

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2012/13

**JOINT REPORT OF TREASURER TO THE POLICE AND CRIME
COMMISSIONER AND DIRECTOR OF FINANCE TO THE CHIEF
CONSTABLE**

1 Purpose of the Report

- 1.1 To ask the Committee to review the effectiveness of the system of Internal Audit for 2012/13.

2 Background

- 2.1 The Accounts and Audit Regulations 2011 require all authorities to “conduct an annual review of the effectiveness of its internal audit” and for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control which contributes towards the production of the Annual Governance Statement.
- 2.2 Best practice highlights that “internal audit” in this context includes not only the Internal Audit Service but also the Audit Committee. This review should be undertaken prior to the consideration of the Internal Audit Annual Report to allow the opinion of the Chief Internal Auditor to be relied upon.
- 2.2 The Treasurer to the Police & Crime Commissioner (PCC) and the Director of Finance to the Chief Constable have delegated responsibility to maintain an adequate internal audit of the financial affairs of both bodies as required by Section 151 of the Local Government Act 1972.
- 2.3 The review of the effectiveness of internal audit for 2012/13 was undertaken on 3rd June 2013 by the Joint PCC and Chief Constable Monitoring Control Group, which includes the PCC’s Chief Executive and Treasurer and the Assistant Chief Officer (Corporate Services) and Director of Finance from the Force. This review was based upon the following: -
- Self-Assessment against the CIPFA Code of Practice for Internal Audit

- Self-Assessment against the CIPFA Statement on the Role of the Head of Internal Audit
- Reliance placed upon Internal Audit by the external auditor.
- Assessment of the effectiveness of the Joint Independent Audit Committee
- Relevant local performance information

3 Self-Assessment Against the CIPFA Code of Practice

3.1 For the year ended 31 March 2013 the Chief Internal Auditor has undertaken a self-assessment against current Internal Audit practices and compliance with the Code of Practice for Internal Audit.

3.2 The Code has 11 standards as detailed below:

- Scope of Internal Audit
- Independence
- Ethics of Internal Audit
- Audit Committee
- Relationships
- Staffing, Training and Continuing Professional Development
- Audit Strategy
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness

The details of the assessment carried out with the evidence in place is attached at Appendix A.

3.3 The assessment requires the Chief Internal Auditor to review each aspect of the Internal Audit Service's work under the headings above and provide evidence to support the conclusions made. The evidence includes Internal Audit's terms of reference in the Audit Charter and the local Audit Manual, as well as quality review information monitored by the Chief Internal Auditor during the course of 2012/13. The self-assessment found that the Internal Audit Service is operating effectively and is compliant with the Code of Practice for Internal Audit.

4 Self-Assessment against the CIPFA Statement on the Role of the Head of Internal Audit

4.1 This assessment requires an evaluation of how the five principles of this statement are embedded within the OPCC and Force and the Chief Internal Auditor's skills and personal experience. The statement has common themes with the CIPFA Code of Practice for Internal Audit. The self-assessment found arrangements to be compliant with the statement and a copy is attached at Appendix B for information.

5 Reliance Placed Upon Internal Audit by the external auditor

- 5.1 A joint working protocol is in place between Internal Audit and the external auditor, Mazars. Wherever possible the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities providing certain standards are adhered to. During 2012/13 Mazars has not relied on the work of Internal Audit in specific areas but some systems documentation has been shared with them and joint introductory meetings have been held for some key systems' assignments.

6 Assessment of the Effectiveness of the Audit Committee

- 6.1 CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities" includes a checklist for measuring the effectiveness of an Audit Committee. This assesses in more detail some of the areas examined in the self-assessment against the Code of Practice for Internal Audit. The assessment for 2012/13 has been based upon the current Joint Independent Audit Committee of the PCC and Chief Constable rather than the former Authority's Audit & Improvement Committee.

- 6.2 A review of this was carried out by the Joint PCC and Chief Constable Monitoring Group on 3rd June 2013. This covered the following areas: -

- Terms of Reference
- Internal Audit Process
- External Audit Process
- Membership
- Meetings
- Training
- Administration

Evidence includes the Committee's oversight of risk management, internal audit arrangements and the approval of the Annual Governance Statement. This review found the Joint Independent Audit Committee to be overall operating effectively and the assessment is attached at Appendix C for information. Three areas of improvement have been highlighted for action during 2013/14, as follows: -

- Once additional members have been appointed to the Committee an appropriate training and development programme should be agreed.
- Finalise the Joint Strategic Risk register to allow the Committee to effectively monitor the risk management arrangements of the PCC and Chief Constable.
- Update relevant counter fraud and corruption policies for approval by the Committee.

7 Performance Information

- 7.1 Performance monitoring of the work carried out by the Internal Audit Service provides further assurance that the system of Internal Audit is operating effectively and adding value as a whole. During 2012/13 the following key performance indicators are relevant and were reported to the Audit Committee on 13th May 2013: -
- 100% of audits were completed within budgeted time.
 - Non-productive time was recorded at 29% of overall time against an annual target of 28% of overall time.
 - All customer satisfaction questionnaires returned in the quarter recorded satisfaction at 100%.
 - 100% of draft audit reports were issued within the revised target of 17 working days following the end of audit fieldwork.

8 Opinion of the Effectiveness of Internal Audit

- 8.1 Based on the reviews detailed above it is considered that both the PCC and Chief Constable's system of internal audit is operating effectively.

9 Equal opportunities implications

- 9.1 It is considered that there are no equal opportunities implications arising from the report.

10 Human rights implications

- 10.1 It is considered that there are no human rights implications arising from the report.

11 Risk Management implications

- 11.1 An effective system of internal audit will positively contribute to the management and mitigation of risk.

12 Financial implications

- 12.1 There are no financial implications directly arising from this report

13 Recommendation

- 13.1 The Committee is asked to endorse the opinion that the PCC and Chief Constable's system of internal audit is operating effectively.