

**NORTHUMBRIA POLICE****JOINT INDEPENDENT AUDIT COMMITTEE:****16 JUNE 2014**

---

**REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2013/14****REPORT OF JOINT CHIEF FINANCE OFFICER**

---

**1 Purpose of the Report**

- 1.1 To ask the Committee to review the effectiveness of the system of Internal Audit for 2013/14.

**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 2013/14 was undertaken on 3<sup>rd</sup> June 2014 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 UK Public Sector Internal Audit Standards (UKPSIAS)
  - 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 UKPSIAS**

3.1 For the year ended 31 March 2014 the Chief Internal Auditor has undertaken a self-assessment against current Internal Audit practices and compliance with professional standards as set out in UKPSIAS.

3.2 The standards have 4 areas as detailed below:

- Definition of Internal Auditing
- Code of Ethics
- Attribute Standards
- Performance Standards

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 2013/14. The self-assessment found that the Internal Audit Service is operating effectively and is compliant with the standards in all significant aspects. The review includes an action plan relating to minor areas for development which is also included for information.

### **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 UKPSIAS. 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

## 6(ii)

2013/14 Mazars has not relied on the work of Internal Audit in specific areas but through regular monthly meetings work has been co-ordinated wherever possible and intelligence shared.

### **6 Assessment of the Effectiveness of the Audit Committee**

- 6.1 CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2013" 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.
- 6.2 A review of this was carried out by the Joint PCC and Chief Constable Monitoring Group on 3<sup>rd</sup> June 2014. This covered the following areas: -
- Purpose & Governance
  - Functions of the Committee
  - Membership & Support
  - Effectiveness of the Committee

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 operating effectively and the assessment is attached at Appendix C for information.

### **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 2013/14 the following key performance indicators are relevant and are reported to the Committee elsewhere on today's agenda.
- 100% of audits were completed within budgeted time.
  - All customer satisfaction questionnaires returned in the quarter recorded satisfaction at 100%.
  - 100% of draft audit reports were issued within the 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.