

**Police and Crime Commissioner for Hampshire and
Hampshire Constabulary**

Item: 9

Joint Audit Committee

22 June 2017

Annual Internal Audit Report and Opinion 2016/17

Report of the Chief Internal Auditor

1. Purpose

1.1 The purpose of this paper is to provide the Joint Audit Committee with the Chief Internal Auditor's opinion on the adequacy and effectiveness of the frameworks of risk management, internal control and governance operated for the year ending 31st March 2017.

2. Recommendation

2.1 That the Joint Audit Committee considers and makes recommendations as appropriate, on the Chief Internal Auditor's annual report and opinion statement for 2016/17.

3. Chief Internal Auditor's Annual Report and Opinion

3.1 In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the systems of internal control operated by the Office of the Police and Crime Commissioner (OPCC) and Hampshire Constabulary and this provides evidence to support the production and review of the Annual Governance Statement.

3.2 The Annual Report for 2016/17 provides the Chief Internal Auditor's opinion on the systems of internal control and summarises audit work from which that opinion is derived for the year ending 31st March 2017.

3.3 The Joint Audit Committee's attention is drawn to the following points:

- Internal audit was compliant with the Public Sector Internal Audit Standards in 2016/17;
- The revised internal audit plan for 2016/17 has been delivered;
- The framework of governance, risk management and management control is considered to be adequate and audit testing has demonstrated controls to be working in practice. Assurance over the ICT and information management services provided as part of the collaborative arrangements with Thames Valley Police for 2016/17 has been obtained from the Thames Valley Police Joint Internal Audit Team.
- Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were

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not fully followed, appropriate corrective actions and a timescale for improvement have been agreed with the responsible managers.

Karen Shaw
Chief Internal Auditor

For further information please contact Karen Shaw, Chief internal Auditor, on (01962) 846194 or e-mail karen.shaw@hants.gov.uk

APPENDICES

***Appendix A* = Chief Internal Auditor's Annual Report and Opinion 2016/17.**

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Internal Audit Progress Report

June 2017

**Office of the Police and Crime Commissioner
for Hampshire and 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 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards, updated in 2016, [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 Police and Crime Commissioner and Chief Constable 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 Police and Crime Commissioner and Chief Constable 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. Purpose of report

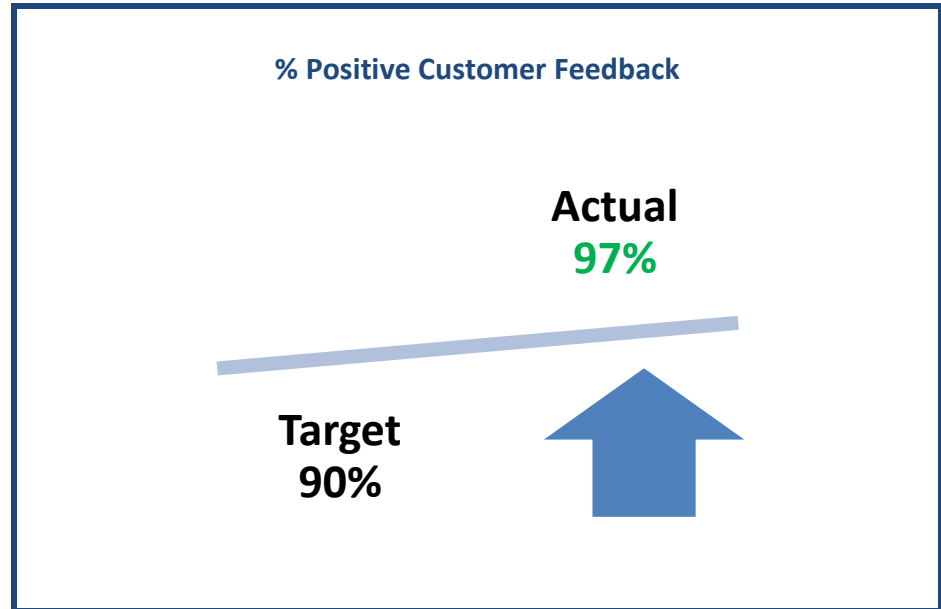
In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to Senior Management and the Board, summarising:

- The status of live internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- | | |
|--------------------|---|
| Substantial | A sound framework of internal control is in place and 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. |
| No | Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives. |

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

4. Status of 'Live' Reports and reports closed since our last progress report

Audit Review	Audit Scope	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
Contract management 2015/16	This audit covered the arrangements in place for contract management at the Constabulary/OPCC after they have been let by Shared Services.	2.6.16	CFO to the CC & CFO to the PCC	Adequate	2(2)			1(1)	1 (1)
Local management of Shared Services processes 2015/16	Audit testing focused on procurement cards.	2.6.16	CFO to the CC & CFO to the PCC	Limited	6(0)			5(0)	1(0)
Change programme 2016/17	This audit covered the very early stages of the HC2020	14.12.16	DCC	Limited	13(0)		4(0)	6(0)	3(0)

Audit Review	Audit Scope	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
	programme.								
Health and safety 2016/17	The scope of this review focused on the strategic arrangements for ensuring health and safety requirements are appropriate at the Constabulary and Office of the Police and Crime Commissioner. This review did not extend to operational policing.	14.02.17	DCC	Limited	8(1)		2(0)	5(0)	1(1)
Joint Operations Unit Collaboration 2016/17	The scope of this review focused on the governance and performance management	18.04.17	DCC	Limited	16(1)		6(0)	6(1)	4(0)

Audit Review	Audit Scope	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
					Reported	Not Accepted	Pending	Cleared	Overdue
	frameworks and financial arrangements for the collaboration.								
Psychological services	This audit focused solely on the control framework around one provider, looking at how the screening service provided is managed by the Occupational Health and Wellbeing Service and Hampshire Constabulary. We have not looked at the quality or appropriateness of the service provided.	24.05.17	DCC	No	16(11)		13(10)	3(1)	

5. Planning & Resourcing

The internal audit plan for 2016/2017 was approved by the Police and Crime Commissioner and Chief Constable following feedback from the Joint Audit Committee in March 2016.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Police and Crime Commissioner and Chief Constable. Progress against the plan is detailed within section 6.

Variations to the plan are summarised below:

Plan Variations	
Removed from the plan	Reason
Main accounting system (SAP) – shared services	Substantial assurance given in 2014/15 and no changes to system
Capital accounting – shared services	Process is not the same for all partners – reviewing approach
HR – team management - shared services	2015/16 review of Information Governance covered areas in scope for this review.
Employer pension responsibilities – ABS – shared services	Full Employer pension responsibilities still being undertaken in 2016/17. Smaller ABS aspect removed from the plan as changes were minimal.
BACS – shared services	Delay in implementing new system – moved to 2017/18 to enable system to embed.
Property management – shared services	Common approach not in place yet.
Procurement strategy and process – shared services	Common approach not in place yet.
Procurement IT Hardware – shared services	Common approach not in place yet.
Local management of shared services processes	No scope determined, time carried forward to 2017/18.
CARM	Detailed scoping carried out and confirmed with CC CFO no audit required as concerns had been addressed.

Additions to the plan	Reason
CARM	Upgrade to the CARM system which requires a new interface to transfer data from CARM to SAP payroll.
Psychological services	Request from Deputy Chief Constable Glen.

6. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Shared Services reviews 2015/16									
Procurement category management	N/A	✓	✓	✓	✓	3/2/17	Adequate	✓	
Debt management	N/A	✓	✓	✓	✓	29/11/16	Adequate	✓	
Audit Plan 2016/17									
Health and safety arrangements	DCC	✓	✓	✓	✓	14/2/17	Limited	✓	
Fleet/Vehicle	CFO to	✓	✓	✓	✓	7/10/16	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
management	the CC								
Collaboration arrangements – Joint Operations Unit	DCC	✓	✓	✓	✓	18/4/17	Limited	✓	
Change programme	DCC	✓	✓	✓	✓	14/12/16	Limited	✓	
PCC Election arrangements	PCC Chief Exec	✓	✓	✓	✓	18/1/17	Adequate	✓	
NFI	CFO to the CC	✓	N/A	✓	N/A	N/A	N/A	✓	
Pro-active fraud – Self Assessment Survey	HoPSD	✓	N/A	✓	✓	N/A	N/A	✓	
Budget planning	CFO to the CC and CFO to the PCC	✓	✓	✓	✓	16/8/16	Substantial	✓	
Psychological services	DCC	✓	✓	✓	✓	24/5/17	No	✓	
Shared services reviews 2016/17									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Payroll	N/A	✓	✓	✓	✓	23/3/17	Substantial	✓	
Order to cash	N/A	✓	✓	✓	✓	27/3/17	Adequate	✓	
Purchase to pay	N/A	✓	✓	✓	✓	28/3/17	Adequate	✓	
Taxation	N/A	✓	✓	✓	✓	12/12/16	Substantial	✓	
Master Data Team	N/A	✓	✓	✓	✓	31/10/16	Adequate	✓	
Employer pension responsibilities	N/A	✓	✓	✓	✓			✓	
Governance arrangements (consultancy)	N/A	✓	N/A	✓	N/A	N/A	N/A	✓	
Recruitment	N/A	✓	✓	✓	n/a	n/a	n/a	✓	Work to combine with 2017/18 review
Procurement – category management	N/A	✓	✓	✓	✓	23/5/17	Adequate	✓	
Collaboration audits 2016/17									
ICT Access to Systems	TVP	N/A	N/A	N/A	N/A	26/5/17*	Limited	N/A	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ↻ Delay)	Comment
ICT Back Up and Recovery	TVP	N/A	N/A	N/A	N/A	26/5/17*	Back up = Reasonable Recovery = Limited	N/A	
ICT Cyber Security	TVP	N/A	N/A	N/A	N/A	26/5/17*	Reasonable	N/A	
ICT Service Desk Arrangements	TVP	N/A	N/A	N/A	N/A	15/5/17*	Reasonable	N/A	
ICT Project Assurance Framework	TVP	N/A	N/A	N/A	N/A	15/5/17*	Reasonable	N/A	

*Date received from Thames Valley Police Internal Auditors.

Key to TVP assurance ratings	
Substantial	The system of internal control is strong and risks are being effectively managed. Some minor action may be required to improve controls.
Reasonable	The system of internal control is good and the majority of risks are being effectively managed. Some action is required to improve controls.
Limited	The system of internal control is limited and the majority of risks are not being effectively managed. Actions are required to improve controls.
Minimal	The system of internal control is weak and risks are not being effectively managed. Significant action is required to improve

	controls.
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Key to abbreviations:	
CFO to the CC	Chief Finance Officer to the Chief Constable
CFO to the PCC	Chief Finance Officer to the Police and Crime Commissioner
DCC	Deputy Chief Constable
HoPSD	Head of Professional Standards Department
TVP	Thames Valley Police
N/A	Not applicable