

# CBSL

## Internal Audit Annual Plan

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

# DRAFT



March 2013

2013/14

## Internal Audit Strategic Plan

### - EXECUTIVE SUMMARY -

#### INTRODUCTION

1. This Annual Plan is drawn up in accordance with the Terms of Reference of CBSL and the Internal Audit Strategic Plan.

#### INTERNAL AUDIT ANNUAL PLAN

2. The Annual Plan (Annex A) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews and whether the client is the Police and Crime Commissioner ('PCC') of the Force. A summary of the Plan is shown below:

| Qtr Planned | System   | Client | Type of review | Days |
|-------------|--|--------|----------------|------|
| 1           | Governance - E-Commerce                          | PCC    | Governance     | 3    |
| 1           | Risk Management – new commissioning arrangements | PCC    | Risk           | 5    |
| 1           | ICT – Disaster Recovery                          | Force  | ICT            | 4    |
| 1           | Segregation of Duties                            | Force  | Appraisal      | 6    |
| 2           | Security of found, seized and held property      | PCC    | Assurance      | 6    |
| 2           | Covert Funds                                     | Force  | Assurance      | 6    |
| 2           | Follow Up -1                                     | Force  | F/UP           | 2    |
| 2           | Asset Management                                 | Force  | Compliance     | 4    |
| 3           | Budgetary Control                                | Force  | Compliance     | 4    |
| 3           | Creditor Payments                                | Force  | Compliance     | 4    |
| 3           | Debtors  | Force  | Compliance     | 4    |
| 3           | Payroll  | Force  | Compliance     | 5    |
| 3           | Treasury and Banking                             | Force  | Compliance     | 4    |
| 3           | General Ledger                                   | Force  | Compliance     | 3    |
| 3           | Stock and Stores                                 | Force  | Compliance     | 3    |
| 3           | Pensions   | Force  | Assurance      | 5    |
| 4           | Supplies Management                              | Force  | Appraisal      | 5    |
| 4           | Follow Up - 2                                    | Force  | F/UP           | 2    |
|             | Strategic Audit Plan                             | Joint  |                | 3    |
|             | Audit Charter & Audit Protocol                   | Joint  |                | 2    |
|             | Annual Report                                    | Joint  |                | 2    |
|             | Audit Management                                 |        |                | 8    |
|             |  |        | Total days     | 90   |

## Internal Audit Strategic Plan

3. The Internal Audit Strategic Plan was prepared prior to the appointment of the Police and Crime Commissioner. 2013/14 is therefore a transitory year and it is anticipated there will be changes to this plan during the course of the financial year which will be presented to the Audit Committee for approval. The Annual Plan contains the following changes to the plan set out in the Internal Audit Strategic Plan:

| Review                                      | In strategic plan for 2013/14 | change                              | Rationale for the change  |
|---|-------------------------------|-------------------------------------|---|
| Governance – E<br>Commerce                  | No                            | Replaced review of Cashable savings | New process to review controls before implementation – high risk item for the organisation.   |
| Governance – cashable savings               | Yes                           | Replaced by E-Commerce review       | To be included in 2014/15 plan once the new commissioning arrangements are operating fully.   |
| Security of found, seized and held property | Yes – Scope change            | To review property held not cash    | Security of seized cash reviewed 2011/12 and 2012/13 recommendations implemented and new system embedding, focus on property and assets held.   |
| Covert Funds                                | No                            | Added at the request of the PCC     | 8 days in the ANA were to be determined.  |
| Segregation of duties                       | No                            | Replaced Divisional Review          | Cross cutting review of impact of resource cuts on segregation of duties across the organisation.   |
| Finance reviews                             | Yes                           | Additional days added               | Additional days added to the planned compliance review dates following the findings of the 2012/13 review and impact of the new finance system. |
| Corporate control                           | Yes                           | Deferred until 2014/15              | Allocated to additional follow up work & preparation of new Audit Charter & Audit Protocol.   |
| Supplies Management                         | No                            | Added                               | At the request of the Force seen as an area of risk, days included within days to be determined.  |

4. The Internal Audit Strategic Plan was prepared prior to the change of external auditor from the Audit Commission to Grant Thornton. At the time of preparing the Annual Plan we have not received any indication as to the extent that the managed audits of the finance systems will be required. However, in discussions with the Police and Crime Commissioner and the Force it was agreed that will all the changes occurring it would be appropriate to maintain the internal audit emphasis on these finance systems during 2013/14.
5. During discussions with the Police and Crime Commissioner and the Chief Constable there were a number of areas where internal audit input could not be accommodated within the agreed number of days. These areas are listed below and will only be included in the Annual

## Internal Audit Strategic Plan

Plan in the event off a planned audit being cancelled, or the Audit Committee requesting the Police and Crime Commissioner and the Force to extend the Annual Plan to incorporate this work.

| Area   | Rationale   | Client | Anticipated Days |
|--|---|--------|------------------|
| Partnership work with Wiltshire County Council                           | Joint working with the County is likely to commence in early 2013/14 - assurance that appropriate governance, risk and control arrangements are in place prior to agreements being entered onto.  | Force  | 6                |
| Partnership work - joint review with the County's internal audit service | Collaboratory work to provide assurance to both the County and the Force that the appropriate controls are operating effectively.   | Force  | 6                |
| PSD integrity  | New arrangements in place as a result of the disbandment of the Authority reporting arrangements in place. Review would also consider the impact of the changes to role of the Independent Police Complaints Commission and the College of Policing on the governance and reporting arrangements. | Force  | 6                |

6. The planned time set out in the Annual Plan for the individual reviews includes: research, preparation and issue of terms of reference, production and review of working papers and reports and sitework. The timings shown in the Annual Plan assume that the expected controls will be in place. Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Wiltshire Police and additional time will be required to carry out such testing. Wiltshire Police is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

#### ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVES

7. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | Robust series of internal controls in place designed to achieve the system objectives and which are being consistently applied.  |
| <b>Reasonable Assurance</b>  | Series of internal controls in place, however there are some control improvements and/or enhancements to compliance that would assist in ensuring the continuous and effective achievement of the system objectives. |
| <b>Limited Assurance</b>     | The controls in place and/or the level of compliance are not sufficient to ensure the continuous and effective achievement of the system objectives.   |
| <b>No Assurance</b>          | Fundamental breakdown or absence of core internal controls.  |

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**REPORTING**

8. A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with CBSL and which accord with the requirements of the CIPFA Code of Practice for Internal Audit and the new Public Sector Internal Audit Standards.
9. A Summary Internal Controls Assurance (SICA) report will be submitted to each meeting of the Audit Committee. The SICA will highlight any trends or significant issues arising from our audit work that need to be drawn to the attention of the Audit Committee. The SICA also includes a report on progress against the Annual Plan and any proposals for changes to the Annual Plan to reflect emerging priorities.
10. An Annual Report will be prepared for each year in accordance with the requirements set out in the CIPFA Code of Practice for Internal Audit and the new Public Sector Internal Audit Standards. The Annual Report includes our opinion of the overall adequacy and effectiveness of Wiltshire Police's risk management, control and governance processes.

**LIAISON WITH THE EXTERNAL AUDITOR**

11. TIAA will liaise with the Wiltshire Police's External Auditor to enable the external auditor to place full reliance on our internal audit work. Any matters in the areas included in an Annual Plan that are identified by the external auditor in their audit management letter will be included in the scope of the appropriate review.

**DELIVERY**

12. The audit reviews will be carried out by TIAA Ltd as the nominated sub-contractor of Capita Business Services Ltd ('CBSL').

**PERFORMANCE**

13. The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

| Area                    | Performance Measure  | Target |
|-------------------------|--|--------|
| Achievement of the plan | Completion of Planned Audits                                       | 100%   |
|                         | Audits Completed in Time Allocation                                | 100%   |
| Reports Issued          | Draft report issued within 10 working days of exit meeting         | 95%    |
|                         | Final report issued within 10 working days of receipt of responses | 95%    |
| Professional Standards  | Compliance with the Public Sector Internal Audit Standards.        | 100%   |

**LIMITATIONS AND RESPONSIBILITY**

14. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more

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persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

15. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work 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. Even sound systems of internal control may not be proof against collusive fraud.
16. Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.
17. The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.
18. It is the responsibility of the Audit Committee of Wiltshire Police to determine that the number of audit days to be provided and the planned audit coverage is sufficient to meet the requirements of the organisation.

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## Internal Audit Annual Plan

## Annex A

## Annual Plan – 2013/14

| Quarter | Audit  | Type       | Days | Scope   |
|---------|--|------------|------|---|
| 1       | Governance - E-Commerce                          | Governance | 3    | The review considers the arrangements for "E-Commerce" undertaking a desk top review of the planned controls.   |
| 1       | Risk Management – New commissioning arrangements | Risk       | 5    | The review considers the Risk Management arrangements following the appointment of the new Police and Crime Commissioner.   |
| 1       | ICT – Disaster Recovery                          | ICT        | 4    | The review considers the extent to which the organisation has put into place arrangements which provides reasonable but not absolute assurance that the impact on the organisation of any major incident will be minimised. The scope of the review does not include providing assurance that the actual testing of hardware/software etc has been carried out effectively. |
| 1       | Segregation of Duties                            | Appraisal  | 6    | The review appraises the segregation of duties control in key areas throughout the organisation and the alternative arrangement put in place where resources have diminished and full segregation of duties are no longer possible.   |
| 2       | Security of found, seized and held property      | Assurance  | 6    | The review considers the arrangements for managing seized, found and held property. The review will include visits to two locations to assess the adequacy of the local arrangements.   |
| 2       | Covert Funds                                     | Assurance  | 6    | The review considers the arrangements for accounting for covert funds throughout the Force. The review will not include considering whether the circumstances were funds were issued were appropriate.  |
| 2       | Audit Follow Up - 1                              | FU         | 2    | The review ascertains whether management action has been taken to address the Priority 1 & 2 recommendations arising from selected internal audit work carried out at the organisation during the previous two financial years.   |
| 2       | Asset Management                                 | Compliance | 4    | Each of the reviews considers identification of any significant changes to  |

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| Quarter | Audit  | Type       | Days | Scope  |
|---------|--|------------|------|--|
| 3       | Budgetary Control  | Compliance | 4    | the system and assesses the implications of these changes on the effectiveness of the control framework. The reviews concentrate on testing to assess whether the controls are operating continuously and effectively. The reviews do not consider identification of system controls other than where there have been significant operational changes since the previous assurance review. |
| 3       | Creditor Payments  | Compliance | 4    |  |
| 3       | Debtors  | Compliance | 4    |  |
| 3       | Payroll  | Compliance | 5    |  |
| 3       | General Ledger   | Compliance | 4    |  |
| 3       | Treasury and Banking                                     | Compliance | 3    |  |
| 3       | Stock and Stores   | Compliance | 3    |  |
| 3       | Pensions   | Assurance  | 5    | The review considers the arrangements for: the management and control of the new management arrangements for administration of pensions.   |
| 4       | Supplies Management                                      | Appraisal  | 5    | The review appraises the arrangements for the issue of supplies and equipment to Police staff and officers.  |
| 4       | Audit Follow Up - 2                                      | FU         | 2    | The review ascertains whether management action has been taken to address the Priority 1 & 2 recommendations arising from selected internal audit work carried out at the organisation during the previous two financial years.  |
| 1       | 2013/14 Annual Plan and Strategic Plan 2013/14 – 2015/16 | Gov        | 3    |  |
| 1       | Audit Charter & Audit Protocol                           | Gov        | 2    | Updating the Charter and Protocols in light of new internal audit standards and change of external auditor   |
| 4       | 2013/14 Annual Report                                    | Gov        | 2    |  |
| 1-4     | Audit Management   |            | 8    |  |
|         |  | Total days | 90   |  |

## Internal Audit Annual Plan

## Key

| Quarter | Period             |
|---------|--------------------|
| 1       | April to June 2013 |
| 2       | July to Sept. 2013 |
| 3       | Oct. to Dec. 2013  |
| 4       | Jan. to March 2014 |

| Types of Review          |   |
|--------------------------|---|
| <b>Assurance (Assur)</b> | Consideration of the risks to the effective control of a system and then establishing that controls are in place to minimise the potential risk. The appropriate level of testing is carried out to assess the actual effectiveness of the controls.    |
| <b>Compliance (Comp)</b> | Consideration of whether the organisation's procedures previously identified by an assurance review are being followed. The emphasis of the compliance reviews is on establishing by detailed testing the integrity of the arrangements being operated. |
| <b>Appraisal (Appr)</b>  | Consideration of the extent to which the arrangements in place accord with regulations, good practice; statutory and other guidance, but do not extend to detailed compliance checking.   |
| <b>Governance (Gov)</b>  | Consideration of the strategic and corporate control arrangements.  |
| <b>Risk (Risk)</b>       | Consideration of the risk management arrangements.  |
| <b>ICT (ICT)</b>         | Consideration of the controls within the organisation's computer services.  |
| <b>Follow Up (FU)</b>    | Testing the extent of effective implementation of previous internal audit recommendations.  |