

**To: Joint Audit Committee**

**Date: 10<sup>th</sup> June 2013**

**By: RSM Tenon**

**Title: Internal Audit Annual Report 2012/13**

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**Purpose of Report/Issue:**

Internal Audit professional standards and sector guidance such as the Chartered Institute of Public Financial and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK (2006) require the Internal Audit Service to provide an annual report on its activities and including an opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

The work of internal audit, culminating in our annual opinion, forms a part of the Authority's overall assurance framework and should be used to help inform the annual Assurance statement.

The accompanying report summarises the work undertaken by Internal Audit over the 2012/13 financial year and includes our overall opinion on the Authority's governance, risk management and internal control arrangements.

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**Recommendation**

The Committee is asked to consider and comment on the Annual Report for 2012/13.

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Police and Crime Commissioner for Surrey  
and Surrey Police Force

Internal Audit Annual Report  
Year ended 31 March 2013

Presented at the Audit Committee meeting of: 10 June 2013

David Taylor  
Head of Internal Audit

# 1 INTERNAL AUDIT OPINION

## 1.1 Context

As the provider of the internal audit service to the Police and Crime Commissioner for Surrey and Surrey Police Force we are required to provide the Section 151 Officer and the Audit 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 is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Office of the Police and Crime Commissioner (OPCC) and the Chief Constable must have an internal audit service, and there must be an audit committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2012/2013 which saw the abolition of the Police Authority and the creation of the PCC.

As your internal audit provider, the assurance and advisory reviews that RSM Tenon provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare an informed annual governance statement.

## 1.2 Internal Audit Opinion 2012/2013

The 12 months covered by our opinion has seen a significant change in the structure of both organisations with the abolition of the Police Authority and the creation of the Office of the Police and Crime Commissioner (OPCC) in November 2012. Although the Surrey Police Force has remained in place, its governance and reporting structures have changed as a result of the creation of the OPCC.

At the final meeting of the Police Authority Audit Committee on 12<sup>th</sup> November 2012 we presented our interim annual report for the period from 1<sup>st</sup> April 2012 to 21<sup>st</sup> November 2012 where we gave positive opinions for governance, risk management and control. We gave a green rating for governance and amber for both risk and control based on the work carried out on the Surrey Police Force and Surrey Police Authority.

For the 12 months ended 31 March 2013, our opinion therefore takes into account our interim opinion to the Surrey Police Authority and Police Force and also the work that we have subsequently carried out for both the OPCC for Surrey and the Surrey Police Force from November 2012 to the 31<sup>st</sup> March 2013.

Based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of the arrangements for governance, risk management and control is that for the majority of areas we reviewed there were adequate arrangements in place. However, we recognise that further work, which is consistent with the sector as a whole, is required to fully embed governance and risk management arrangements.

## 1.3 The Basis of the Opinion

### 1.3.1 Governance

We completed two reviews of governance in 2012/13. The first was completed in the Summer 2012 and considered the plans in place for the transition to the PCC. At this time we issued a green opinion. Our second review was undertaken early in the 2013 calendar year and considered the processes in place since the PCC was in place. Whilst we recognise that this area is changing rapidly and that plans were in place to progress governance arrangements, we issued an amber/green opinion to reflect that these plans had yet to take effect.

### 1.3.2 Risk Management

We completed an advisory review of risk maturity in March 2013. This review resulted in 11 recommendations and one suggestion being raised across all elements of the risk management framework. Whilst we appreciate that the PCC only took up post in November 2012 and that therefore the risk management processes are still being developed to accommodate PCC, Force and Joint risks, we nevertheless consider that action is needed to address the weaknesses in this area.

### 1.3.3 Control

We have completed seven 'controls' review which have influenced our opinion of controls at Surrey Police. Six of these resulted in amber/green opinions and therefore suggest that reasonable controls are in place and complied with. The other review – Tendering and Contracting for Third Party Services – resulted in an amber/red opinion and 11 recommendations being raised. Therefore in this area further work is needed to improve controls. All of these reviews were completed prior to the PCC being in place.

We have completed three additional reviews to look at the control environment at partners which Surrey Police is considering awarding grants to in 2013/14. As these reviews focussed on third parties we do not consider that these inform our overall opinion on controls.

### 1.3.4 Acceptance of Recommendations

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

### 1.3.5 Progress made with previous internal audit recommendations

Our follow up of the recommendations made in 2011/2012, including those that were outstanding from previous years, showed that adequate progress had been made in implementing the agreed recommendations, as summarised below:

Recommendation Priority	Number made in 2011/2012	Of which:	
		Addressed	Not implemented or still in progress
High	-	-	-
Medium	20	13	7
Low	29	16	13
<b>Totals</b>	<b>49</b>	<b>29</b>	<b>20</b>

### 1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

## 2 OUR PERFORMANCE

### 2.1 Conformance with Internal Audit Standards

RSM Tenon affirms that our internal audit services to Surrey Police are designed to comply with the CIPFA Code of Practice for Internal Audit and the International Standards published by the Global Institute of Internal Auditors (IIA).

Under the standards, internal audit services are required to have an external quality and review at least once every five years. During 2011 RSM Tenon commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the IIA.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

In this year we have reviewed our processes to ensure we will be conformant with the Public Sector Internal Auditing Standards when they are introduced in 2013/2014.

### 2.2 Performance Indicators

Our performance during 2012/2013 is summarised below across a range of performance indicators.

	Target	Actual	Comments
<b>Delivery</b>			
Draft reports issued within 15 days of debrief meeting	100%	100%	This covers the period from November 2012 when the reporting protocol detailing these performance indicators was agreed.
Management responses received within 15 days or draft report	100%	100%	This covers the period from November 2012 when the reporting protocol detailing these performance indicators was agreed.
Final report issued within 5 days of management response	100%	100%	This covers the period from November 2012 when the reporting protocol detailing these performance indicators was agreed.
Completion of audit plan by 31 <sup>st</sup> March	100%	90%	Our risk maturity review was completed in late March 2013 and reported in April 2013. This was scheduled in agreement with management to allow as much time as possible for the risk management framework to be developed to accommodate the introduction of the PCC
% of High & Medium recommendations followed up	100%	100%	
<b>Quality</b>			
Compliance with CIPFA Code of Practice for Internal Auditing	Yes	Yes	
Extent to which External Audit place reliance on our work	Yes	Yes	
<b>Staff</b>			
% of staff with CCAB/CMIIA qualifications	>50%	75%	
Turnover rate of staff	<10%	0%	
<b>Response Times</b>			
Response time for all general enquiries for assistance	2 working days	100%	
Response for emergencies and potential fraud	1 working day	N/A	

### **2.3 Conflicts of Interest**

We (RSM Tenon) have not undertaken any work or activity during 2012/2013 that would lead us to declare any conflict of interests.

**APPENDIX A: INTERNAL AUDIT OPINIONS AND RECOMMENDATIONS 2012/2013**

Audit	Link to risk or rationale for coverage	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
<b>Audits to address specific risks</b>					
Governance - Transition Arrangements	Pre-election review of the Authority and Force's processes in place to ensure an effective transfer from the Authority to the Police and Crime Commissioner and the Chief Constable in November 2012.	Green	0	1	4
Tendering and Contracting for Third Party Services	The premise for this additional review originated from an internal review conducted in March 2012, which considered the probity of the procurement process used by Surrey Police to formally engage with ESA Limited (ESA) for the provision of consultancy services. In response an internal note was published by Professional Standards Department, although no contract or procurement documents had been reviewed. As such the views expressed within the note were heavily caveated, pending provision and review of core information, which we obtained and analysed as part of this report.	Amber / Red	0	8	3
Project Management	<p>A high level review of the Forces' project management methodology and their decision making process for programming and prioritising projects.</p> <p>Coverage will also specifically include a post implementation review of SIREN to ensure that an appropriate project management methodology was used and that lessons learned from previous projects were adopted.</p> <p>This review will also ensure that appropriate monitoring, reporting and oversight arrangements were in place to ensure the effective delivery of the project.</p>	Amber / Green	0	1	2
Estates Management	Operational review of the management of the Forces' estates including implementation of the forces' estates strategies, the management of repairs and maintenance, and contract management.	Amber / Green	0	2	3
Value for Money achieved from Collaborative Arrangements Discussion Draft	Review of one of the collaborative initiatives to ascertain that the objectives of the collaboration have been achieved, as has value for money	Amber / Green	0	6	5

	for the Authority and Force.				
Asset Due Diligence	<p>A review to verify that the Authority and Force have appropriate records in place covering the assets that are likely to be transferred to the new Police and Crime Commissioner in November 2012.</p> <p>This will include reviewing the processes adopted to ensure records are accurate and comprehensive including contracts, property and other assets.</p> <p>This review will also include a follow up of the previous internal audit recommendations raised in the Title Deed Management review.</p>	Amber / Green	0	0	4
Follow Up	We will follow up all the outstanding internal audit and external audit recommendations made prior to April 2012 that remain outstanding to ascertain and report upon their status.	Adequate Progress	0	4	8
Key Finance Processes	External audit will place reliance on our work to inform their audit.	Amber / Green	1	11	14
Corporate Governance	<p>This review will take place post the election of a new Police and Crime Commissioner and will review the arrangements in place to ensure:</p> <ul style="list-style-type: none"> <li>• Compliance with the new Financial Code</li> <li>• Appointments to the Audit Committee are in line with guidance</li> </ul> <p>New members are inducted comprehensively and receive appropriate training</p>	Amber / Green	0	2	2
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	Adequate Progress	0	1	8
Community Safety Fund Partners - ESDAS	To address management concerns regarding controls at a potential partner to whom the Organisation is considering awarding grant funding in 2013/14.	Green	0	1	0
Community Safety Fund Partners - Surrey Youth Services	To address management concerns regarding controls at a potential partner to whom the Organisation is considering awarding grant funding in 2013/14.	Green	0	0	0
Community Safety Fund Partners - Surrey Drug &	To address management concerns regarding controls at a potential partner to whom the Organisation is	Amber / Green	1	2	0



Alcohol Abuse Team	considering awarding grant funding in 2013/14.				
Risk Maturity	Review of how the organisation uses risk management within its management and governance arrangements. We will issue a report on your risk maturity, which is based on RSM Tenon's methodology.	DRAFT			
		<b>Total</b>	<b>2</b>	<b>39</b>	<b>53</b>

We use the following levels of opinion classification within our internal audit reports:

Red	Amber / Red	Amber / Green	Green
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p>	<p>Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p>	<p>Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

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. This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole or in part, without our 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.

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