

INTERNAL AUDIT ANNUAL REPORT – 2012/13

REPORT OF CHIEF INTERNAL AUDITOR

1 Purpose of the Report

- 1.1 To inform the Committee about work undertaken by the Internal Audit Service during 2012/2013 and to give an overall assessment and independent opinion on the effectiveness of both the Police and Crime Commissioner (PCC) and Chief Constable's internal control systems and governance arrangements to feed into the Annual Governance Statements for 2012/13.

2 Background

- 2.1 The audit plan for 2012/2013 set out to meet the requirements of the CIPFA Code of Practice for Internal Audit 2006 in providing a risk-based focus for the deployment of internal audit resources. The requirements of the Chief Constable were taken into account when preparing the audit plan and it was subsequently endorsed by the PCC following her election.
- 2.2 The audit plan also enables the Treasurer to the PCC and Director of Finance to the Chief Constable to fulfil his delegated responsibility to maintain an adequate internal audit of financial affairs as required by Section 151 of the Local Government Act 1972.

3 Performance Management and Quality Assurance

- 3.1 The number of planned audit reviews for 2012/13 completed during the period to 31st March 2013 was reported to the Joint Independent Audit Committee on 13th May 2013. This highlighted that out of 36 planned audits, for 2012/13, 30 had been completed with final reports issued for 24 of these audits. Two planned audits were carried forward to be undertaken in 2013/14 (Governance and Risk Management – PCC) and the remaining four audits, in respect of key financial systems, were in progress at the year-end.
- 3.2 The 2012/13 audit plan allocated 3,600 hours to routine audits, and advice and liaison with the Force, Authority and OPCC. As at 31st March 2013 98.3% of the audit plan, in terms of actual audit hours

against planned hours was achieved by the Internal Audit Service, against a target of 97.25%.

- 3.3 The Force has in place a framework of assurance, which includes Internal Audit, but also includes other audits and checks undertaken by employees. Examples are audits undertaken on performance information by the Strategy and Performance Unit and work undertaken by the Professional Standards Department. The internal audit plan includes an assessment of the effectiveness of these functions and has found them to be operating effectively.
- 3.4 The Chief Internal Auditor has in place a quality review process which appraises:
- The quality of audit work
 - The quality of supervision
 - Compliance with the Code of Practice
 - Compliance with the Audit Service's local Audit Manual
 - The ways in which the Internal Audit Service benefits the PCC and Chief Constable
 - Achievement of performance standards
- 3.5 The percentage of audits subject to quality review varies dependant on the experience and knowledge of auditors involved. From the reviews carried out in 2012/13 14% of audits were included.
- 3.6 An action plan is in place for the continued development of the Internal Audit Service which accommodates any findings from these quality reviews. The only issues raised by the reviews in 2012/13 related to minor procedures and additional training has taken place to address them at the Internal Audit Service's quarterly team development meetings. Audit work was therefore as a result found to be complying with the Code of Practice and the local audit manual.

4 Main Audit Findings

Overall Assessment & Independent Opinion

- 4.1 For audits issued during 2012/13 twenty two audits concluded that systems and procedures in place were operating well and eleven audits concluded that systems and procedures were operating satisfactorily. A summary of these audits is attached at Appendix A.
- 4.2 The Chief Internal Auditor has also utilised some consultancy time within the 2012/13 audit plan to advise officers in respect of governance arrangements following the election of the PCC in November 2012.

- 4.3 The standard conclusions in audit reports are defined as:
- Operating well - where the system is effective and no recommendations or only a few minor points have been raised.
 - Satisfactory - where the system works but there are a number of recommendations or where issues have not been fully addressed from the previous audit.
 - Significant weakness - where the system is flawed so there are a large number of recommendations or at least one that is of high significance. Where an audit has been identified as having significant weakness a follow up audit will take place within the next 6 months.
- 4.4 Audit work has been focused on the completion of routine systems based audits. There have been no special investigations during the period under review and therefore no cases of suspected fraud or corruption.
- 4.5 Based on the evidence arising from internal audit activity during 2012/2013, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and governance arrangements, and up until November 2012 those of the former Authority, are considered to have worked effectively in practice, particularly given the significant changes that have impacted upon the Police Service during 2012/13; there are however areas where arrangements need reviewing and embedding.
- 4.6 The Chief Internal Auditor recommends that an action for improvement during 2013/14 should be a review of compliance by the PCC and Chief Constable of governance arrangements in place, both those that were adopted from the former Authority and new arrangements, against the requirements as set out in *CIPFA's "Delivering Good Governance – A Guidance Note for Police Authorities"*.
- 4.7 The Financial and Contract Regulations, which were agreed by the PCC on 12th April 2013, should also continue to be reviewed during 2013/14, to ensure they remain appropriate and fully reflective of the different governance regimes that are in place.
- 4.8 This overall assessment of the PCC and Chief Constable's internal control environment and governance arrangements by Internal Audit makes up a fundamental element of assurance for the Annual Governance Statement.
- 4.9 Internal Auditors have received full co-operation from all police officers, OPCC officers and police staff involved in the areas under review.

5 Equal opportunities implications

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

6 Human rights implications

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

7 Risk Management implications

- 7.1 There are no additional risk management implications arising directly from this report. The audit plan supports the sustainability of adequate and appropriate resources.

8 Financial implications

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

9 Recommendation

- 9.1 The Committee is requested to note the findings set out in this report.

Appendix A

Summary of audit activity for the year 2012/2013

The details of the audits identified in the table below have already been reported to the former Audit and Improvement Committee and new Joint Independent Audit Committee throughout 2012/13 on a quarterly basis:

<u>Audit Area</u>	<u>Opinion</u>	<u>Committee Report</u>
<u>Departments & IT (Force)</u>		
1. Human Resources	Satisfactory	Sept-12
2. Performance Management	Operating Well	Sept-12
3. Cash & Miscellaneous Income	Satisfactory	Sept-12
4. Communications	Operating Well	Sept-12
5. Operations	Satisfactory	Sept-12
6. Incident Management (IT)	Satisfactory	Sept-12
7. Procurement & Supplies (2011/12)	Operating Well	Sept-12
8. Property	Satisfactory	Mar-13
9. Employee Claims & Business Support Transactions	Satisfactory	Mar-13
10. Partnerships	Operating Well	Mar-13
11. Witness Protection	Satisfactory	May-13
12. Risk Management	Satisfactory	May-13
13. Project Management (IT)	Operating Well	May-13
14. Service Level Management (IT)	Operating Well	May-13
15. Procurement & Supplies (2012/13)	Operating Well	May-13
16. Corporate Communications	Operating Well	May-13
<u>Finance & Resources (Force)</u>		
17. Creditors & General Expenditure	Operating Well	Sept-12
18. Fleet Management	Operating Well	Mar-13
19. Police Charities Fund	Operating Well	May-13
20. Corporate Finance	Operating Well	May-13
21. Force Budgets	Operating Well	May-13
22. Force Payroll	Satisfactory	May-13
<u>Central Systems (Authority)</u>		
23. Corporate Creditors	Satisfactory	Sept-12
24. NPA Website Hacking Investigation Follow Up	Satisfactory	Sept-12
<u>Audit Area</u>	<u>Opinion</u>	<u>Committee Report</u>

		Report
Central Systems (Authority)		
25. IAS 19 Disclosure	Operating Well	Mar-13
26. Treasury Management	Operating Well	Mar-13
27. Capital Accounting System	Operating Well	Mar-13
28. Members' Allowances	Operating Well	Mar-13
29. Corporate Payroll	Operating Well	Mar-13
30. Counter Fraud Arrangements	Operating Well	Mar-13
Combined		
31. Annual Governance Statement 2011/12 – Managers' Assurances	Operating Well	Sept-12
32. PCC – Pre-Election Transition	Operating Well	Sept-12
33. Police Pensions & Transfer Values	Operating Well	May-13