

CBSL

Summary Internal Controls Assurance Report

Wiltshire Police



December 2012

2012/13

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INTRODUCTION

1. This Summary Internal Controls Assurance Report provides the Police and Crime Commissioner and the Chief Constable with a handover assessment of the Controls Assurance framework at Wiltshire Police as at the end of December 2012. The Summary Internal Controls Assurance report is based on the internal audit work carried out by CBSL and management representations that have been received. This report also sets out the proposed interim Internal Audit Plan which has been designed to enable a Head of Audit annual opinion to be provided for the adequacy and effectiveness of the governance, risk and internal control arrangements at Wiltshire Police for the 2012/13 financial year.

ASSESSMENT OF THE INTERNAL CONTROL FRAMEWORK AT THE TIME OF TRANSFER

2. Overall, over the previous two financial years there had been ongoing improvements made which have been designed to strengthen the overall risk management and internal control framework. Consequently for 2010/11 and 2011/12 we have been able to provide unqualified Head of Audit opinion statements on the adequacy and effectiveness of the governance, risk and internal control arrangements at Wiltshire Police.
3. However, during this financial year, 2012/13, there have also been a number of changes made to the systems which support the risk management and internal control arrangements, including the moving away from the use of Wiltshire County Council systems and the centralisation of corporate resource functions. The introduction of new computer systems and the reorganisations within the Force mean that there are risks that the ongoing adequacy and effectiveness of the arrangements is being eroded.
4. Our findings indicate that the combination of the changes referred to above has resulted in there being a stalling in maintaining the strength of the overall risk management and internal control framework. The risk and internal control environment that the new Police and Crime Commissioner will be taking responsibility for is consequently at a crossroads and ongoing reliance that the arrangements put in place during the time of the Authority are still fit for purpose will have a limited lifespan.
5. The Audit Plan for the period from November 2012 to March 2013 is principally designed to focus on the areas where the control arrangements have been identified as having stalled and, subject to the outcomes of this work, to enable us to provide an unqualified Head of Audit opinion statement on the adequacy and effectiveness of the governance, risk and internal control arrangements.

RECOMMENDATION

The interim Internal Audit Plan set out in table 2 of this report be adopted, subject to a revised Plan being presented to the first meeting of the Audit Committee for the Office of the Police and Crime Commissioner and the Chief Constable.

PROGRESS AGAINST THE POLICE AUTHORITY 2012/13 ANNUAL PLAN

6. **Completed reviews:** With the exception of two reviews we have completed the agreed work from the Annual Plan for the Authority to September 2012 as set out in Appendix A. The reports for all the completed audits have been considered by the Authority's Audit Committee.
7. **Work in progress:** The two reviews not yet completed are a) review of stocks and stores and b) new payroll key controls. Both these reviews have been held back due to operational issues at the Force. It is not anticipated that the reports for either review will be finalised before the end of October. These are two of the areas where new arrangements have been introduced but the changes to the internal control arrangements required to ensure they remain fit for purpose have stalled.
8. **Frauds/Irregularities:** We have not been advised of any frauds or irregularities during the period. Due to the sustained nature of the economic downturn all organisations in both the private and the public sectors are facing increasing risks of fraud. The responsibility for a sound system of internal controls rests with management and the internal audit work should not be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery.
9. **Direction of Travel:** The Direction of Travel can be adversely affected by the implementation of new processes. The planned review of the stock and stores arrangements has been deferred as it was established there have been significant issues with posting data and access to the new system since implementation at the start of the financial year. During the first half of 2012/13 we have now reviewed two of the four areas where the assurance assessment we provided in previous financial years was 'limited assurance'. In one of these areas (proceeds of crime) the assessments has now been raised to 'reasonable assurance'. For the other area (asset management) the assessment shows no change and remains at 'limited assurance'.
10. **Follow up of previous internal audit recommendations:** The effectiveness of the overall control framework can also be undermined if internal audit recommendations are not effectively actioned. Our interim follow up carried out in August 2012 established the following position (figure 1 below) in relation to the clearance of previous internal audit recommendations. Whilst 44% of the recommendations have been fully actioned or cleared there is, at the time of the transfer to the Police and Crime Commissioner, 56% of the recommendations which still require further management action.

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Figure 1- Summary of the action taken on Recommendations made

Evaluation	Number of Recommendations	%
Implemented	26	42%
In process of being implemented	13	21%
Revised target date	22	35%
No longer applicable	1	2%
Not implemented	-	-

11. **Head of Audit Annual Opinion Statement:** The internal audit work carried out during the period April to October 2012 will be used to assist in arriving at our annual Head of Audit opinion on the adequacy and effectiveness of the governance, risk and internal control arrangements at Wiltshire Police. We have not carried out sufficient work to provide a formal opinion statement for the period of the financial year when the Wiltshire Police Authority had overall responsibility for these arrangements.

DRAFT INTERNAL AUDIT PLAN FOR THE REMAINDER OF 2012/13 FOR THE OFFICE OF THE POLICE AND CRIME COMMISSIONER AND THE POLICE FORCE

12. **Requirement for internal audit:** In January 2012 the Home Office issued a Code of Practice requiring the Police and Crime Commissioner and the Chief Constable to maintain effective internal audit of their affairs by the Accounts and Audit (England) Regulations 2011 and the Accounts and Audit (Wales) Regulations 2005. In fulfilling this requirement the Police and Crime Commissioner and Chief Constable should have regard to the Code of Practice for Internal Audit in Local Government in the United Kingdom issued by CIPFA.
13. **Shared internal audit service:** The Code of Practice recommends that the Police and Crime Commissioner and the Chief Constable have a shared internal audit service which would cover both the Office of the Police and Crime Commissioner and the Police Force.
14. **Responsibilities of internal audit:** Within the Code of Practice there are the following requirements placed upon internal audit (the wording in brackets is used to cross reference the interim Annual Audit Plan to these requirements):
- to satisfy the Police and Crime Commissioner and the Chief Constable that effective internal control systems are in place (governance and risk);
 - to satisfy the external auditor that financial systems and internal controls are effective (internal control); and
 - to satisfy the external auditor that the Police Fund is managed so as to secure value for money (VFM).
15. **Liaison with external audit:** The demise of the Audit Commission as the direct provider of the external audit service and the transfer of the delivery of the service to Grant Thornton takes

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effect during November 2012. We understand that there will be a new External Audit Partner. As a consequence we have as yet not been able to discuss with Grant Thornton what level of work is required from internal audit to “satisfy the external auditor that financial systems and internal controls are effective”. We anticipate obtaining clarity on this before the end of November.

16. **Liaison with the Police Audit Group:** We are liaising both with the Police Audit Group (the body which represents internal audit for police services) and also directly with a number of Chief Financial Officers at other Offices of the Police and Crime Commissioner and Police Forces to establish best practice for delivering an effective internal audit service.
17. **Interim Audit Plan:** The Police Authority’s Audit Committee has agreed a provisional audit plan of work to be carried out during the remainder of the financial year when responsibility for internal audit is transferred to the Office of the Police and Crime Commissioner and the Chief Constable. This Plan (figure 2) is set out below. The Plan currently does not include any work on the ‘governance and risk’ of ‘VFM’ requirements.

Figure 2- Annual Audit Plan – Nov 2012 – March 2013

Review	Planned Qtr	Days	Category (para 14 refers)	Current Status
Debtors	3	4	Internal control	In progress
Treasury and Banking	3	5	Internal control	In progress
General Ledger	3	5	Internal control	Planned start date 4 th February 2013
Budgetary Control	3	5	Internal control	In progress
Creditor Payments	3	5	Internal control	Planned start date 28 th January 2013
Payroll	3	6	Internal control	Planned start date 28 th January 2013
Travel and Subsistence (Expenses)	3	3	Internal control	Planned start date 4 th February 2013
Pensions	3	5	Internal control	Planned start date 4 th February 2013
Stocks and Stores	3	3	Internal control	C/F from first half of 2012/13
Follow Up	4	2		Planned start date 4 th March 2013

18. The current requirement to make significant ongoing financial savings places increasing pressure on maintaining effective segregation of duties and robust internal controls. Three of the four identified areas where the internal control arrangements have stalled (payroll, stocks and stores, expenses) will be reviewed before the end of the 2012/13 financial year. As part of the updating of the Annual Plan consideration will be given as to whether a review of the

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fourth area (asset management) should be substituted for one of the other planned audit reviews.

19. **Updating the Audit Plan:** The Head of Internal Audit will revise and update this audit plan before the first meeting of the Audit Committee for the Office of the Police and Crime Commissioner. As part of the revision consideration will be given to whether any internal audit work is required on 'governance and risk' of 'VFM' during the period November 2012 – March 2013. This revision will be carried out in consultation with the:

- Police and Crime Commissioner
- Chief Constable
- Chief Financial Officers (PCC and Force)
- Grant Thornton

SCOPE AND LIMITATIONS

20. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. CBSL and TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

RELEASE OF REPORT

21. The table below sets out the history of this report.

Date final report issued:	13 th December 2012
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Appendix A

PROGRESS AGAINST THE AUTHORITY'S ANNUAL INTERNAL AUDIT PLAN FOR 2012/13

Review	Planned Days	Planned Qtr	Current Status
New Finance System Opening Balances	6	1	Final report issued September 2012
New Payroll System – Key Controls	6	1	Draft report issued September 2012 further work undertaken October 2012
ICT Data Assurance	5	1	Final report issued September 2012
PAG Transition to Commissioner	5	1	Final report issued October 2012
Interim Follow Up	2	2	Final report issued September 2012
Stores and Stock	3	2	Deferred due to system not being operational
Asset Management	5	2	Final report issued September 2012
Security of Seized Proceeds of Crime	5	2	Final report issued September 2012

KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued