning and Development		Assurance					12			12
Ill Health Retirement		Assurance					8			
Transport										
Strategy		Assurance						10		
Procurement		Assurance						10		
Maintenance, Repair, Disposal, Fuel Usage		Assurance		15	Jun 16	Reasonable				15
Use of Vehicles		Assurance					10			
Estates Management										
Strategy		Assurance						10		
Duty of Care, Cost Allocations, Maintenance		Assurance	8							12
Health and Safety		Assurance		12	Mar 17	TBA				
3i Property Database		Assurance					4			
Facilities (Catering – Suffolk only)		Assurance		6	Sep 16	Limited				
Facilities Management		Assurance						12		
Building Access and Vehicle Security		Assurance						12		
Police Stations		Assurance	7							
Contract Management		Assurance						10		
Suffolk PFI		Assurance						14		
Norfolk PFI		Assurance						14		
Procurement										
Purchase Ordering		Assurance	12					10		
Purchase Cards		Assurance	10	12	Feb 17	NfK-L/SfK-R		10		
Contracts		Assurance	12							10
Single Tender Actions, Temporary		Assurance						10		

Review Area	PCC Plan Reference	Type	Audits Delivered					Days Required					
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20			
Recruitment													
Compliance with CSO within departments		Assurance							14				12
Corporate													
Complaints		Assurance		10	Mar 17	TBA							10
Corporate Communications / Social Media		Assurance		18	Sep 16	Reasonable							
Collaborations		Assurance		10	Mar 17	TBA							
Policies		Assurance						10					
Commissioners Grants (Norfolk only / joint)		Assurance	9	10	Mar 17	TBA		18		10			10
Operational													
Control Room Norfolk		Assurance										12	
Control Room Suffolk		Assurance										12	
Custody Administration Norfolk		Assurance										8	
Custody Administration Suffolk		Assurance										8	
Firearms Certificates / Management		Assurance		12	Nov 16	Substantial						12	
Proceeds of Crime		Assurance	15										12
Property (lost and found)		Assurance							10				
Business Interests		Assurance							8				
Safeguarding and investigations		Assurance							10				
Lone Working		Assurance										8	
Contract Management													
Follow up			8	10								12	12
Audit Management (includes planning, client liaison, external audit, reporting, Audit Committee)			20	20								20	20
Days in year			261	314					379	326		309	309
Contingency b/fwd			--	(69)					(53)	(4)		(8)	(8)
Contingency c/fwd			69	53					4	8		8	29

Review Area	PCC Plan Reference	Type	Audits Delivered				Days Required						
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20			
					Report Issued	Assurance Level	P1/P2 Recommendations Outstanding						
Totals			330	330	330	330	330	330	330	330	330	330	330

Annual Plan – 2017/18

Quarter	Audit	Type	Days	Rationale
1	Governance – Corporate and Ethics	Assurance	12	<p><u>Rationale</u> The PCCs and Constabulary's are required to comply with new code of corporate governance.</p> <p><u>Scope</u> The scope of the governance review will alter each year, depending on changes in legislation and working practices. The 2017/18 review will focus on compliance with CIPFAs new code of corporate governance and issued during 2016/17. Incorporating delivering good governance and embedding governance across the organisations. This scope has not been included in 2016/17 audit.</p> <p><u>Rationale</u> Mobile devices are significant for effective operations.</p>
1	ICT Mobile Device Management (body worn video)	Assurance	12	<p><u>Scope</u> The scope of the review will focus on the implementation of the devices, with a further review in 2018/19 to assess how this is operating.</p>
1	IM – Audit Team Assessment	Assurance	8	<p><u>Rationale</u> The audit team has been in operation and would benefit from a peer review of systems and controls.</p> <p><u>Scope</u> The review will appraise the policy and processes in place for the information management audit team. This will include planning, documenting, assessment, review, reporting and implementation of improvements.</p>

Quarter	Audit	Type	Days	Rationale
1	HR – Learning and Development	Assurance	12	<p><u>Rationale</u> Due to the nature, systems and processes in place, this is a key area of risk.</p> <p><u>Scope</u> The review will focus on learning and development across the organisations. This will include planning, development, record keeping, training, specialist training.</p> <p><u>Rationale</u> Due to the increasing cases, systems and processes in place, this is an area of risk.</p>
1	HR – ill Health Retirement	Assurance	8	<p><u>Scope</u> The audit will appraise the systems in place for managing and processing ill health retirement cases. This will include policy, processes, responsibilities, payments and approvals.</p> <p><u>Rationale</u> Vehicles may not be used in accordance with policy.</p>
1	Transport Services – Use of Vehicles	Assurance	10	<p><u>Scope</u> The audit will appraise compliance with policy on the use of vehicles. This will include policy, processes for communicating policy and monitoring compliance.</p> <p><u>Rationale</u> The new property database is currently being implemented, with information transfer and retention being considered.</p> <p>The new property database is currently being implemented, with information transfer and retention being considered.</p>
1	Estates – 3i Property Database	Assurance	4	<p><u>Scope</u></p>

Quarter	Audit	Type	Days	Rationale
1	Estates Contract Management	Assurance	12	<p><u>Rationale</u> Changes within the estates department increase the risk of continuity in managing contracts.</p> <p><u>Scope</u> The review will focus on the management of estates contracts, including utilities bureau service and bill validation services.</p> <p><u>Rationale</u> Due to the nature of the service, purchasing can be a vulnerable area prone to risk.</p>
1	Purchase Ordering	Assurance	10	<p><u>Scope</u> The review will focus on open orders, closing down issues, partially completed orders and legacy orders. To verify that internal controls are in place and working to manage the purchase ordering procedures.</p> <p><u>Rationale</u> Procurement rules may not be adhered to.</p>
1	Procurement – Single Tender Actions and Temporary Recruitment	Assurance	10	<p><u>Scope</u> The audit will focus on single tender actions and temporary recruitment, including use of specialists, in accordance with contract standing orders.</p> <p><u>Rationale</u> Procurement rules may not be adhered to.</p>
1	Procurement – Compliance with CSO within departments	Assurance	14	<p><u>Scope</u> The review will assess the procurement processes within departments, compliance with contract standing orders.</p>

Quarter	Audit	Type	Days	Rationale
1	Business Interests	Assurance	8	<p><u>Rationale</u> Conflicts may arise that impact on service delivery for the Constabularies.</p> <p><u>Scope</u> The review will assess the policy and processes in place for managing conflicting business interests.</p> <p><u>Rationale</u> Clear processes are required to effectively manage property.</p> <p><u>Scope</u> The review will focus on lost and found property, ownership, storage of claimed items (virtual and physical) and budget allocation.</p> <p><u>Rationale</u> Risk management is key for managing the PCC and Constabulary risks. A new risk manager was appointed in 2016/17, with systems and processes being embedded.</p> <p><u>Scope</u> The audit would focus on how controls stated within the risk registers mitigate the risk.</p> <p><u>Rationale</u> Electronic data is significant for the PCCs and Constabularies, with recently implemented systems and legacy systems operating.</p> <p><u>Scope</u> The focus of the review will be confirmed as the plan develops. This will incorporate data transfers between systems.</p>
1	Property	Assurance	10	<p><u>Rationale</u> ICT affects all areas of the organisations, with different competing priorities.</p> <p><u>Scope</u></p>
2	Risk Management – Mitigating Controls	Assurance	11	
2	ICT Data Assurance	Assurance	12	
2	ICT Governance	Assurance	12	

Quarter	Audit	Type	Days	Rationale
2	IM - Data Quality	Assurance	12	<p>The review will focus on whole programme management; programme prioritisation and programme delivery.</p> <p><u>Rationale</u> Data quality is a key area of risk, with new IT systems introduced and numerous data entry points.</p> <p><u>Scope</u> The review will focus on the quality of data across areas of the organisations. This will include data recording and retention on central systems and stand-alone systems, quality of input, focusing initially on data quality for priority reporting systems.</p> <p><u>Rationale</u> Due to the nature and extent of the work involved, this is a key area of risk.</p> <p><u>Scope</u> The audit will assess the MOPI project implementation. This would include appetite for compliance, file storage, retention of records, use of Genie (search system).</p> <p><u>Rationale</u> Due to the nature, systems and processes in place, this is a key area of risk.</p> <p><u>Scope</u> The review will appraise the management of sickness and absence across the organisations.</p> <p><u>Rationale</u> The PFI scheme is a significant cost to the Constabulary.</p> <p><u>Scope</u> The review will focus on the PFI arrangements in place for Suffolk.</p>
2	IM - MOPI Project	Assurance	10	
2	HR – Absence Management	Assurance	12	
2	Suffolk PFI	Assurance	14	

Quarter	Audit	Type	Days	Rationale
2	Norfolk PFI	Assurance	14	<p><u>Rationale</u> The PFI scheme is a significant cost to the Constabulary.</p> <p><u>Scope</u> The audit will focus on single tender actions and temporary recruitment, including use of specialists, in accordance with contract standing orders.</p> <p><u>Rationale</u> Key area of reputational risk, with multiple agencies involved.</p> <p><u>Scope</u> The audit will assess the policy, procedures and processes operating, along with partnership working.</p> <p><u>Rationale</u> Due to the high volume of transactions and nature of the system, it is vulnerable to error and misappropriation.</p>
3	Overtime, Expenses and Additional Payments	Assurance	14	<p><u>Scope</u> The review considers the arrangements for overtime, expenses and additional payment transactions through CAPITA, DMS, links with ERP, for compliance with policy and procedures. These will include overtime, mileage, car parking, meals, train travel and accommodation.</p> <p><u>Rationale</u> Due to the nature of the process this is a vulnerable area of risk.</p>
3	Purchase Cards	Assurance	10	<p><u>Scope</u> To examine a number of orders placed to confirm compliance with the Constabularies Purchasing card procedures when goods and/or services are procured.</p> <p>Ensure compliance with operating procedures for Purchasing.</p>
3	Corporate – Policies	Assurance	10	<p><u>Rationale</u> Policies define the expectations of management across each area of the organisations.</p>

Quarter	Audit	Type	Days	Rationale
4	ERP/Athena	Assurance	12	<p><u>Scope</u> The review will focus on the structures and processes for reviewing and approving policies, to ensure they are fit for purpose.</p> <p><u>Rationale</u> ERP and Athena are major IT systems in place across the PCCs and Constabularies.</p> <p><u>Scope</u> The focus of the review will be confirmed as the plan develops. This will include process improvements affecting the systems. Possible review of project implementation, key stages, lessons learnt, legacy data, interfaces, access and reporting.</p> <p><u>Rationale</u> The full audits for the financial systems will be undertaken on a systematic basis.</p>
4	Key Financial Controls (Accounts Receivable, General Ledger, Budgetary Control, Treasury Management, Pensions, Fixed Assets)	Assurance	30	<p><u>Scope</u> The review considers the arrangements for key controls operating within the following systems; Accounts Receivable, General Ledger, Treasury Management, Capital Expenditure, Budgetary Control, Fixed Assets and Pensions.</p> <p><u>Rationale</u> Payroll is a key risk area, with reporting and data assurance being of high risk.</p> <p><u>Scope</u> The review will focus on providing assurance around the payroll system, including data input for starters, leavers, changes and ERP reporting.</p> <p><u>Rationale</u> Due to the high volume of transactions and nature of the system, it is vulnerable to error and misappropriation.</p>
4	Payroll, including ERP Reporting	Assurance	10	
4	Accounts Payable	Assurance	10	

Quarter	Audit	Type	Days	Rationale
				<p><u>Scope</u> The audit will focus on processing and payment of invoices.</p> <p><u>Rationale</u> An important area requiring high levels of governance and probity.</p>
4	Commissioners Grants – Norfolk and Suffolk	Assurance	18	<p><u>Scope</u> The review will consider the arrangements for the assessing, awarding and compliance monitoring process for the grants issued by the Commissioners.</p>
1-4	Follow Up		8	<p>The follow up of previous recommendations raised, reporting on the year end position in June and mid-year update in December.</p>
1-4	Management, Quality Assurance and Support		20	<p>This time includes attendance at Audit Committee meetings and overall contract management.</p>
			Total days	379

Assurance Mapping

Annex C

Corporate assurance risks

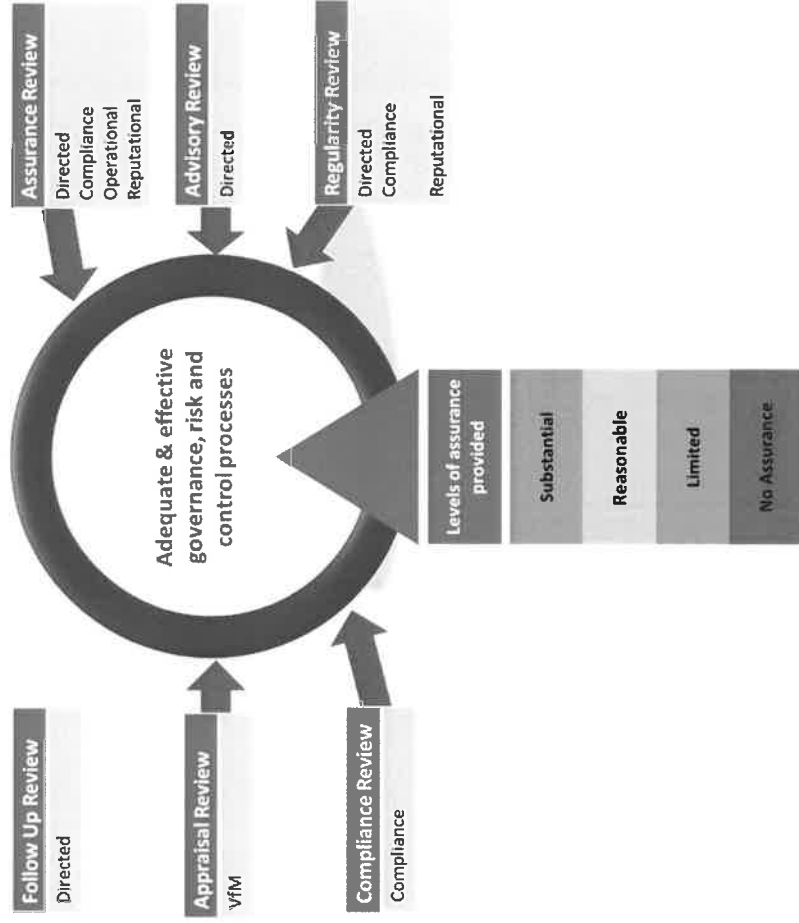
We consider four corporate assurance risks; directed; compliance; operational; and reputational. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance assessment gradings

We use four levels of assurance assessment: substantial; reasonable; limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

Types of audit review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



Audit Remit

Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the PCCs and Constabularies framework of governance, risk management and control. TIAA is responsible for giving assurance to the PCCs and Constabularies "Governing Body" on the adequacy and effectiveness of the PCCs and Constabularies risk management, control and governance processes.

Scope

All the PCCs and Constabularies activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the PCCs and Constabularies management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, audit committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the PCCs and Constabularies and is authorised to obtain such information and explanations as they consider necessary to form their opinion.

The collection of data for this purpose will be carried out in a manner prescribed by

TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within the PCCs and Constabularies and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the audit committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the PCCs and Constabularies management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making

recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

The Police & Crime Commissioner for Norfolk and the Chief Constable of Norfolk Constabulary

Ernst & Young LLP

Year ending 31 March 2017

Audit Plan
February 2017



Building a better
working world



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Lorne Green
The Police & Crime Commissioner for Norfolk

27 February 2017

Simon Bailey
The Chief Constable of Norfolk Constabulary

Jubilee House
Falconers Chase
Wymondham
Norfolk
NR18 0WW

Dear Lorne and Simon,

Audit Plan

We are pleased to attach our Audit Plan for the Police and Crime Commissioner for Norfolk (the PCC) and the Chief Constable of Norfolk Constabulary (the CC).

The Plan sets out how we intend to carry out our responsibilities as your auditor.

Its purpose is to provide the PCC and CC with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the PCC's and CC's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the PCC and CC, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you at the Audit Committee on 14 March 2017 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
Executive Director
For and behalf of Ernst & Young LLP Appointed Auditor
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Joint Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

Background

The Police Reform and Social Responsibility Act created two corporations sole, the:

- ▶ Police & Crime Commissioner for Norfolk (the PCC); and
- ▶ Chief Constable of Norfolk Constabulary (the CC).

We recognise the manner in which these two bodies are inter-linked and operate, based on the governance documents and schemes of governance, and consent that have been adopted.

Therefore, whilst each is a separate audit engagement, we have drafted one joint audit plan to set out our approach to the two engagements, recognising that the audit risks inherent in both engagements and the programme of work required have much in common.

Where relevant, we set out separately any risks which are solely pertinent to one of the bodies.

The PCC is responsible for preparing and publishing the Group's financial statements. The Group comprises the accounts of both the single entity PCC and the single entity CC. The CC is responsible for preparing and publishing the CC's single entity financial statements.

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Group, the PCC and the CC give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the PCC's and the CC's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Group's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the PCC and the CC.

We will provide an update to the PCC, CC and Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Group, the PCC and the CC, identified through our knowledge of the Group's, the PCC's and the CC's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Having assessed the key income and expenditure streams of the PCC and CC, we judge that there is material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.
<p>Management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions.
Other financial statement risks	
<p>CIPFA Code Changes to the CIES</p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the PCC's and CC's segmental analysis.</p> <p>This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code; ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Group's, PCC's and CC's organisational structure and how overheads are apportioned across the service areas reported; and ▶ Agreement of restated comparative figures back to the Group's, PCC's and CC's segmental analysis and supporting working papers.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the PCC and the CC has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. For 2016/17 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as the annual governance statement for both the PCC and the CC.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion.

Significant value for money risks	Our audit approach
Sustainable Resource Deployment: Achievement of Savings Needed over the Medium Term:	
<p>The PCC and CC continue to face significant financial challenges over the next three years, with a forecasted underlying budget gap of £2.962 million by 2020-21, based on a council tax increase of 1.986%.</p> <p>The gap depends upon the cumulative delivery of £7 million savings and the planned use of reserves of £14 million to leave £6 million available by 31 March 2021. Given the level of the savings required and the reserves being used, this presents a risk to the PCC's and CC's finances over the medium term.</p>	<p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ▶ The key assumptions made within the 2016/17 annual budget; and ▶ The development of the savings plans. <p>We will take into account the work of Her Majesty's Inspectorate of Constabulary (HMIC) on its PEEL assessment.</p>

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Group's, the PCC's and the CC's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of the PCC's and the CC's governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also:

- ▶ Review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require; and
- ▶ Give a separate opinion on the part of the Group and CC's financial statements that relates to the accounts of the pension fund.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the PCC and the CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness in their use of resources.

4.2 Audit process overview

The same audit team will be responsible for auditing the Group financial statements and the PCC and the CC components.

Our audit involves:

- ▶ Walking through the key internal controls in place and testing the operation of these controls;
- ▶ Reviewing internal audit plans and the results of work undertaken;
- ▶ Considering the work of Her Majesty's Inspectorate of Constabulary (HMIC); and
- ▶ Reliance on the work of experts in relation to areas such as pensions and valuations.

Processes

Our initial assessment of the key processes across the PCC and CC has identified the following systems which we will document and walkthrough the key controls.

- General ledger
- Accounts receivable;
- Accounts payable;
- Payroll;
- Pensions; and
- Property, plant and equipment;

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

Internal audit

Our intention is to carry out a fully substantive audit in 2016/17 rather than rely on the operation of controls as we believe this is the most efficient approach. As part of our working protocol with TIAA (internal audit) we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	EY pensions team and PwC CC actuary, Hymans Robertson LLP PCC actuary, Hymans Robertson LLP Government Actuaries Department (GAD)
Property, Plant & Equipment	PCC valuer, Carter Jonas.

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the PCC's and the CC's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;

- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published within both the Group's (including the PCC) and the CC's financial statements, including the Annual Governance Statement for the PCC and the CC;
- ▶ Reviewing and reporting on the Group's Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements for the Group and the CC is £4.9 million and £4.5 million respectively based on 2% of 2015/16 gross revenue expenditure.

Overall materiality for the PCC is £2.4 million based on 2% of 2015/16 gross assets. Overall materiality for the Police Pension Fund is £0.7 million based on 2% of 2015/16 benefits payable.

We will communicate uncorrected audit misstatements to you greater than of £251,000 (for the PCC Group), £228,000 (for the CC single entity), £123,000 (for the PCC single entity) and £43,000 (for the Police Pension Fund).

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of PCC is £33,825 and for the audit of the CC is £15,000.

The new reporting requirements within the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impact the Comprehensive Income and Expenditure Statement. This is part of our Code of Practice audit work and we outline the extent of the extra work for this change in Section 2 of the Audit Plan. We will work with officers to minimise the impact as set out in section 6, but expect a fee increase will be necessary.

4.6 Your audit team

The engagement team is led by Kevin Suter, Executive Director, who has significant experience in the police sector. Kevin is supported by Chris Hewitt who is responsible for the day-to-day direction of audit work and is the key point of contact for the PCC and the CC lead on the production of their accounts.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the PCC and the CC through the Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

Matters may arise that require immediate communication with the PCC and CC and we will discuss them with the PCC and CC and Chair of the Audit Committee as appropriate.

Following the conclusion of our audit we will prepare Annual Audit Letter's to communicate the key issues arising from our work to the PCC and the CC and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2016	July 2016	Audit Fee Letter
Risk assessment and setting of scopes	February 2017	March 2017	Audit Plan
Testing routine processes and controls	February and March 2017	June 2017	Progress Report (if appropriate)
Year-end audit and completion of audit	July and August 2017	September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements; and, overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.

Our audit process and strategy

Conclusion of
reporting

October 2017

December 2017

Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future contracted services, and details of any written proposal to provide non-audit services;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period are disclosed, analysed in appropriate categories.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the PCC and the CC.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the PCC and the CC have approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, the PCC and the CC have not commissioned any non-audit services from EY for 2016/17. No additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the PCC and the CC. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

The table below sets out the other threats that exist as the date of this report.

Description	Related independence threat	Period provided/ duration	Safeguards adopted and reasons considered to be effective
We have identified one threat of familiarity. Suffolk Constabulary has employed a former member of EY as a Financial Accountant from February 2016. The employee's role includes preparing working papers for the financial statements as part of the joint finance team across Norfolk and Suffolk Constabularies. The role includes working papers for the PCC for Norfolk and the CC of Norfolk Constabulary.	The Financial Accountant had previously worked with EY.	From February 2016	In response to this change, and to ensure ongoing independence, the audit team below manager level employs staff who have not previously worked with the Financial Accountant.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, the audit engagement Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £
The PCC for Norfolk opinion Audit and VFM Conclusion	*33,825	33,825	34,777
The CC of Norfolk Police opinion Audit and VFM Conclusion	*15,000	15,000	15,709
Total Audit Fee – Code work	48,825	48,825	50,486
Non-audit work	0	0	0

All fees exclude VAT.

* The planned fees for 2016/17 will be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impacts the Comprehensive Income and Expenditure Statement as set out in Section 2 of this Plan. We will work with officers to establish working paper requirements to minimise the impact.

The variance to 2015/16 arises due to additional fees charged in that year for the change to the Enterprise Resource System, and prior period adjustments made to the financial statements. The sums were agreed by the Chief Finance officer and approved by the PSAA Ltd.

The planned fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the PCC and the CC; and
- ▶ The PCC and the CC has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Chief Finance Officer in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the PCC and CC. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	▶ Audit Results Report
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	▶ Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the PCC and CC to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	▶ Audit Results Report
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	▶ Audit Results Report
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	▶ Audit Results Report
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the PCC and CC into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the PCC and CC may be aware of 	▶ Audit Results Report

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report ▶ Annual Audit Letter if considered necessary
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Audit Results Report

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OFFICE OF THE POLICE & CRIME
COMMISSIONER FOR NORFOLK



NORFOLK
CONSTABULARY
Our Priority is You

**Audit Committee
Forward Work Plan**

7 June 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx March 2017	
Internal Audit 2017/18 Plan update	Report from Head of Internal Audit (TIAA)
2016/17 Head of Internal Audit Annual Report	Report from Head of Internal Audit (TIAA)
Follow Up – Previous Audit Reports	Report from Head of Internal Audit (TIAA)
Final Accounts 2016/17 – Accounting Policies	Report from CFO
Draft Annual Governance Statement for 2016/17	Report from CFO
Audit Committee Annual Report 2016/17	Report from CFO
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

18 July 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx June 2017	
Draft Statements of Accounts 2016/17 - Chief Constable - PCC/Group	From CFO

5 September 2017

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx July 2017	
Internal Audit 2017/18 Plan update and follow-up report	Report from Head of Internal Audit
Final Accounts 2016/17 Approval including External Auditor's Audit Results Report	Report from CFO and Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

9 January 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting xx September 2017	
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (draft)	Reports from Head of Internal Audit
External Audit 2016/17 Accounts Annual Audit Letter	Report from Director, E&Y
Treasury Management Update 2016/17	Report from CFO
Strategic Risk Register Update	Report from CExec and CC
Forward Work Plan	Report from CFO

X March 2018

Welcome and Apologies	
Declarations of Interest	
Minutes of meeting 9 January 2018	
Treasury Management Strategy 2018/19	Report from CFO
Internal Audit 2017/18 Plan update 2018/19 Internal Audit Plan (Final)	Report from Head of Internal Audit
External Audit Plan 2018/19	Report from Director, E&Y
Strategic Risk Register update	Report from CExec and CC
Forward Work Plan	Report from CFO

Report Author

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Police and Crime Commissioners for Norfolk and Suffolk and Chief Constables of Norfolk and Suffolk Constabularies

Audit Strategic Plan and Annual Plan

2017/18

Internal Audit Annual Plan

INTRODUCTION

This Annual Plan is drawn up in accordance with the Terms of Reference of TIAA and the Internal Audit Strategic Plan.

AUDIT STRATEGY METHODOLOGY

We adopt a risk based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, previous internal audit work for the PCCs and Constabularies, the Regulatory Framework, HMIC workplan and assessment of the PCCs and Constabularies, external audit recommendations together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Strategy will be based predominantly on our understanding of the inherent risks facing the PCCs and Constabularies and those within the sector and has been developed with senior management and Committee.

INTERNAL AUDIT ANNUAL PLAN

The rolling strategic plan is set out in Annex A. The Annual Plan (Annex B) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews. The rolling strategic plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The timings shown in the Annual Plan assume that the expected controls will be in place.

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of the PCCs and Constabularies and additional time will be required to carry out such testing. The PCCs and Constabularies are responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

AUDIT COMMITTEE RESPONSIBILITY

It is the responsibility of the Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

REPORTING

Assignment Reports: A separate report will be prepared for each review, with separate reports for each PCC and Constabulary where a different opinion is given. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the Public Sector Internal Audit Standards (PSIAS).

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Annual Report will include our opinion of the overall adequacy and effectiveness of the PCCs and Constabularies governance, risk management and operational control processes.

LIAISON WITH THE EXTERNAL AUDITOR, INTERNAL RISK MANAGEMENT AND PSD

We will liaise with the PCCs and Constabularies External Auditor, along with the risk manager and PSD. Any matters in the areas included in the Annual Plan that are identified by the External Auditor in their audit management letters will be included in the scope of the appropriate review.

Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
Professional Standards	Final report issued within 10 working days of receipt of responses.	95%
	Compliance with Public Sector Internal Audit Standards.	100%

ASSURANCE MAPPING

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance mapping process is set out in Annex C.

AUDIT REMIT

The Audit Remit (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the PCCs and Constabularies and defines the scope of internal audit activities and ensures compliance with the PSIAS.

CONFLICT OF INTEREST

We are not aware of any conflicts of interest and should any arise we will manage them in line with PSIAS requirements, the PCCs and Constabularies requirements and TIAA's internal policies.

KEY CONTACT INFORMATION

Name	Contact Details
Chris Harris Director	Chris.harris@tiaa.co.uk 07766 115439
Fiona Dodimead Director of Audit	Fiona.dodimead@tiaa.co.uk 07980 738465
Claire Lavery Principal Auditor	Claire.lavery@tiaa.co.uk 07580 971330

LIMITATIONS AND RESPONSIBILITY

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should

PERFORMANCE

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed within time allocation.	100%

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internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

RELEASE OF REPORT

The table below sets out the history of this plan.

Date plan issued:	March 2017
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Rolling Strategic Plan

Review Area	PCC Plan Reference	Type	Audits Delivered				Days Required			
			2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20	
Governance										
Strategic Control, Governance and Ethics		Assurance	12				12			
Performance Management		Assurance		15	Feb 17	TBA		15		
Transformation and Strategic Planning		Assurance								10
Risk Management										
Strategy and Policy – PCC Suffolk		Assurance		9	Feb 17	Substantial				
Strategy and Policy – PCC Norfolk		Assurance		9	Feb 17	Substantial				
Mitigating Controls		Assurance					11			
Embedding		Assurance	12							10
Business Continuity		Assurance								
RAID Log		Assurance	15							
ICT										
ICT – Area to be agreed		Assurance								14
Cyber Security		Assurance	10							12
ITIL		Assurance	10							
Network Security		Assurance								
t-Police		Assurance	12							
ERP/Athena		Assurance					12			
Exchange 2010/Email Archiving		Assurance		12	Feb 17	Substantial				
Data Assurance		Assurance					12	12	12	12
Website Content		Assurance						10		
Mobile Device Management		Assurance	15				10			10

Review Area	PCC Plan Reference	Type	Audits Delivered					Days Required				
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20		
Firewalls		Assurance		12	Aug 16	Substantial						
IT Governance		Assurance						12				
Disaster Recovery		Assurance		12	Aug 16	Reasonable						
Business Continuity		Assurance							12			
ERP First/Second/Third Line		Assurance		12	Mar 17	TBA						
Software Licensing		Assurance							10			
Finance												
Key Financial Controls		Assurance		30				30	30			30
Payroll		Assurance	10	10	Feb 17	Reasonable		10	10			10
Accounts Payable		Assurance	10					10				10
Accounts Receivable		Assurance	10						10			
General Ledger		Assurance	10							10		
Treasury Management		Assurance	10									
Capital Expenditure		Assurance	10							12		
Budgetary Control		Assurance		12	Nov 16	Substantial						10
Fixed Assets		Assurance								10		
Pensions Administration		Assurance		10	Feb 17	TBA						
Overtime, Expenses, Additional Payments		Assurance		16	Feb 17	TBA		14				
Information Management												
Audit Team Assessment		Assurance						8				
Data Quality		Assurance						12	12			12
Specified Information Order		Assurance								10		10
Records Management		Assurance	4							10		
Fol / Data Protection / Document Security		Assurance		15	Sep 16	Reasonable						12
MOPI Project Implementation		Assurance								10		
Human Resources												
Strategy		Assurance		10	Feb 17	TBA						

Review Area	PCC Plan Reference	Type	Audits Delivered					Days Required			
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20	
Recruitment		Assurance		12	Nov 16	Limited			12		
Absence Management		Assurance	10					12			12
Duty Management System		Assurance		15	Nov 16	Limited			15		
Learning and Development		Assurance						12			12
Ill Health Retirement		Assurance						8			
Transport											
Strategy		Assurance							10		
Procurement		Assurance							10		
Maintenance, Repair, Disposal, Fuel Usage		Assurance		15	Jun 16	Reasonable					15
Use of Vehicles		Assurance						10			
Estates Management											
Strategy		Assurance							10		
Duty of Care, Cost Allocations, Maintenance		Assurance	8								12
Health and Safety		Assurance		12	Mar 17	TBA					
3i Property Database		Assurance						4			
Facilities (Catering – Suffolk only)		Assurance		6	Sep 16	Limited					
Facilities Management		Assurance							12		
Building Access and Vehicle Security		Assurance							12		
Police Stations		Assurance	7								
Contract Management		Assurance							10		
Suffolk PFI		Assurance							14		
Norfolk PFI		Assurance							14		
Procurement											
Purchase Ordering		Assurance	12						10		
Purchase Cards		Assurance	10	12	Feb 17	Nfk-L/Sfk-R			10		
Contracts		Assurance	12								10
Single Tender Actions, Temporary		Assurance							10		

Review Area	PCC Plan Reference	Type	Audits Delivered					Days Required					
			2015/16	2016/17	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20			
Recruitment													
Compliance with CSO within departments		Assurance								14			12
Corporate													
Complaints		Assurance		10	Mar 17	TBA							10
Corporate Communications / Social Media		Assurance		18	Sep 16	Reasonable							
Collaborations		Assurance		10	Mar 17	TBA							
Policies		Assurance								10			
Commissioners Grants (Norfolk only / joint)		Assurance	9	10	Mar 17	TBA				18	10		10
Operational													
Control Room Norfolk		Assurance											12
Control Room Suffolk		Assurance											12
Custody Administration Norfolk		Assurance											8
Custody Administration Suffolk		Assurance											8
Firearms Certificates / Management		Assurance		12	Nov 16	Substantial							12
Proceeds of Crime		Assurance	15										
Property (lost and found)		Assurance								10			
Business Interests		Assurance								8			
Safeguarding and investigations		Assurance								10			
Lone Working		Assurance											8
Contract Management													
Follow up			8	10									12
Audit Management (includes planning, client liaison, external audit, reporting, Audit Committee)			20	20									20
Days in year			261	314						379	326		309
Contingency b/fwd			--	(69)						(53)	(4)		(8)
Contingency c/fwd			69	53						4	8		29

Audit Strategic Plan and Annual Plan

Review Area	PCC Plan Reference	Type	Audits Delivered				Days Required					
			2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20			
					Report Issued	Assurance Level	P1/P2 Recommendations Outstanding					
Totals			330	330				330	330	330		330

Annual Plan – 2017/18

Quarter	Audit	Type	Days	Rationale
1	Governance – Corporate Governance and Ethics	Assurance	12	<p><u>Rationale</u> The PCCs and Constabulary’s are required to comply with new code of corporate governance.</p> <p><u>Scope</u> The scope of the governance review will alter each year, depending on changes in legislation and working practices. The 2017/18 review will focus on compliance with CIPFAs new code of corporate governance, issued during 2016/17. Incorporating delivering good governance and embedding governance across the organisations. This scope has not been included in 2016/17 audit.</p>
1	ICT Mobile Device Management (body worn video)	Assurance	12	<p><u>Rationale</u> Mobile devices are significant for effective operations.</p> <p><u>Scope</u> The scope of the review will focus on the implementation of the devices, with a further review in 2018/19 to assess how this is operating.</p>
1	IM – Audit Team Assessment	Assurance	8	<p><u>Rationale</u> The audit team has been in operation and would benefit from a peer review of systems and controls.</p> <p><u>Scope</u> The review will appraise the policy and processes in place for the information management audit team. This will include planning, documenting, assessment, review, reporting and implementation of improvements.</p>

Quarter	Audit	Type	Days	Rationale
1	HR – Learning and Development	Assurance	12	<p><u>Rationale</u> Due to the nature, systems and processes in place, this is a key area of risk.</p> <p><u>Scope</u> The review will focus on learning and development across the organisations. This will include planning, development, record keeping, training, specialist training.</p> <p><u>Rationale</u> Due to the increasing cases, systems and processes in place, this is an area of risk.</p>
1	HR – ill Health Retirement	Assurance	8	<p><u>Scope</u> The audit will appraise the systems in place for managing and processing ill health retirement cases. This will include policy, processes, responsibilities, payments and approvals.</p> <p><u>Rationale</u> Vehicles may not be used in accordance with policy.</p>
1	Transport Services – Use of Vehicles	Assurance	10	<p><u>Scope</u> The audit will appraise compliance with policy on the use of vehicles. This will include policy, processes for communicating policy and monitoring compliance.</p>
1	Estates – 3i Property Database	Assurance	4	<p><u>Rationale</u> The new property database is currently being implemented, with information transfer and retention being considered.</p>
1	Estates Contract Management	Assurance	12	<p><u>Scope</u> The audit will consider the implementation of the database.</p> <p><u>Rationale</u> Changes within the estates department increase the risk of continuity in managing contracts.</p>

Quarter	Audit	Type	Days	Rationale
1	Purchase Ordering	Assurance	10	<p><u>Scope</u> The review will focus on the management of estates contracts, including utilities bureau service and bill validation services.</p> <p><u>Rationale</u> Due to the nature of the service, purchasing can be a vulnerable area prone to risk.</p>
1	Procurement – Single Tender Actions and Temporary Recruitment	Assurance	10	<p><u>Scope</u> The review will focus on open orders, closing down issues, partially completed orders and legacy orders. To verify that internal controls are in place and working to manage the purchase ordering procedures.</p> <p><u>Rationale</u> Procurement rules may not be adhered to.</p>
1	Procurement – Compliance with CSO within departments	Assurance	14	<p><u>Scope</u> The audit will focus on single tender actions and temporary recruitment, including use of specialists, in accordance with contract standing orders.</p> <p><u>Rationale</u> Procurement rules may not be adhered to.</p>
1	Business Interests	Assurance	8	<p><u>Scope</u> The review will assess the procurement processes within departments, compliance with contract standing orders.</p> <p><u>Rationale</u> Conflicts may arise that impact on service delivery for the Constabularies.</p> <p><u>Scope</u> The review will assess the policy and processes in place for managing conflicting business interests.</p>

Quarter	Audit	Type	Days	Rationale
1	Property Recovered	Assurance	10	<p><u>Rationale</u> Clear processes are required to effectively manage property recovered.</p> <p><u>Scope</u> The review will focus on lost and found property, ownership, storage of claimed items (virtual and physical) and budget allocation.</p>
2	Risk Management – Mitigating Controls	Assurance	11	<p><u>Rationale</u> Risk management is key for managing the PCC and Constabulary risks. A new risk manager was appointed in 2016/17, with systems and processes being embedded.</p> <p><u>Scope</u> The audit would focus on how controls stated within the risk registers mitigate the risk.</p>
2	ICT Data Assurance	Assurance	12	<p><u>Rationale</u> Electronic data is significant for the PCCs and Constabularies, with recently implemented systems and legacy systems operating.</p> <p><u>Scope</u> The focus of the review will be confirmed as the plan develops. This will incorporate data transfers between systems.</p>
2	ICT Governance	Assurance	12	<p><u>Rationale</u> ICT affects all areas of the organisations, with different competing priorities.</p> <p><u>Scope</u> The review will focus on whole programme management; programme prioritisation and programme delivery.</p>
2	IM - Data Quality	Assurance	12	<p><u>Rationale</u> Data quality is a key area of risk, with new IT systems introduced and numerous data entry points.</p>

Quarter	Audit	Type	Days	Rationale
2	IM - MOPI Project	Assurance	10	<p><u>Scope</u> The review will focus on the quality of data across areas of the organisations. This will include data recording and retention on central systems and stand-alone systems, quality of input, focusing initially on data quality for priority reporting systems.</p> <p><u>Rationale</u> Due to the nature and extent of the work involved, this is a key area of risk.</p> <p><u>Scope</u> The audit will assess the MOPI project implementation. This would include appetite for compliance, file storage, retention of records, use of Genie (search system).</p> <p><u>Rationale</u> Due to the nature, systems and processes in place, this is a key area of risk.</p>
2	HR – Absence Management	Assurance	12	<p><u>Scope</u> The review will appraise the management of sickness and absence across the organisations.</p> <p><u>Rationale</u> The PFI scheme is a significant cost to the Constabulary.</p> <p><u>Scope</u> The review will focus on the PFI arrangements in place for Suffolk.</p> <p><u>Rationale</u> The PFI scheme is a significant cost to the Constabulary.</p>
2	Suffolk PFI	Assurance	14	<p><u>Scope</u> The review will focus on the PFI arrangements in place for Suffolk.</p> <p><u>Rationale</u> The PFI scheme is a significant cost to the Constabulary.</p>
2	Norfolk PFI	Assurance	14	<p><u>Scope</u> The review will focus on the PFI arrangements in place for Norfolk.</p> <p><u>Rationale</u> Key area of reputational risk, with multiple agencies involved.</p>
2	Safeguarding and Investigations	Assurance	9	<p><u>Scope</u> The review will focus on the PFI arrangements in place for Norfolk.</p> <p><u>Rationale</u> Key area of reputational risk, with multiple agencies involved.</p>

Quarter	Audit	Type	Days	Rationale
3	Overtime, Expenses and Additional Payments	Assurance	14	<p><u>Scope</u> The audit will assess the policy, procedures and processes operating, along with partnership working.</p> <p><u>Rationale</u> Due to the high volume of transactions and nature of the system, it is vulnerable to error and misappropriation.</p> <p><u>Scope</u> The review considers the arrangements for overtime, expenses and additional payment transactions through CAPITA, DMS, links with ERP, for compliance with policy and procedures. These will include overtime, mileage, car parking, meals, train travel and accommodation.</p> <p><u>Rationale</u> Due to the nature of the process this is a vulnerable area of risk.</p>
3	Purchase Cards	Assurance	10	<p><u>Scope</u> To examine a number of orders placed to confirm compliance with the Constabularies Purchasing card procedures when goods and/or services are procured.</p> <p>Ensure compliance with operating procedures for Purchasing.</p> <p><u>Rationale</u> Policies define the expectations of management across each area of the organisations.</p> <p><u>Scope</u> The review will focus on the structures and processes for reviewing and approving policies, to ensure they are fit for purpose.</p>
3	Corporate – Policies	Assurance	10	<p><u>Rationale</u> Policies define the expectations of management across each area of the organisations.</p> <p><u>Scope</u> The review will focus on the structures and processes for reviewing and approving policies, to ensure they are fit for purpose.</p>
4	ERP/Athena	Assurance	12	<p><u>Rationale</u> ERP and Athena are major IT systems in place across the PCCs and Constabularies.</p>

Quarter	Audit	Type	Days	Rationale
4	Key Financial Controls (Accounts Receivable, General Ledger, Budgetary Control, Treasury Management, Pensions, Fixed Assets)	Assurance	30	<p><u>Scope</u> The focus of the review will be confirmed as the plan develops. This will include process improvements affecting the systems. Possible review of project implementation, key stages, lessons learnt, legacy data, interfaces, access and reporting.</p> <p><u>Rationale</u> The full audits for the financial systems will be undertaken on a systematic basis.</p> <p><u>Scope</u> The review considers the arrangements for key controls operating within the following systems; Accounts Receivable, General Ledger, Treasury Management, Capital Expenditure, Budgetary Control, Fixed Assets and Pensions.</p>
4	Payroll, including ERP Reporting	Assurance	10	<p><u>Rationale</u> Payroll is a key risk area, with reporting and data assurance being of high risk.</p> <p><u>Scope</u> The review will focus on providing assurance around the payroll system, including data input for starters, leavers, changes and ERP reporting.</p>
4	Accounts Payable	Assurance	10	<p><u>Rationale</u> Due to the high volume of transactions and nature of the system, it is vulnerable to error and misappropriation.</p> <p><u>Scope</u> The audit will focus on processing and payment of invoices.</p>
4	Commissioners Grants – Norfolk and Suffolk	Assurance	18	<p><u>Rationale</u> An important area requiring high levels of governance and probity.</p> <p><u>Scope</u></p>

Quarter	Audit	Type	Days	Rationale
1-4	Follow Up		8	The review will consider the arrangements for the assessing, awarding and compliance monitoring process for the grants issued by the Commissioners.
1-4	Management, Quality Assurance and Support		20	The follow up of previous recommendations raised, reporting on the year end position in June and mid-year update in December.
				This time includes attendance at Audit Committee meetings and overall contract management.
		Total days	379	

Assurance Mapping

Annex C

Corporate assurance risks

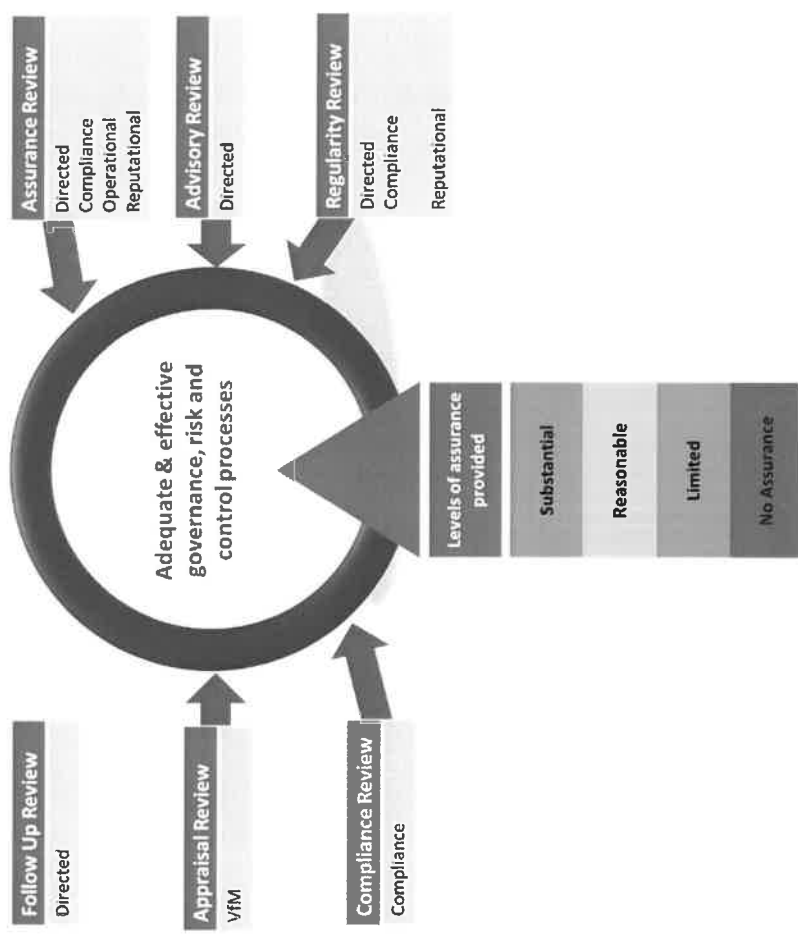
We consider four corporate assurance risks; directed; compliance; operational and reputational. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance assessment gradings

We use four levels of assurance assessment: substantial; reasonable; limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

Types of audit review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



Audit Remit

Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the PCCs and Constabularies framework of governance, risk management and control. TIAA is responsible for giving assurance to the PCCs and Constabularies "Governing Body" on the adequacy and effectiveness of the PCCs and Constabularies risk management, control and governance processes.

Scope

All the PCCs and Constabularies activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that the PCCs and Constabularies management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, audit committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of the PCCs and Constabularies and is authorised to obtain such information and explanations as they consider necessary to form their opinion.

The collection of data for this purpose will be carried out in a manner prescribed by

TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within the PCCs and Constabularies and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the audit committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with the PCCs and Constabularies management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2003.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making

recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.