

Internal Audit

Sussex Police Authority

Internal Audit Plan 2010/11

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Internal Audit – Key Contact Information

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Internal Audit Strategy & Approach

Purpose

The overall purpose of the Internal Audit work plan is to provide the framework for the use of audit resources and a yardstick for measuring audit performance.

Audit Strategy

- To carry out periodic visits to establishments throughout the Force to verify, by means of testing and review, that good financial control is practised.
- To carry out a cyclical review of core financial systems such as payroll, accounts payable etc. to verify financial control. Core financial systems will be subject to annual audit testing to ensure compliance with key controls.
- To carry out reviews of other finance systems and developments to ensure good financial control is practised. Coverage will be determined using a risk based approach.
- Verification that the Authority's standing orders are being observed in relation to contracts.

Consultation and proposed audit fee

The current status of the plan is that it has been agreed and approved by the Chief Constable and the Treasurer to the Authority. This follows detailed discussions between officers of the Force, the Treasurer, the Chairman of Corporate Governance Committee and the Internal Audit service. The final stage of the process is that the plan be submitted to the Corporate Governance Committee.

The cost of the internal audit services will be based upon the 2010/11 outturn price of £77,200 plus any charges for review project work (30 days planned) which is calculated by daily rate dependent on actual resource used.

Basis of Audit Opinion

Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance. With the exception of consultancy and analytical review reports, all audit reports issued include an assurance rating on the basis of the definitions shown below. Individual assurance ratings help determine the overall audit opinion at the end of the financial year.

Standard Definitions

Full Assurance:	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.
Satisfactory Assurance:	While there is a basically sound system, there are weaknesses which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance:	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance:	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

The level of assurance provided by Internal Audit for 2010/11 will be based upon:

- All audit reviews undertaken during 2010/11.
- Follow up of actions against audit recommendations made in 2009/10.
- Management responses to findings and recommendations
- Effects of significant changes to the financial systems
- The extent of resources available to deliver the audit plan.

An annual opinion on the overall adequacy and effectiveness of the organisation's internal control environment will be reported to the Corporate Governance committee.

Summary

Audit Reviews (Core Financial Systems) – 70 days planned

System	Days
Payroll	15
Accounts Payable	6
Accounts Receivable	6
Capital Asset Management	10
Budgetary Control	5
Main Accounting System	15
Capital accounting/payments	3
Treasury Management	2
Pensions	6
SAP security	2

Audit Reviews – 78 days planned

Review	Days
Procurement Cards	15
Fleet Management	15
Proceeds of Crime – Monitoring Arrangements	10
Police Authority Grant Payments	8
Risk Management	15
Estates Procurement	15

Audit Reviews (Computer Audit) – 20 days planned

Review	Days
Network Security	15
Follow Up of Recommendations	3
Planning & Liaison	2

Establishment Visits – 38 days planned

Type	Days
Visits to stations and other establishments	33
Contingency for themed review	5

Project Work – 30 days planned

Review	Days
Employee Self Service	15
Section 23 – Regional Asset Recovery Team	15

Other Work – 42 days planned

System	Days
National Fraud Initiative	2
Follow Up Of Recommendations	15
Financial Assessments	10
Client Management	15

Total Days	278
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Internal Audit Plan

Core Financial Systems (70 days planned)

Compliance testing is undertaken on core financial systems on an annual basis with full systems reviews carried out cyclically (usually every 3 years). This work is closely planned with the external auditors to ensure that they can place reliance on internal audit work carried out and minimise duplication of resource. It is planned that 70 days be spent on this work in total (66 days in 2009/10). Included within this time are full system reviews in respect of payroll, capital asset management and main accounting systems.

Audit reviews (78 days planned)

- **Procurement cards**
Audit work was originally planned to be undertaken as part the 2009/10 internal audit plan. However due to delays in implementation, this work was postponed to the 2010/11 plan. Work will document and assess new controls in place and include significant compliance testing.
- **Fleet Management**
The Fleet Management system was transferred from a stand-alone system to a module of SAP during the 2009/10 financial year. Audit work will review controls in place in respect of the new module and ensure that associated information is accurately reflected in the asset register.
- **Proceeds of Crime – central monitoring arrangements**
This audit will review central procedures to ensure that proceeds of crime are identified, recorded and monitored correctly in accordance with required criteria and best practice.
- **Police Authority grant payments**
A review will be undertaken to assess controls in place for managing and monitoring the grant scheme ensuring that funding is allocated appropriately and outcomes monitored.
- **Risk Management**
A review will be undertaken of the risk management's arrangements in place. This will also include an assessment of the Authority's approach to the risk of fraud & corruption.
- **Estates procurement**
Work will review policies and procedures in respect of estates management and how these integrate with services provided by East Sussex County Council and external consultants. The review will assess compliance with standing orders and financial regulations.

Audit reviews – Computer Audit (20 days planned)

- **Network security**

It is intended to evaluate the controls and procedures surrounding the current network infrastructure and review the security settings of the network operating system.

- **Follow up reviews**

Follow up on action taken to address weaknesses previously identified in respect of electronic data handling and IS business continuity audit reviews.

Establishment Visits (38 days planned)

Establishment visits are undertaken to provide assurance on controls and compliance with financial regulations and procedures within divisions, departments and stations. The visits plan is developed based on risk and the main divisions and departments are visited annually due to their size and scope of activities. It is planned that 38 days be spent on this work in total (45 days in 2009/10) and this reflects the reduction of visits to 'satellite' stations that are considered low risk.

Audit visits will be carried out to all divisional main stations; Brighton (Brighton & Hove), Eastbourne (East Sussex), Gatwick Airport (Gatwick), Crawley (North Downs) and Worthing Centenary House (West Downs). Other visits to be undertaken are:

- Hastings Station (large storage facilities for G83 etc.)
- Criminal Justice Department (CJD)
- Three vehicle workshops
- Firearms and Explosives Branch
- Roads Policing Department
- Theme audit (to be decided in liaison with Sussex Police)

Project Work (30 days planned)

Project work is commissioned by the police force to provide review work at their discretion and is billed separately from the core annual audit charge.

- **Employee Self Service (ESS)**

ESS is being introduced to enable direct input of overtime and potentially travel claims. Pre-implementation proposals and controls for overtime were reviewed as part of audit work undertaken in 2009/10. Project work will focus on post implementation review of overtime and proposals in respect of other ESS projects that as they are developed.

- **Section 23 – Regional Asset Recovery Team**

As part of collaborative policing arrangement, Sussex Police are taking the lead role in respect of the newly formed Regional Asset Recovery Team. Internal Audit resource has been requested to review the governance arrangements in place once this initiative has bedded in.

Other Work (42 days planned)

This work includes follow up of all outstanding audit recommendations made as part of the previous years Internal Audit plan. Time has also been set aside for coordinating the provision of financial data as required under the National Fraud Initiative and to review any high risk data matches arising. Internal Audit also provides independent financial assessments of prospective contractors.

Appendix – Internal Audit Specification

1. Introduction

- 1.1 Commissioning Internal Audit will be the responsibility of the Treasurer of the Authority in consultation with the Chief Constable.
- 1.2 Internal audit services are to be provided by West Sussex County Council.
- 1.3 Internal Audit will cover the whole range of audit services including Computer Audit.
- 1.4 Specific Project Work will be initiated by Sussex Police and is chargeable outside of this agreement at a daily rate dependent upon resource used.

2. Audit Planning

- 2.1 Internal Audit and Project Work will cover but shall not be limited to:
 - The undertaking of assessment of the internal audit requirements of the Authority by use of risk analysis and consultation.
 - The undertaking of specific project work by the auditing of specific finance related tasks by the use of risk analysis and consultation.
- 2.2 As the Authority's appointed internal auditors, West Sussex County Council shall produce and agree with the Authority, a three-year rolling programme of audit coverage, to be examined and updated annually when producing the annual audit plan. This will establish the balance between reviews of systems, establishment visits and contingencies for irregularities, investigations or specific projects. It will also form an important element in integration with other review bodies.
- 2.3 The internal audit service will comply with current minimum audit standards.
- 2.4 External audit will give a view on the adequacy of internal audit annually.

3. Systems Audit

- 3.1 The Internal Auditors will review the control processes and procedures that exist (or are lacking) in systems. This type of work will be undertaken according to a standard approach, and will utilise specialist

computer audit skills where appropriate. The following minimum criteria will apply in all cases:

- Production of Audit Planning Memorandum developed in consultation with the Chief Constable's Director of Finance setting out detailed plans and objectives for the audit;
- Determination of required financial controls in the system to be audited;
- Documentation of system and identification of existing control processes and procedures;
- Testing of systems to verify accuracy of documentation;
- Evaluation of the adequacy of control processes and procedures;
- Sample testing to determine possible effects of identified weaknesses.

4. Establishment Audit

- 4.1 Establishment visits will be undertaken in accordance with the audit plan. Such visits will involve verification of assets, testing, compliance with procedures and regulations, and confirming operation of procedural and financial controls.

5. Project Work

- 5.1 Project work is defined as undertaking independent reviews, studies and investigations as identified and confirmed in accordance with an agreed project specification.
- 5.2 Project Work shall include any audit specifically requested to determine any financial irregularity within the Force.
- 5.3 The Chief Constable will nominate a member of staff as Project Officer who will take responsibility for co-ordination and liaison of the work with the assigned Auditor and who will receive and confirm acceptance of the Auditor's completed work except where an audit has been specifically requested to determine whether there has been an incident of financial irregularity when such completed work will be submitted in the first instance to the Treasurer and the Chief Constable.

6. Contract Audit

- 6.1 Contract Audit is defined as examination of contract management, administrative procedures, controls and Final Accounts;
- 6.2 The Internal Auditors will provide advice, where requested on the financial standing of prospective contractors for Authority work.

7. Audit Reporting

- 7.1 The Internal Auditors shall cause to be prepared, subsequent to the completion of each audit (including project work and contract audit) the following reports:
- Verbal reports at the completion of establishment visits to the Business Support Manager and Divisional Commander.
 - Written draft reports on all audits for consultation with appropriate staff prior to the issue of final reports to the Chief Constable's senior management personnel.
 - Written reports to the Chief Executive, Treasurer, the Chief Constable and the Director of Finance relating to any irregularity discovered during the course of the audit.
 - Written reports to the Chief Executive, Treasurer and the Chief Constable relating to any specific irregularity audit so requested by the Authority.
 - Quarterly reports on the progress of audit work against the plan to the Corporate Governance Committee and regular meetings with the Head of Finance.
 - Written reports on planned audit work and findings to the Corporate Governance Committee.

8. Liaison with External Audit

- 8.1 All audit work will be undertaken in accordance with professional standards and guidance as issued by the accountancy and auditing professions.
- 8.2 Internal audit should co-ordinate work with external audit to avoid duplication.