

## Warwickshire Police Authority

### Service Level Agreement for Internal Audit Services

#### 1 Outline of the Service

- 1.1. This agreement is for the provision of internal audit services to the Warwickshire Police Authority by the Audit and Risk Management Service of Warwickshire County Council for the period 1 April 2008 to 31 March 2011.

#### 2 Regulatory background

- 2.1 The requirement for an internal audit function is contained in The Accounts and Audit Regulations 2003 (as amended) which require the Authority to:  
“maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

Guidance on the regulations indicates that proper internal control practices are those contained in various Cipfa publications but particularly the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The Regulations therefore effectively make compliance with the Cipfa Code mandatory.

- 2.2 The regulations also lay down far-reaching requirements regarding systems of internal control. They require the Authority to:
- Have “a sound system of internal control ... which includes arrangements for the management of risk”;
  - “Conduct a review at least once a year of the effectiveness of its system of internal control”; and
  - Prepare an Annual Governance Statement.

The regulations and Code require a much wider role for internal audit compared to the historical focus on financial systems. These requirements aim to bring local government practices into line with best practice and effective corporate governance.

- 2.4 The Cipfa Code forms the basis of internal audit for the Authority. The Code defines internal audit as:

“an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment, 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

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contribution to the proper, economic, efficient and effective use of resources.”

- 2.5 The Code defines the control environment as comprising the systems of governance, risk management and internal control. The key elements of the control environment include:
- “establishing and monitoring the achievement of the organisation’s objectives
  - the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the organisation, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
  - ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness
  - the financial management of the organisation and the reporting of financial management
  - the performance management of the organisation and the reporting of performance management.”
- 2.6 In addition to the core assurance work, internal audit also provides advice on controls since it is more constructive for auditors to advise on controls at the outset of a project (and during its currency) rather than to make critical comments after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism. Audit also undertakes fraud / irregularity related work as requested to do so and subject to availability of resources.
- 2.7 In accordance with the regulations and Code the Authority has determined that the scope of internal audit should encompass all risks facing the Authority and Force and audit plans reflect this.

### **3 Responsibilities**

#### **3.1 Summary**

The Authority is responsible for the system of internal control and should put in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit provides assurance to the Authority on the effectiveness and reliability of its control system.

#### **3.2 The County Council, as internal audit provider, is responsible for:**

- Delivering the internal audit service in accordance with regulatory requirements and the Terms of Reference for the service.

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- Preparing an internal audit plan for the Authority.
  - Providing an annual audit report providing assurance on the adequacy of the Authority's control environment (based upon the work done during the year).
  - Liaising with external audit on control matters.
  - Undertaking special investigations into issues where the Authority's strategic, corporate or financial interests are at stake.
  - Delivering the audits in the approved audit plan in accordance with the procedures contained in Warwickshire County Council's audit manual which is based upon the Cipfa Model Internal Audit Manual for Local Government.

### **3.3 The Authority is responsible for:**

- Approving the audit plan.
- Considering the internal audit annual report.
- Reviewing its internal control system and agreeing the Annual Governance Statement.
- Taking whatever action it considers necessary as a result of an audit.
- Notifying internal audit promptly of any material change in the risks facing the Authority or Force.
- Agreeing variations to the audit plan during its currency to allow internal audit to respond to changing risks.

### **3.4 The Director of Resources is responsible for ensuring that the Force:**

- Responds to draft audit reports within one month of issue.
- Implements audit recommendations within the timescales agreed at the end of audits.
- Provides information on implementation of recommendations when requested.
- Allows internal audit access to all establishments, records, computers and information in respect of its services to enable Internal Audit to carry out its obligations in accordance with this agreement.
- Consults internal audit about proposals to introduce new procedures or systems or change existing ones.
- Notifies internal audit promptly of any material change in the risks facing the Authority or Force.
- Notifies Internal Audit immediately of any suspected frauds or irregularities that come to its attention and decides what action to take following an investigation.
- Complies with the Authority's Contract and Financial Standing Orders.
- Operates an efficient and effective control environment.
- Prepares an assurance statement to inform the authority's Annual Governance Statement in accordance with relevant regulations and codes of practice.

## **4 Rights of Internal Audit**

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- 4.1 The Audit and Risk Manager has the right of direct access to the Chair of the Authority, Chair of the Audit Committee, Director of Resources, Treasurer and Chief Executive.

## **5 Customer Liaison**

- 5.1 Regular meetings will be held between the Director of Resources (or his representative) and internal audit to discuss the service provided.
- 5.2 The Force and Authority will be consulted annually about the following year's plan.
- 5.3 Managers will be consulted about individual audits in the following ways:
- Discussing terms of reference for each audit.
  - Closing meetings at the end of each audit.
  - Comments on draft audit reports.
  - Post audit questionnaires (sent out with most final audit reports).

## **6 Contacts**

- 6.1 Queries arising from specific audit reports and general day to day enquiries about the service should be addressed to:  
Lynn Joyce, Corporate Assurance Manager  
e-mail: [lynnjoyce@warwickshire.gov.uk](mailto:lynnjoyce@warwickshire.gov.uk)  
telephone: 01926 412680
- 6.2 If a problem is not dealt with to your satisfaction it should be raised with:  
  
Garry Rollason, Audit and Risk Manager  
e-mail: [garryrollason@warwickshire.gov.uk](mailto:garryrollason@warwickshire.gov.uk)  
telephone: 01926 412679

## **7 Charges**

- 7.1 The total charge to the Authority will be determined by the days in the agreed plan multiplied by the agreed daily rate.
- 7.2 The total charge for 2008/9 will be £36735. Charges for future years will be agreed when the audit plan is considered by the Authority.
- 7.3 The agreed plan includes a contingency to cater for requests for extra work not anticipated when the plan was agreed. Once the contingency allowance has been used the County Council will endeavour to meet any further requests for additional work. However, this is subject to the availability of resources and will incur an extra charge. Alternatively the Authority may delete planned jobs to keep the total days to that originally agreed.

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## **8 Charging Mechanism**

- 8.1 The Authority will receive from the County Council a single invoice (or internal transfer) at the end of the financial year for the service provided.

Version 1  
1 December 2008