

CBSL

Annual Report

Police and Crime Commissioner for Wiltshire and Chief Constable of Wiltshire Police



June 2013

2012/13

Internal Audit Annual Report

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This is the 2012/13 Annual Report by the Head of Internal Audit on our opinion of the overall adequacy and effectiveness of the Wiltshire Police’s internal control processes. This annual report and opinion includes the period under which the service was directed by the Police Authority.

OPINION

2. I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a reasonable conclusion as to the overall adequacy and effectiveness of the authority’s control environment. In my opinion Wiltshire Police has adequate and effective management, and governance processes to manage its achievement of the authority’s objectives. Where deficiencies in control processes were identified by internal audit, I am satisfied that the actions the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police’s management plan to take will, if implemented satisfactorily, resolve the deficiencies in an appropriate manner.

SUMMARY OF INTERNAL CONTROL ASSURANCE

3. Within the areas of activity reviewed during 2012/13 there were no audits carried out by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided ‘no assurance’. Overall, the reviews carried out indicate that the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police have systems in place that are designed and operated to provide effective control (table 1 below).

Table 1 - Summary of the Evaluations of the effectiveness of the internal controls

System	Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
New Finance System Opening Balances	✓			
Security of Seized Proceeds of Crime		✓		
Budgetary Control		✓		
Debtors		✓		
Payroll		✓		
New Payroll System – Key Controls		✓		
Creditor Payments		✓		

Annual Report

General Ledger		✓		
Treasury and Banking		✓		
Pensions		✓		
Travel & Subsistence		✓		
ICT Data Assurance		✓		
Asset Management			✓	
Stores & Stock			✓	

RESPONSIBILITY

- It is the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police's responsibility to maintain effective internal controls. The Audit Committee is invited to note the contents of this report.

RELEASE OF REPORT

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

Date report issued:	19 th June 2013
----------------------------	----------------------------

- DETAILED REPORT -

RESPONSIBILITIES OF INTERNAL AUDIT

6. The Home Office Code of Practice requires internal audit:
- 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).

OVERALL ASSURANCE

7. As the Head of Internal Audit I am required to provide the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police with an opinion on the overall adequacy and effectiveness of the Wiltshire Police's (hereafter in this report 'Wiltshire Police' refers to the police service provided under the auspices of the Authority and latterly the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police) control environment. In giving my opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police is reasonable assurance that there are no major weaknesses in the organisation's internal control and processes. In assessing the level of assurance to be given, I have taken into account:
- all audits undertaken during 2012/13
 - any follow-up action taken in respect of audits from previous periods
 - any significant recommendations not accepted by management and the consequent risks
 - the extent to which resource constraints may impinge on the head of the internal audit service's ability to meet the full audit needs of the organisation
 - what proportion of the organisations' audit need has been covered to date.
8. The Head of Audit's opinion is based on the underlying internal audit programme of work, designed to address the specific assurance requirements of the Wiltshire Police, and focussed on areas of risk identified by management. The planned internal audit programme, including revisions to the programme during the course of the year, has been reviewed and endorsed by the Authority's Audit and Risk Committee, or, the subsequent Audit Committee for the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police (referred to hereafter in this Report as the 'Audit Committee')
9. Results of internal audit work, including action taken by management to address issues included in audit reports, have been regularly reported to management and the Audit Committee.
10. The Head of Audit's opinion has not been limited by any shortfall in resources, absence of skills, or any significant limitation of scope of internal audit activity which would adversely affect my ability to form an opinion.

ASSESSMENT OF THE INTERNAL CONTROL FRAMEWORK AT THE TIME OF TRANSFER

11. A Summary Internal Controls Assurance Report was provided to 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 October 2012. This Report advised that:

- 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.
- 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.
- 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.

ASSESSMENT OF THE INTERNAL CONTROL FRAMEWORK POST THE TRANSFER

12. Work undertaken since December 2012 has seen an improvement in the control framework and the embedding of the new financial systems and processes, however work on the changes to the Stock and Stores system was ongoing at the year-end with a number of issues still to be addressed. The changes resultant from the transfer to the Police and Crime Commissioner are in the early stages of implementation and 2013/14 will see a further period of significant change. We will continue to monitor and report the impact of the changes on the control environment.
13. On the basis of the evidence obtained during 2012/13, the Head of Audit is able to provide an overall adequate assurance rating on the adequacy and effectiveness of Wiltshire Police's arrangements for corporate governance, risk management, and internal control. The Head of Audit's opinion can, however, only be reasonable in the sense that no opinion can ever be absolute and is a reflection of the evidence available.

ANNUAL PLAN – WORK CARRIED OUT

14. The Annual Plan, which was agreed with Wiltshire Police, provided for 90 days in the internal audit programme for 2012/13. All the planned work has been carried out and the reports have been issued (table 2 below). The changes to the planned work were agreed in advance with Wiltshire Police.

Annual Report

Table 2 - Actual against planned Internal Audit Work 2012/13

System	Type	Planned Days	Actual Days	Comments
New Finance System Opening Balances	Compl	6	3	Report issued
New Payroll – Key Controls	Compl	6	6	Report issued
ICT Data Assurance	ICT	5	5	Report issued
PAG Transition to Commissioner	Gov	5	5	Advice provided
Stores and Stock	Compl	3	4	Report issued
Asset Management	Compl	5	6	Report issued
Security Seized Proceeds of Crime	Compl	5	5	Report issued
Budgetary Control	Assur	5	5	Report issued
Creditor Payments	Assur	5	5	Report issued
Debtors	Assur	4	4	Report issued
Payroll	Assur	6	6	Report issued
Travel and Subsistence	Assur	3	3	Report issued
Treasury and Banking	Assur	5	5	Report issued
General Ledger	Assur	5	5	Report issued
Pensions	Assur	5	5	Report issued
Follow Up x 2	Fu	4	4	Reports issued
2012/13 Annual Plan	Gov	3	3	Report issued
2012/13 Annual Report	Gov	2	2	Report issued
Audit Management	Rpt	8	8	
		90	89	

OTHER WORK CARRIED OUT

15. There was no other work carried out during 2012/13.

STATUS REPORT ON KEY CONTROL WEAKNESSES IDENTIFIED AND MAIN FINDINGS ARISING FROM INTERNAL AUDIT WORK

16. For each review the key control objective was identified. To assess whether the key control objective is being met each review identified and tested the controls that are being operated by Wiltshire Police and an assessment of the effectiveness of the controls in meeting the key control objective was provided in each report (table 1 above). The definitions of the assessments are:

Substantial Assurance	Robust series of internal controls in place which should ensure continuous and effective achievement of the control objective.
Reasonable Assurance	Reasonable number of internal controls in place, however may not be operated all the time.

Limited Assurance	The controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.
No Assurance	Fundamental breakdown or absence of core internal controls.

17. The review has been carried out by TIAA Ltd as the nominated sub-contractor of Capita Business Services Ltd ('CBSL'). The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.
18. CBSL provides one overall assessment for each system reviewed, in line with published guidance. The systems can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if:
 - the internal audit recommendations made during the year have not been fully implemented.
 - changes are made to operating practices subsequent to the internal audit review, which either reduce the segregation of duties or diminish the effectiveness of the internal controls.
19. There were two systems reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited assurance'. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted. Table 3 (below) sets out the Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police's risk exposure in these areas and the number of Priority 1 recommendations made to mitigate the risk exposure. Priority 1 recommendations are 'Urgent' and relate to fundamental control issues on which action should be taken immediately.

Table 3 – Risk Exposure based on Internal Audit work 2012/13

System	Assurance Assessment	Control Risk Exposure	Number of Priority 1 Recommendations
Asset Management	Limited	Losses arising in the process from unauthorised action.	1
Stocks & Stores	Limited	Losses arising in the process from unauthorised action.	2

FOLLOW UP OF PREVIOUS INTERNAL AUDIT RECOMMENDATIONS

20. The effectiveness of the overall control framework can also be undermined if internal audit recommendations are not effectively actioned. Our follow up carried out in (March 2013) established the following position (table 4 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.

Annual Report

Table 4 - Summary of the action taken on Recommendations made

Evaluation	Number of Recommendations	%
Implemented	23	46%
In process of being implemented	13	27%
Revised target date	13	27%
No longer applicable	-	-
Not implemented	-	-

QUALITY ASSURANCE PROGRAMME

21. Ongoing quality assurance work was carried out throughout the year.

COMPLIANCE WITH CIPFA CODE

22. The internal audit work was carried out in compliance with the Code of Practice for Internal Audit in Local Government in the UK 2006.

INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

23. There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

PERFORMANCE TARGETS

24. In accordance with the Audit Charter we are pleased to report that during 2012/13 we successfully met all the agreed Performance Targets (figure 4 below).

Table 4 – Performance Targets

	Target	Achieved	Target met
Achievement of the plan			
Completion of Planned Jobs	100%	100%	Yes
Jobs Completed in Time Allocation	100%	100%	Yes
Reports Issued			
Draft issued within 10 working days of exit meeting	95%	100%	Yes
Final issued within 10 working days of receipt of responses	95%	100%	Yes

RESPONSIBILITY

25. The Office of the Police and Crime Commissioner and the Chief Constable of Wiltshire Police is responsible for ensuring that appropriate action has been taken on audit findings. All the internal audit reports produced for 2012/13 have been presented to the Audit Committee and any matters of significance that impacted on internal controls assurance were drawn to the Audit Committee’s attention at the meetings at which the reports were presented.
