

**OFFICE OF THE POLICE AND CRIME
COMMISSIONER FOR HAMPSHIRE AND
HAMPSHIRE CONSTABULARY**

**CHIEF INTERNAL AUDITOR'S
ANNUAL REPORT AND OPINION
2012 - 2013**

Karen Shaw
Chief Internal Auditor
June 2013

Southern Internal
Audit Partnership

Assurance through excellence
and innovation

1. Internal control and the role of Internal Audit

- 1.1. Under the Accounts and Audit (England) Regulations 2011, the Office of the Police and Crime Commissioner (OPCC) and Hampshire Constabulary are required to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. For the purposes of our 2012/13 opinion the standards for 'proper practices' for internal audit are laid down in the Chartered Institute of Public Finance and Accountancy's *Code of practice for internal audit in Local Government in the United Kingdom (2006)* ["CIPFA Code"].
- 1.2. Internal audit is an assurance function that provides an independent and objective opinion to the OPCC and Hampshire Constabulary on the control environment, comprising risk management, internal control and governance, by evaluating its effectiveness in achieving objectives.
- 1.3. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risk is appropriately managed and outcomes achieved.

2. Background

- 2.1. The internal audit plan for 2012/13 has been delivered against a backdrop of significant change. The original plan for 2012/13 was prepared taking into account the planned appointment of a Police and Crime Commissioner in November 2012 and was approved by Hampshire Police Authority's Governance Committee on 30 March 2012. The Governance Committee also continued to receive internal audit progress reports until their demise in November 2012.
- 2.2. As a result of the changes in November 2012, the Police and Crime Commissioner and Chief Constable each independently require an internal audit function and it was agreed that these responsibilities should be discharged through a joint internal audit provision and Joint Audit Committee.
- 2.3. Hampshire Constabulary have also continued work in implementing a significant change programme in response to the current economic climate.
- 2.4. The internal audit plan continued to be reviewed at our regular liaison meetings throughout the year and updated as required to take account of the changes and current risk environment.
- 2.5. Although this internal audit opinion is addressed to the Office of the Police and Crime Commissioner and Hampshire Constabulary, it reflects the outcomes of all work conducted during the year, including that considered by the Governance Committee prior to November 2012.

3. Internal audit opinion

3.1. The main purpose of this report is to give my opinion as Chief Internal Auditor for the OPCC and Hampshire Constabulary on the adequacy and effectiveness of their framework of risk management, internal control and governance for the year ending 31st March 2013.

3.2. In giving this opinion, it should be noted that assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year;
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate (in particular the work of the internal auditors of lead Forces for collaborative arrangements involving Hampshire Constabulary);
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the CIPFA Code;
- any limitations which may have been placed on the scope or operation of internal audit; and
- the proportion of the audit need that has been covered within the period.

Opinion

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the OPCC and Hampshire Constabulary's internal control environment.

In my opinion, the OPCC and Hampshire Constabulary's framework of governance, risk management and management control is adequate and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

4. Internal audit coverage and output

- 4.1. The strategic and annual internal audit plans were based on the Internal Audit Strategy previously approved by the Governance Committee and were informed by the service's own risk and performance framework, supplemented with internal audit's own assessment of risk and materiality to support the preparation of the Annual Governance Statements.
- 4.2. As outlined in paragraph 2.4, the plan has also been reviewed and updated as required to reflect the significant changes taking place during the year.
- 4.3. Work has been planned and performed so as to obtain the information and explanation considered necessary to give reasonable assurance that the internal control system is operating effectively.
- 4.4. The revised 2012/13 internal audit plan has been delivered and the results of all reviews are reflected in my annual internal audit opinion. A total of 238.5 days were delivered across 15 review areas.
- 4.5. At the time of writing this report, we have published an opinion on final or draft reports (where we are concluding discussions with management in the agreement of action plans) in respect of the 15 areas reviewed. In addition we have taken into consideration the work undertaken by the internal auditors of the lead Forces for collaborative arrangements where appropriate.
- 4.6. The opinion assigned to each internal audit review on issue of the final report is defined as follows:

Opinion	Framework of governance, risk management and management control	Number of published opinions in this category 2012-13
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.	0
Adequate assurance	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.	11
Limited assurance	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.	4
No assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.	0

5. Issues arising

- 5.1. Issues arising from internal audit reviews have been discussed with senior managers as well as the Governance Committee and Joint Audit Committee. A key theme to these issues related to the fact that we were asked by management to review areas subject to the Force Change Programme during the year to provide an assessment of the progress made, as well as advice for ongoing development. In all such areas, management have responded positively and work is ongoing to address the outstanding issues.
- 5.2. Other issues raised were generally not considered material in the context of our overall opinion on the risk management, control and governance arrangements of the OPCC and Hampshire Constabulary. However we did identify opportunities to strengthen the control processes in place at Hampshire Constabulary for the provision of data to, and checking of information provided by, the Pensions Administrator.

- 5.3. Where our work identified risks that we considered fell outside the parameters acceptable to the HPA, OPCC or Hampshire Constabulary, we have agreed appropriate corrective actions and a timescale for improvement with the responsible managers. These actions are closely monitored by Hampshire Constabulary and current status is reported in our regular progress reports.

6. Anti-fraud and corruption

- 6.1. During the year internal audit have facilitated the submission of relevant datasets for inclusion in the 2012/13 National Fraud Initiative (NFI). Initial matches were fed back to local authorities in March 2013 and Hampshire Constabulary will review all 'high priority' matches during 2013/14.
- 6.2. Internal audit will seek regular updates on progress and potential savings from the NFI exercise and the results will be fed back to the Joint Audit Committee as part of our established quarterly progress reports.
- 6.3. No allegations of fraud, corruption or improper practice were referred to internal audit for investigation during 2012/13.

7. Internal audit performance

- 7.1. The following performance indicators are maintained to monitor effective service delivery:

<i>Annual performance indicators 2012-13</i>		
Aspect of service	2012-13 Target (%)	2012-13 Actual (%)
% revised plan delivered (inc 2011/12 carry fwd)	95	99
% of positive customer responses to quality appraisal questionnaire	90	92

Internal Audit Resources

- 7.2. On 1 February 2012 Hampshire County Council entered into a collaborative partnership with Southampton City Council for the provision of internal audit services.
- 7.3. The development of the Southern Internal Audit Partnership brings together the professional discipline of internal audit across partnering organisations.
- 7.4. The Partnership benefits through pooled expertise and greater business resilience to ensure the professional and timely delivery of the

internal audit plan, coupled with the ability to flex resource to meet service demands.

- 7.5. Our internal audit strategy ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion.
- 7.6. Significant matters that jeopardise the delivery of the plan, or require changes to the plan are identified, addressed and reported to the Joint Audit Committee.

Quality control

- 7.7. Our aim is to provide a service that remains responsive to the needs of the OPCC and Hampshire Constabulary and maintains consistently high standards. This was achieved in 2012-13 through the following internal processes:
 - compliance with CIPFA Code of practice for internal audit in local government (2006);
 - ongoing liaison and communication with management to ascertain the risk management, control and governance arrangements, key to corporate success;
 - ongoing development of a constructive working relationship with the External Auditors to ensure development of a cooperative assurance approach;
 - a tailored audit approach using a defined methodology and assignment control documentation;
 - a review of the 'Effectiveness of the System of Internal Audit' in accordance with the Accounts and Audit (England) Regulations 2011;
 - registration under British Standard BS EN ISO 9001:2008, the international quality management standard complimented by a comprehensive set of audit and management procedures to underpin this; and
 - the review and quality control of all internal audit work by professional qualified senior staff members.

8. Acknowledgement

- 8.1. I would like to take this opportunity to thank all those staff throughout the OPCC and Hampshire Constabulary with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Chief Internal Auditor
June 2013