

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

INTERNAL AUDIT ANNUAL REPORT – 2013/14**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 2013/14 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, risk management and governance arrangements to feed into the Annual Governance Statements for 2013/14.

2 Background

- 2.1 The audit plan for 2013/14 set out to meet the requirements of the UK Public Sector Internal Audit Standards (UKPSIAS) in providing a risk-based focus for the deployment of internal audit resources. The requirements of both the PCC and Chief Constable were taken into account when preparing the audit plan.
- 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 2013/14 completed during the period is reported elsewhere on today's agenda. This highlighted that out of 28 planned audits, for 2013/14, 26 had been completed with final reports issued for 19 of these audits. One planned audit was carried forward to be undertaken in 2014/15 (Governance) and the remaining audits, in respect of key financial systems, were in progress at the year-end.
- 3.2 The 2013/14 audit plan allocated 3,540 hours to routine audits, and advice and liaison with the Force and OPCC. As at 31st March 2014 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 Chief Constable 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 Assurance and Improvement Programme which appraises:
- The quality of audit work
 - The quality of supervision
 - Compliance with UKPSIAS
 - 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 2013/14 10% 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 2013/14 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 UKPSIAS and the local audit manual.

4 Main Audit Findings

Overall Assessment & Independent Opinion

- 4.1 For audits issued during 2013/14 twenty three audits concluded that systems and procedures in place were operating well and five audits concluded that systems and procedures were operating satisfactorily. One audit concluded systems contained a significant weakness. A summary of these audits is attached at Appendix A.
- 4.2 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.

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- 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.

- 4.3 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.
- 4.4 Based on the evidence arising from internal audit activity during 2013/2014, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective; however there is one area of governance that could be strengthened.
- 4.5 The Chief Internal Auditor recommended that an action for improvement for 2013/14 should be a review of compliance by the PCC and Chief Constable of governance arrangements in place against the requirements as set out in *CIPFA's "Delivering Good Governance – A Guidance Note for Police Authorities"*. Specifically this review should lead to the development of a joint Local Code of Governance for both the PCC and Chief Constable and more regular meetings of the PCC and Chief Constable's Joint Monitoring Group. It is pleasing to note that both of these actions have been accepted by management as evidenced elsewhere on today's agenda.
- 4.6 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.
- 4.7 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 2013/2014

The details of the audits identified in the table below have been reported to the Joint Independent Audit Committee throughout 2013/14 on a quarterly basis:

<u>Audit Area</u>	<u>Opinion</u>	<u>Committee Report</u>
PCC		
Treasury Management	Operating Well	Nov-13
IAS 19 Pensions Disclosure	Satisfactory	Jun-14
Insurance Arrangements	Operating Well	Jun-14
Chief Constable		
Corporate Finance	Operating Well	May-13
Procurement & Supplies	Operating Well	May-13
Corporate Communications	Operating Well	May-13
Force Budgets	Operating Well	May-13
Force Payroll	Satisfactory	May-13
Criminal Justice	Operating Well	Sept-13
Counter Fraud Arrangements & Professional Standards	Operating Well	Sept-13
Performance Management	Operating Well	Sept-13
Creditors & General Expenditure	Operating Well	Sept-13
Operations Department	Operating Well	Sept-13
Legal Department	Operating Well	Sept-13
Human Resources Department	Operating Well	Nov-13
Police Charities Fund	Operating Well	Feb-14
Cash & Miscellaneous Income	Satisfactory	Feb-14
Patch Management (IT)	Operating Well	Jun-14
Disaster Recovery (IT)	Operating Well	Jun-14
Communications	Operating Well	Jun-14
Property	Satisfactory	Jun-14
Crime Department	Significant Weakness	Jun-14
Combined		
Budgetary Controls	Operating Well	Feb-14
Annual Governance Statement – Managers’ Assurances	Operating Well	Feb-14
Information Governance & Data Security	Operating Well	Feb-14

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<u>Audit Area</u>	<u>Opinion</u>	<u>Committee Report</u>
<u>Corporate Systems</u>		
Payroll	Operating Well	Sept-13
Main Accounting System	Operating Well	Sept-13
Debtors	Operating Well	Nov-13
Creditors	Satisfactory	Feb-14