

**Annual Internal Audit Report & Opinion**

**2013 – 14**

**Office of the Police & Crime Commissioner  
for Hampshire & Hampshire Constabulary**

**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

***‘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’.***

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary that these arrangements are in place and operating effectively.

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

## 2. Internal Audit Approach

To enable effective outcomes internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided informing the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary on the framework of internal control, risk management and governance in operation and to stimulate improvement.

### 3. Internal Audit Opinion



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The Deputy Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary to inform their governance statements. The annual opinion concludes on the overall adequacy and effectiveness of each organisation's framework of governance, risk management and control.

In giving this opinion, 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 opinions on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- 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;
- 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 Standards; and
- the proportion of the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary's audit need that has been covered within the period

**Audit 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 Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary's internal control environment.**

**In my opinion, the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary's frameworks of governance, risk management and management control are adequate and audit testing has demonstrated controls to be working in practice.**

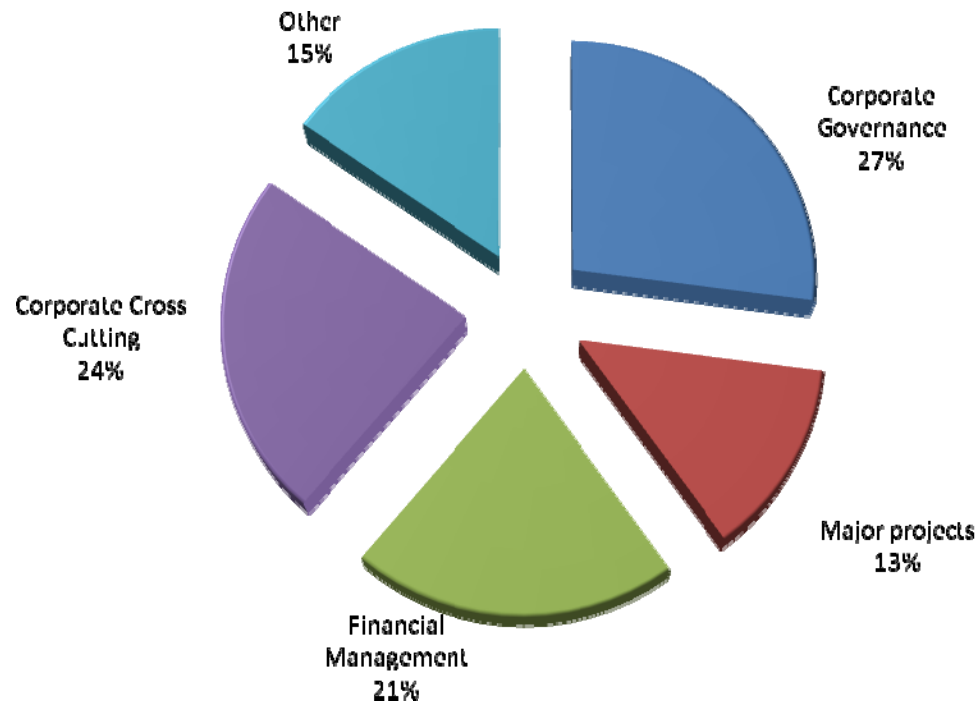
**Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.**

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The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary's activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control systems are operating effectively.

The 2013-14 Internal audit plan, was considered by the Joint Audit Committee in May 2013 prior to approval by the Police and Crime Commissioner and Chief Constable. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisations.

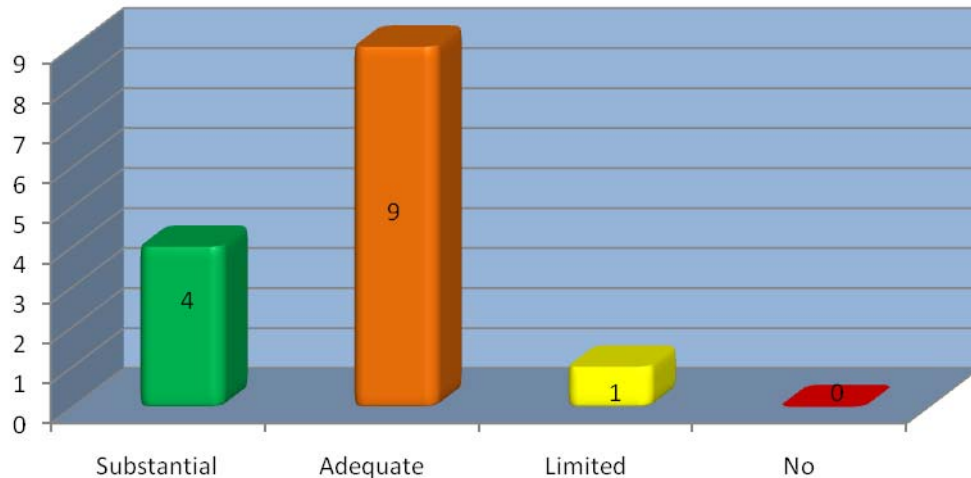
The plan has remained fluid throughout the year to maintain an effective focus.

The Southern Internal Audit Partnership delivered 229 days across 15 review areas over the course of the year ending 31 March 2014.

At the time of reporting the revised 2013-14 internal audit plan had been fully delivered with all reports finalised.

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The opinion assigned to each internal audit review on issue of the final report is defined as follows:



**Substantial** -A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified;

**Adequate** -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;

**Limited**- 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; or

**No** -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.

\*1 review did not culminate in an audit opinion as it related to pro-active fraud work where compliance testing only was carried out

In forming my internal audit opinion I have also taken into consideration the work undertaken by the internal auditors for Thames Valley Police on the collaborative arrangements for ICT and the South East Regional Organised Crime Unit (SEROCU) programme governance and by the internal auditors for Sussex Police also on SEROCU. This is in accordance with the internal audit protocol approved by all collaborative partners to avoid duplication of coverage.

A summary of the reviews undertaken and the opinions given (based on each organisation's own internal audit opinion definitions) is as follows:

- ICT collaborative arrangements – follow up of 2012/13 report (no opinion given)
- ICT Change Management – limited assurance but with no significant risks identified for Hampshire
- SEROCU Collaboration Programme Governance (Thames Valley review) – majority assurance
- SEROCU (Sussex review) – substantial assurance.

## 5. Significant Issues Arising

There were no significant issues arising from internal audit work carried out in accordance with the 2013/14 audit plan.

Where our work identified risks that we considered fell outside the parameters acceptable to the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

## 6. Other Issues

Over the course of 2013/14 the Office for the Police and Crime Commissioner for Hampshire and Hampshire Constabulary have been working to develop new joint risk management arrangements. This has been discussed at each meeting of the Joint Audit Committee and as a result we were asked to carry out a further review of this area to provide assurance over the new arrangements as well as the actual arrangements in



place over the course of the year. We found the new processes and guidance to be appropriate but at the time of our review they had yet to be formally implemented. Our review of the actual arrangements in place whilst these processes were being developed also found evidence that risk was actively managed by the Office of the Police and Crime Commissioner and Hampshire Constabulary during 2013/14.

## **7. Anti Fraud and Corruption**

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary have established Confidential Reporting and Whistleblowing policies respectively. No allegations of fraud, corruption or improper practice have been reported to us during the year for investigation. Given the nature of the business such issues are reported to the Constabulary's Professional Standards Department for assessment and investigation.

Both the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary were required to complete the Audit Commission's Fraud and Corruption Survey for 2013/14 and our review of the results has not identified any issues that impact on our internal audit opinion for 2013/14 or our plans for 2014/15.

Internal audit facilitated the submission of relevant datasets for inclusion in the 2012/13 National Fraud Initiative (NFI). Initial matches were received in January 2013 and reviews of the high priority matches relating to creditors and key matches for pensions have been carried out by Hampshire Constabulary with no savings identified. Due to Constabulary staff involvement in the Integrated Business Centre project taking priority and the fact that the data matching exercise has not identified any significant issues in the past, no further work on the remaining matches relating to pensions and payroll data are planned. Any issues will, however, be picked up in the next data matching exercise which commences in October 2014.

## 8. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a new requirement within the Standards.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

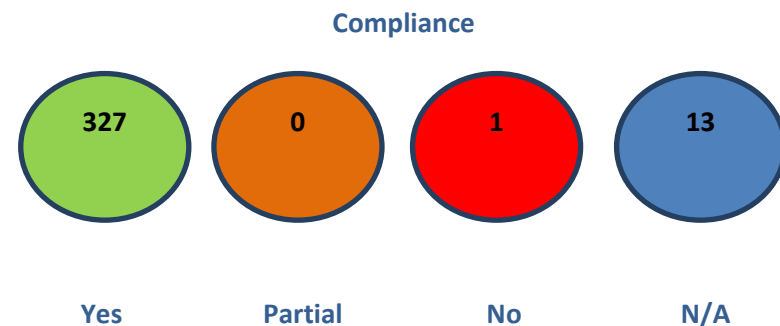
In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

The Standards stipulate that internal assessments should be undertaken as a self-assessment or by other persons within the organisation with sufficient knowledge of internal audit processes.

During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment against the Standards and the LGAN. To provide independence to the process the self –assessment was reviewed by Hampshire County Council’s Monitoring Officer to ensure it presented a true and fair view.

Independent analysis confirmed that the self assessment provided ‘a fair assessment of the internal audit activity’

The form of the external assessment is currently under review.



## 9. Disclosure of Non-Conformance

**'In is my opinion that in all material respects the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing, the Code of Ethics and the Standards'**

Whilst the Standards only require non-conformance to be disclosed when it impacts the overall scope or operation of the internal audit activity, the additional requirements for the public sector state that all instances of non-conformance and progress against improvement plans must be reported in the annual report. The QAIP Action Plan is provided at Appendix 1.

## 10. Quality control

Our aim is to provide a service that remains responsive to the needs of the Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary and maintains consistently high standards. In addition to the QAIP this was achieved in 2013-14 through the following internal processes:

- On-going liaison and communication with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going 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 complemented by a comprehensive set of audit and management procedures; and
- Review and quality control of all internal audit work by professional, qualified senior staff members.

### 11. Internal Audit Performance

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

Annual performance indicators		
Aspect of service	2012-13 Target (%)	2013-14 Actual (%)
Revised plan delivered (including 2012/13 c/f)	96	100
Positive customer responses to quality appraisal questionnaire	94	95
Compliant with the Public Sector Internal Audit Standards	Yes	Yes

### 12. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Office of the Police and Crime Commissioner for Hampshire 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  
Deputy Head of Southern Internal Audit Partnership  
June 2014

## Appendix 1 – Quality Assessment & Improvement Action Plan

### Compliance against the Public Sector Internal Audit Standards / Local Government Application Note

#### Public Sector Internal Auditing Standards Action Plan – No Compliance

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
3.2 - Independence and Objectivity					
Does the board: e) approve decisions relating to the appointment and removal of the CAE	No	Southern Internal Audit Partnership are the appointed auditors for the OPCC and Hampshire Constabulary and the role of the CIA has been delegated to the Deputy Head of the SIAP. As an employee of Hampshire County Council (HCC) the role holder is subject to HCC's HR processes. Any concerns or issues with the service or the role of the CIA should therefore be referred to the Board to raise with the Section 151 Officers.	No further action required.	-	-

**Public Sector Internal Auditing Standards  
Action Plan – Not Applicable**

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
<b>3.2 - Independence and Objectivity</b>					
Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A	There have been no known instances where an internal auditor has used information for personal gain	-	-	-
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	N/A	There have been no known instances of real or apparent impairment of independence or objectivity.	-	-	-
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	N/A	The Chief Internal Auditor has no operational responsibilities outside of the internal audit function.	-	-	-
<b>3.4 - Quality Assurance and Improvement Programme</b>					
Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014

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Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
		April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.			
Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new.  The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new.  The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014
Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	N/A	The requirement for an external assessment (to be	The options, form, timing and scope of the external	Chief Internal	September 2014

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Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
		undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	assessment are currently being reviewed	Auditor	
Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment process? Competence can be determined in the following ways: a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience. Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014
How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014



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Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
		requirement to have completed an external assessment until 31 March 2018.			
Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new.  The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The options, form, timing and scope of the external assessment are currently being reviewed	Chief Internal Auditor	September 2014
4.5 - Communicating Results					
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:					
a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
b) The reason(s) for non-conformance?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
c) The impact of non-conformance on the engagement	N/A	Occasion has not arisen whereby non-conformance	-	-	-

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Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
and the engagement results?		with PSIAS has impacted on an engagement.			

- NOT PROTECTIVELY MARKED -