

**POLICE AND CRIME COMMISSIONER FOR HAMPSHIRE AND
HAMPSHIRE CONSTABULARY**

JOINT AUDIT COMMITTEE – 10 MAY 2013

INTERNAL AUDIT PROTOCOLS

**REPORT OF THE CHIEF FINANCE OFFICER TO THE POLICE AND
CRIME COMMISSIONER**

1. PURPOSE

- 1.1 The purpose of this paper is to outline the planning, reporting and liaison protocols for internal audit services already agreed by the Police and Crime Commissioner and the Chief Constable. A copy of the agreed protocol is attached at Appendix A.

2. RECOMMENDATIONS

This report recommends that:

- 2.1 That the Joint Audit Committee note the reporting protocols agreed by the Police and Crime Commissioner and the Chief Constable.

3. INTERNAL AUDIT PROTOCOLS

- 3.1 The Chief Constable and the Police and Crime Commissioner each independently require an internal audit function. Given that it has been agreed that these responsibilities are to be discharged through a joint internal audit provision and Joint Audit Committee, it is essential that the protocols for internal audit planning and sharing of information and audit reports is formally agreed and documented to ensure efficiency, openness and transparency.
- 3.2 With that in mind, internal audit protocols were documented and agreed by the Police and Crime Commissioner and the Chief Constable in November 2012 and have been in operation since that time.
- 3.3 A copy of the protocols approved by the Police and Crime Commissioner and Chief Constable is attached at appendix A to ensure that the Joint Audit Committee are aware of the arrangements in place.

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- NOT PROTECTIVELY MARKED -

APPENDICIES:
Appendix A - Internal audit protocols

- NOT PROTECTIVELY MARKED -

Appendix A

Police & Crime Commissioner and Chief Constable

Internal audit reporting protocols – agreed November 2012

1. Internal audit protocols

Liaison

- 1.1 Quarterly liaison meetings will be held with representatives of the Chief Constable and Police and Crime Commissioner to discuss internal audit strategy, current and emerging risks, future plans (including variations to current year plans), the scope of planned assignments and any significant issues arising. This will ensure that internal audit work remains appropriately focussed. It is proposed that these meetings will comprise the Chief Executive, PCC CFO, Deputy Chief Constable, CC CFO, Chief Internal Auditor and Audit Manager. Internal Audit will continue with the regular liaison meetings with External Audit. Although there is a new External Audit provider in place from November 2012, Ernst & Young, the previous team members from the Audit Commission were TUPE'd across and therefore business and relationship continuity has been maintained. The same External Audit team will cover the two corporate soles from an accounting perspective which will avoid duplication and aim to bring efficiencies.

Internal Audit Strategy

- 1.2 A revised Internal Audit Strategy was approved by Hampshire Police Authority in April 2011 to take effect from 2011/12. The Internal Audit Strategy sets out the approach to managing, delivering and developing internal audit services and the term of reference for delivery.
- 1.3 This will be reviewed with the Chief Executive, PCC CFO, Deputy Chief Constable, and CC CFO to ensure it continues to meet the needs of the Chief Constable and the Police and Crime Commissioner and presented to the next meeting of the Joint Audit Committee for consideration. It will be reviewed annually thereafter as part of the planning process to ensure ongoing relevance and that it continues to meet need.

Internal audit plans

- 1.4 Detailed internal audit plans will be prepared annually to reflect the principles agreed in the Internal Audit Strategy and ensure that sufficient work is carried out to provide a robust annual assurance over risk management, control and governance processes.
- 1.5 As part of the planning process a detailed audit needs assessment and risk assessment process will be carried out to ensure that the audit universe is fully identified and risks understood. This process includes consultation during the liaison meetings as well as review of key strategic documents,

including risk registers, business and policing plans, financial strategies, committee reports etc.

- 1.6 Proposed plans will be shared with those attending the liaison meetings for comment and approval before being reported to the March meeting of the Joint Audit Committee.

Audit assignments

- 1.7 Approximate timing and the senior management sponsor for each audit assignment will be agreed during the annual planning process. The detailed timing and scope of each audit assignment within the annual internal audit plan is agreed with those with responsibility for management to ensure that work is appropriately aligned to risk to ensure maximum value is derived from each review. The risk based approach to delivering the work will ensure that the effectiveness of controls established to mitigate risks are identified and evaluated and then tested to ensure that they are working as intended.
- 1.8 A report for each assignment will clearly outline the level of assurance that internal audit are able to give on the risks reviewed, based on agreed terminology and definitions; an executive summary outlining the key findings; and detailed action plans describing the issues identified during the course of the review and which need to be addressed to manage risks within an acceptable level. Those charged with responsibility for management are required to agree management actions for each issue raised, clearly identifying the planned actions, responsible officer and target date for completion. These responses are reviewed by internal audit to establish whether or not they address the risks before the report is finalised. A formal reporting protocol has been agreed to ensure appropriate management review of each report at key stages and is outlined below.

Reporting - Protective marking

- 1.9 We have previously worked with the Constabulary and Hampshire Police Authority to agree the protective marking of internal audit reports in line with the current schemes in operation and provide appropriate safeguards against inappropriate distribution. It is proposed that these arrangements continue.
- 1.10 This is a particular issue for internal audit reports containing personal information, such as special investigation reports. Circulation of these reports must be appropriately restricted to specified officers - further circulation of these reports by internal audit will require the express permission of the Chief Internal Auditor and for due process to be followed for any requests for release under the Freedom of Information Act.
- 1.11 All audit reports will be protectively marked as 'restricted' as a minimum and will clearly document the agreed recipients. The need for increased protection will be considered on a case by case basis with the system manager/sponsor depending on the areas under review and findings. The circulation of each report will be agreed at the audit outline stage in

accordance with the agreed reporting protocol. Third party requests received by Internal Audit will be dealt with by our information and access policy.

Reporting – assignments

- 1.12 A formal protocol will be followed for each audit assignment to ensure that appropriate levels of management are involved at each stage of the process to ensure that the work is properly scoped, significant issues are raised at the appropriate time and that draft reports and management actions are reviewed before the report is finalised.
- 1.13 The protocol is as follows, with the proviso that the PCC will be included in the circulation of all reports and the CC will be included in the circulation of all reports relevant to the Constabulary.
- Draft audit outline – will be discussed and shared with the system owner
 - Audit Outline - issued to system owner, senior management sponsor, copied to the CFO's reps as appropriate
 - Draft report – issued to the system owner to check factual accuracy
 - Draft final report (containing the proposed management actions completed by the system owner) – issued to sponsor with a copy to the CFO's reps as appropriate and CFO's if relevant to ensure that managers are satisfied with the proposed actions
 - Final report – issued to system owner, sponsor and copied to the CFO's reps as appropriate, if significantly changed from the draft final report and CFO's if relevant.

Reporting – Joint Audit Committee

- 1.14 A progress report will be presented to each meeting of the Joint Audit Committee to ensure that members are informed of the internal audit work carried out, the levels of assurance provided in each area and any significant issues arising. These progress reports also ensure that all 'live' audit reviews are monitored until all agreed management actions have been delivered.
- 1.15 Should the Chief Constable or Police and Crime Commissioner choose to share assignment reports with members of the Joint Audit Committee, this may be done by sending them a copy of the executive summary only (these are the elements of the reports included in the progress reports as appropriate).
- 1.16 At the end of each financial year a joint annual internal audit opinion is provided to clearly outline the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control and this forms part of the evidence used by the Police and Crime Commissioner and the Chief Constable when preparing their Annual Governance Statements.

Collaboration

- 1.17 A comprehensive protocol was agreed with other Police Forces involved in both regional and bi-lateral collaborations in 2012 to ensure that the lead Force provides internal audit assurance to all Forces involved in the collaboration in future, and that the audit work undertaken by the lead force covers all processes and forces within the collaboration to enable non-lead forces to place reliance on the work. The protocol sets out the arrangements for planning, scoping and reporting the outcomes of the work.

2. Resources

- 2.1 Audit plans are prepared on the basis of audit need, following comprehensive risk assessment and consultation with those charged with responsibility for management. The plans outline the resources required to produce the annual internal audit opinion and this is balanced to the available budget. To date the budget has been sufficient to deliver the appropriate assurance, however, should a mismatch arise this would be reported to the Joint Audit Committee so that those charged with responsibility for governance are aware of the additional risks arising.
- 2.2 The current internal audit partnership has sufficient resilience to ensure a flexible approach and respond to any changes in requirement without compromising continuity of service provision.

3. Consultation

- 3.1 The Chief Executive , PCC CFO, Deputy Chief Constable and CC CFO, were consulted in developing this protocol.