

RSM Tenon

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DERBYSHIRE POLICE AUTHORITY

Annual Internal Audit Report

Year ended 31st March 2010

Presented at the Corporate Governance meeting of: 17th June 2010

Approved by: Patrick Green as Head of Internal Audit

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1 INTRODUCTION

1.1 THE ROLE OF INTERNAL AUDIT

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of Derbyshire Police Authority assurance cycle and if used properly can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Authority and Corporate Governance Committee.

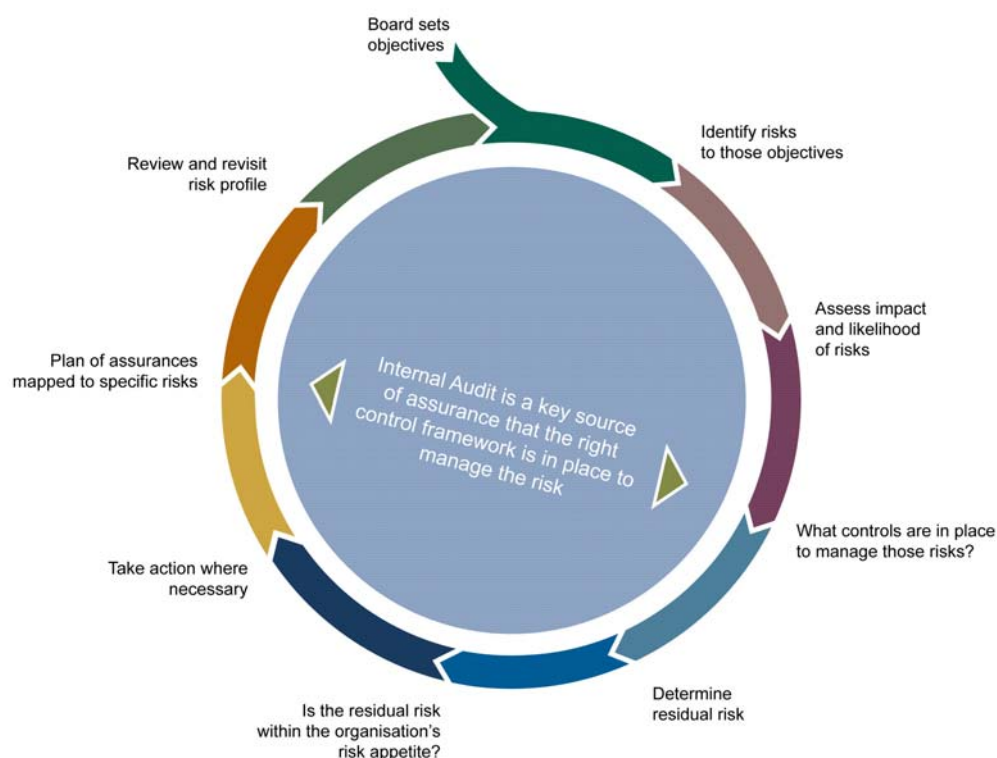


Exhibit A: The Assurance Cycle. © RSM Tenon

The definition of internal audit, as described in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.2 GOVERNANCE STATEMENT

Under Regulation 4[2] of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit [Amendment] [England] Regulations 2006, authorities are required to publish a statement on internal control. From 2007/08, authorities have had to publish an annual governance statement in line with the CIPFA/SOLACE Good Governance Framework to meet that statutory requirement.

As your internal audit provider, the assignment opinions that RSM Tenon provides the organisation during the year are part of the framework or assurances that assist the Authority prepare an informed governance statement.

2 INTERNAL AUDIT ASSURANCE FOR 2009/2010



2.1 CONTEXT

As the provider of the internal audit service to Derbyshire Police Authority we provide the Authority through the Corporate Governance Committee with an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Authority is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. This report is prepared solely for the use of Derbyshire Police Authority and its senior management team. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

2.2 INTERNAL AUDIT ASSURANCE STATEMENT

This annual Head of Internal Audit opinion is provided to Derbyshire Police Authority by RSM Tenon Limited, formally RSM Bentley Jennison.

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Derbyshire Police Authority arrangements.			
For the 12 months ended 31 March 2010, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Derbyshire Police Authority arrangements for governance, risk management and control is as follows:			
	Red	Amber	Green
Governance, Risk Management and Control			
	It was identified that the Authority has adequate and effective governance, risk management and control processes.		

2.3 SCOPE OF THE INTERNAL AUDIT OPINION

In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2010 (see Appendix A for a risk map of our internal audit assurances and Appendix B for a summary of audits);
- The results of follow-up action taken in respect of audits from previous years;
- Whether fundamental or significant recommendations have been accepted by management and, if not, the consequent risks;
- The affects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or Council;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation;
- What proportion of the organisation's internal audit needs have been covered to date; and

2.4 THE BASIS OF THE OPINION

Governance

The audit focussed on the link between the Police Authority and Constabulary reporting structure to provide assurance that no significant gaps are in place with regards to policy and procedures that are reviewed and scrutinised by the various committees of the Constabulary and the overall Governance structure of the Authority. Our review confirmed that satisfactory arrangements were in place. We made one minor recommendation which we deemed merited attention and one significant which related to the information and monitoring of the Constabulary information, by the Authority.

Risk Management

The review for 2009/10 considered the risk management arrangements in place at the Authority and Constabulary and the linkage between the two. Our review resulted in adequate assurance and we made two significant recommendations and three recommendations categorised as merits attention. The significant recommendations referred to ensuring the Police Authority receives quarterly updates on the position of the Force's risk register and that the Force needs to develop a Risk Management Strategy, that sets out the framework for risk management.

Internal Controls

Our work for 2009/10, as detailed within Appendix A, has not given rise to fundamental recommendations or provided any limited assurance opinions. Where recommendations have been made within the audit reports, management have responded positively.

In addition, we have undertaken three specific audits (IT Healthcheck, Workforce Planning and Health & Safety Governance), which were advisory in nature.

Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

2.5 GOVERNANCE STATEMENT

The overall opinion may be used by the Authority in the preparation of the annual governance statement.

2.6 CONFLICTS OF INTEREST

We have not undertaken any work or activity during 2009/10 that would lead us to declare any conflict of interests.

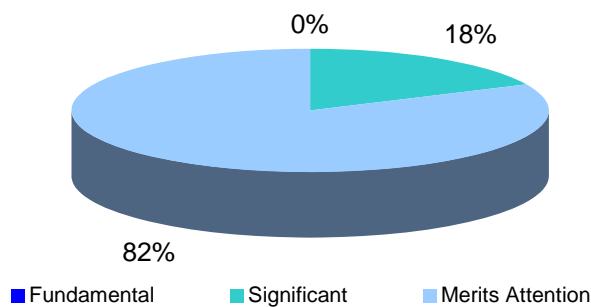
The Authority requested further guidance in relation to IFRS and the PFI schemes. Specific guidance had been provided to the Authority in relation to this which did not have an impact on our function as the Internal Auditor's to the Authority.

2.7 BENCHMARKING DATA

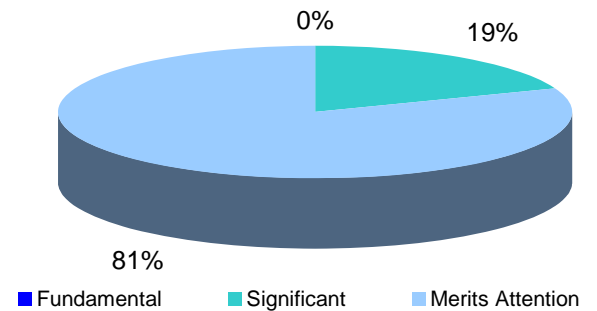
The tables below show the split of internal audit recommendations and opinions for Derbyshire Police Authority in 2009/10 and those made in 2008/09. It is pleasing to note that no fundamental weaknesses were identified in either year, and no limited assurances were reported.

Comparison of the categories of internal audit recommendations made 2009/10 and 2008/09

Recommendations 2009/10



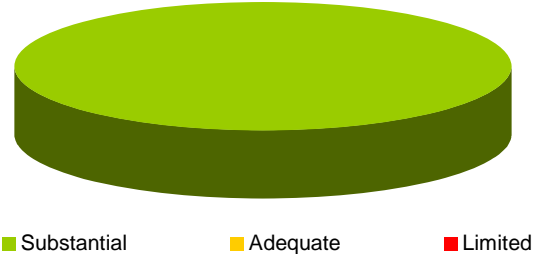
Recommendations 2008/09



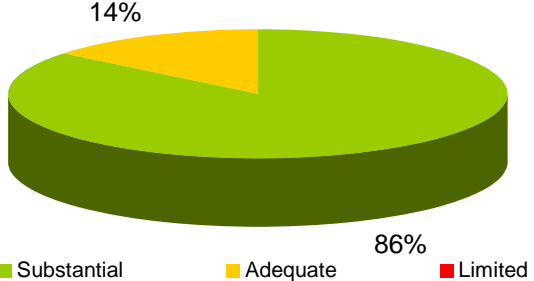
Comparison of assurance levels provided by internal audit in 2009/10 and 2008/09

For assurance assignments only



Assurance Levels 2009/10









Assurance Levels 2008/09




APPENDIX A: INTERNAL AUDIT ASSURANCE MAP 2009/10

Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
IT Health Check	A Healthcheck provides a review of key IT areas which can aid the formulation of future Internal Audit plans and focus	<p>This was an advisory piece of work which identified a number of key issues as follows:</p> <ul style="list-style-type: none"> ▪ A number of key documents such as the Disaster Recovery Plan and IT Security Policy have not been established or require updating; ▪ Inadequate controls are in place to protect the Communication rooms from environmental and physical hazards; ▪ Robust hardware asset management procedures have not been adopted by the Authority; ▪ The Constabulary is unaware of all the different types of software applications installed on its machines, number of licences acquired and the number of users currently running these applications; ▪ Absence of an effective process for user administration for network accounts; ▪ Event logs and security violations are not proactively monitored; and ▪ The logical security controls at the network level require strengthening. 	Advisory 
HR – Divisional Controls	Management concern - To provide assurance that HR procedures specified centrally are incorporated at Divisions.	Our review confirmed that satisfactory arrangements were in place for the divisions reviewed. We made one minor recommendation for control improvement and a significant recommendation in relation to a more definitive protocol for redeployment of employees that contains exact details in relation to specific situations that Human	Substantial 

Other Coverage				
Area	Rationale for coverage	Headline Findings	Assurance	
		Resource Managers could expect to be confronted with.		
Credit Cards	In light of the investigation by the Independent Police Complaints into the complaints against the Chief Constable of Dyfed Powys Police, this review will review the controls in place to ensure transparency and appropriateness of the use of procurement cards by staff and officers.	Our review confirmed that satisfactory arrangements were in place. We made one minor recommendation which we categorised as merits attention.	Substantial	
Workforce Planning	Thematic review - Specific topic agreed across the five organisations.	This was a thematic review across five forces including Bedfordshire, Leicestershire, Northamptonshire and Nottinghamshire Police Authority. The report provides comparative information and data based on information provided by each Authority.	Advisory	
Health and Safety Governance	Thematic review - Specific topic agreed across the five organisations.	<p>This was an advisory review which highlighted a number of areas for improvement. The main issue was that we were unable to demonstrate that the Authority and Chief Executive are completely fulfilling their responsibility in terms of health and safety as they do not receive information on health and safety issues or attend the Constabulary's Health and Safety Committee. Although there are arrangements in place within the Constabulary, there is no formal mechanism, for reporting on health and safety issues to the Authority.</p> <p>It should be noted that a formal action plan has been implemented at the Authority that records the progress made against each of the recommendations highlighted within the individual assignment report. Regular updates of progress made are reported to the Corporate Governance Committee.</p>	Advisory	

Other Coverage				
Area	Rationale for coverage	Headline Findings	Assurance	
Cash Checks	Management concern	Our review confirmed that satisfactory arrangements were in place. We made one merits attention recommendation.	Substantial	
Key Financial Controls	To enable external audit to place reliance on financial controls in place.	Our review confirmed that satisfactory arrangements were in place. We made six merit attention recommendations, of which four were carried forward from the previous years review.	Substantial	
BACS implementation	Management request	At the time of our review the BACS implementation was still ongoing. We made a number of suggestions to be taken forwards as part of the ongoing implementation.	Advisory	
Overtime Claims	To provide assurances that processes are being operated effectively in relation to overtime claims.	The audit review confirmed that arrangements in place were operating satisfactorily and no recommendations were made to enhance control.	Substantial	
Risk Management	Each year we will undertake work around the Authority and Constabulary's risk management which inform our annual opinion. The specific scope is agreed on an annual basis	The outcome of the review resulted in two significant and three merits attention recommendations being made. The key findings from this review were: <ul style="list-style-type: none"> The Police Authority should ensure that they receive quarterly updates on the position of Force's risk register, and how this may have an impact upon the Authority's risk register; and The Force should develop a Risk Management Strategy which clearly sets out the framework for risk management and coordinating risk management activities throughout the Force. 	Substantial	
Governance	Each year we undertake work around governance which will inform our annual opinion. The specific scope is agreed on an annual basis	Our review confirmed that satisfactory arrangements were in place. We made one minor recommendation which we deemed merited attention and one significant which related to the information and monitoring of the Force reviewed by the Authority.	Substantial	

Other Coverage			
Area	Rationale for coverage	Headline Findings	Assurance
Follow Up	To meet the Institute of Internal Audit Standards and to provide management with ongoing assurance regarding implementation of recommendations.	Our review found that there were only five instances where previous recommendations had not been fully implemented, which resulted in further recommendations being made/reiterated which were all deemed as merits attention.	Advisory 

APPENDIX B: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2009/10

Auditable Area	Assurance Level Given	Number of Recommendations made				
		Fundamental	Significant	Merits Attention	In Total	Agreed
IT Health Check	Advisory	0	14	3	17	17
HR – Divisional Controls	Substantial	0	1	1	2	2
Use of Procurement Cards	Substantial	0	0	1	1	1
Workforce Planning	Advisory	0	0	5	5	5
Health and Safety Governance	Advisory	2	4	2	8	8
Cash Checks	Substantial	0	0	1	1	1
Key Financial Controls	Substantial	0	0	6	6	6
BACS Implementation *	Advisory	0	0	0	0	0
Overtime	Substantial	0	0	0	0	0
Risk Management	Substantial	0	2	3	5	5
Governance	Substantial	0	1	1	2	2
Follow Up	Reasonable Progress	0	0	5	5	5
TOTAL RECOMMENDATIONS		2	22	28	52	52

* Note: no formal recommendations were made as part of our review of BACS implementation. In a letter to the Constabulary's Head of Finance and Administration we made a number of suggestions to be considered as part of the ongoing implementation process.

The definitions for the level of **assurance** that can be given are:

	Level	Effectiveness	Control Design	Control Application
positive opinions	Substantial Assurance	Targets have been met or exceeded.	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Adequate Assurance	Targets have been closely missed or there are appropriate reasons as to why they have not been met	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
negative opinion	Limited Assurance	Targets have not been met and no reasons are given as to why.	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Recommendations made during the year have been categorised as follows:

Fundamental	Action is imperative to ensure that the objectives for the area under review are met.
Significant	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
Merits Attention	Action advised to enhance control or improve operational efficiency.