

NORTHUMBRIA POLICE

JOINT INDEPENDENT AUDIT COMMITTEE:

15 JUNE 2015

REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT – 2014/15

REPORT OF THE JOINT CHIEF FINANCE OFFICER AND CHIEF INTERNAL AUDITOR

1 Purpose of the Report

- 1.1 To ask the Committee to review the effectiveness of the system of Internal Audit for 2014/15.

2 Background

- 2.1 The Accounts and Audit Regulations 2011 require all authorities to “conduct an annual review of the effectiveness of its internal control” 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 the Internal Audit Service and the Joint Independent Audit Committee (JIAC). 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 2014/15 was undertaken on 2 June 2015 by the Joint PCC and Chief Constable Governance 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:
- External 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 Assessment against UK Public Sector Internal Audit Standards (UKPSIAS)

- 3.1 For the year ended 31 March 2015 the Internal Audit Service has been assessed against current Internal Audit practices and compliance with professional standards as set out in UKPSIAS. This assessment was undertaken by external auditors, Mazars.
- 3.2 The standards have 4 areas as detailed below:
- Definition of Internal Auditing
 - Code of Ethics
 - Attribute Standards
 - Performance Standards
- 3.3 The outcome of the assessment, previously reported to the JIAC on 23 February 2015, was positive and found that the Internal Audit Service is substantially compliant with the standards in all significant aspects and that there are no areas of concern that the Internal Audit Service is unable to form a judgement as to the proper and effective working of the system of internal control.

The report produced by the external auditors detailing the outcome of the assessment is attached at Appendix A.

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 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 2014/15 Mazars have 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 An assessment of the effectiveness of the Joint Independent Audit Committee (JIAC) has been completed. The assessment covered the following areas: -
- Purpose & Governance
 - Functions of the Committee
 - Membership & Support
 - Effectiveness of the Committee
- 6.2 A review of the assessment was carried out by the Join Governance Monitoring Group on the 2 June 2015 and found the JIAC to be operating effectively.
- 6.3 Evidence includes the Committee's oversight of risk management, internal audit arrangements, the Statement of Accounts and approval of the Annual Governance Statement.

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 2014/15 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.