
Southern Internal Audit Partnership

Assurance through excellence
and innovation

OFFICE OF THE POLICE & CRIME COMMISSIONER FOR HAMPSHIRE & ISLE OF WIGHT AND HAMPSHIRE & ISLE OF WIGHT CONSTABULARY

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May 2023

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1. Role of Internal Audit

The Police and Crime Commissioner for Hampshire (PCC) and the Chief Constable are required by the Accounts and Audit (England) Regulations 2015, to:

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

In fulfilling this requirement, the PCC and Chief Constable should have regard to the Public Sector Internal Audit Standards (PSIAS), issued by the relevant internal audit standards setters (the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors), as the internal audit standards set for local government and the police. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

In addition to enabling the PCC and Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal audit is needed to help the PCC and Chief Constable satisfy themselves that effective internal control systems are in place; and to provide assurance that financial systems and internal controls are effective and that the Police Fund is managed so as to secure value for money.



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 organisation’s 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 PCC 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 PCC and Chief Constable that these arrangements are in place and operating effectively.

The PCC and Chief Constable’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 provides 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 in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- 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 PCC and Chief Constable on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

Collaboration and Shared Services

The Office of the Police and Crime Commissioner (OPCC) and Constabulary have entered into a range of partnership and collaborative arrangements. Protocols for providing assurance over these arrangements have been agreed and the results of this work are reflected in my opinion, as summarised below:

Shared Services - International Standard on Assurance Engagements (ISAE 3402)

The OPCC and Constabulary have entered into a range of shared services with Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Authority. The Integrated Business Centre (IBC) is a shared service function hosted by Hampshire County Council, delivering transactional processing and business support services to a growing number of public sector bodies.

ISAE 3402 provides an international assurance standard allowing public bodies to issue a report for use by user organisations and their auditors (user auditors) on the controls at a service organisation that are likely to impact or be a part of the user organisation's system of internal control over financial reporting enabling them to inform both their annual governance statement and the annual audit opinion.

In 2022-23 Hampshire County Council commissioned a Service Organisation Controls (SOC) Type 2 Report under International Standard on Assurance Engagement (ISAE) 3402. Assurance against the international standard was provided by Ernst & Young.

The scope of the review incorporated coverage of General Ledger, Order to Cash, Purchase to Pay, Cash & Bank, HR and Payroll, IT General Controls. In forming their 'Opinion' the auditors (Ernst & Young) concluded:

'In our opinion, in all material respects:

- a. The Description fairly presents the finance, HR and IT shared services system as designed and implemented throughout the period 1 April 2022 to 31 December 2022.*

- b. The controls related to the Control Objectives stated in the Description were suitably designed throughout the period from 1 April 2022 to 31 December 2022 to provide reasonable assurance that the Control Objectives would be achieved if the controls operated effectively*

throughout the period 1 April 2022 to 31 December 2022 and if subservice organisations and user entities applied the complementary controls assumed in the design of Integrated Business Centre's controls throughout the period 1 April 2022 to 31 December 2022; and

- c. *The controls tested, which were those necessary to provide reasonable assurance that the Control Objectives stated in the Description were achieved, operated effectively throughout the period 1 April 2022 to 31 December 2022 if complementary subservice organisation and user entity controls assumed in the design of Integrated Business Centre's controls operated effectively throughout the period 1 April 2022 to 31 December 2022.'*

To complement the ISAE 3402 Type 2 report a further letter of assurance was provided by the Director of Corporate Operations to confirm for the period 1 January 2023 to 31 March 2023:

- “There have been no significant changes to the processes and controls set out in the report.
- There have been no instances in which the design of existing controls was not effective due to changes to the environment in which the System operates, data, personnel, or other factors.
- There have been no instances in which controls did not operate as designed due to changes in the environment, data, personnel, availability of resources or other factors.
- There have been no instances in which the Company has failed to achieve the related control objectives; and
- There are no reasons why we believe the Management Statement would not still be valid.”

In forming my opinion, I place reliance on the assurance provided under ISAE3402 and we do not seek to duplicate this work. However, we continue to review areas of the Shared Services falling outside the scope of the ISAE3402 engagement as appropriate, through a shared internal audit plan with Hampshire County Council and Hampshire and Isle of Wight Fire and Rescue Authority. The results of this work are also reflected in my opinion.

Collaboration with Thames Valley Police

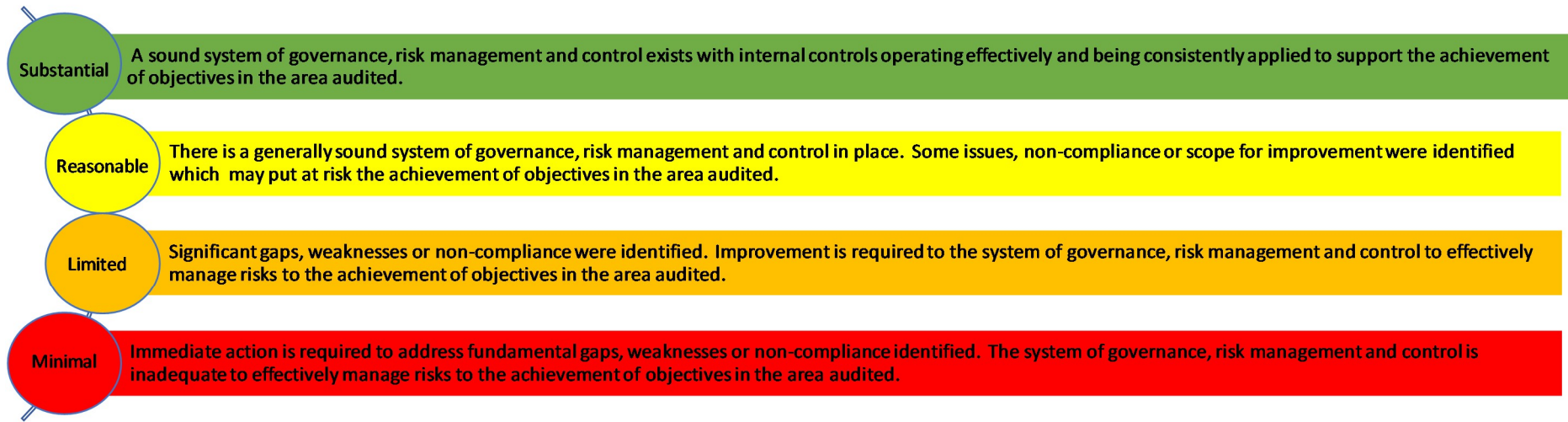
The Constabulary has a shared Joint Information and Communication Technology and Joint Information Management Unit for which Thames Valley Police is the lead partner. In accordance with the internal audit protocol approved by the collaborative partners, and to avoid duplication of coverage, the internal auditors for Thames Valley Police provide the assurance on these collaborative arrangements. The Chief Internal Auditor for Thames Valley Police has provided an annual assurance statement as follows:

Assurance Statement 2022-23 - Joint Information and Communication Technology and Joint Information Management Unit

“As at March 2022, the 2022/23 Joint Internal Audit Plan had been collated and was endorsed by the JIAC. However, when scoping the Asset Management audit, it was identified that the risks relating to the Windows Licencing review could be covered as one audit. The audit was therefore retitled Software Asset Management. With the additional resources, a further review was completed relating to the ICT Project Assurance Framework. No IM audits were identified.

The ICT audits included within the endorsed 2022/23 Joint Internal Audit Plan have been completed and on the basis of this work, the opinion on ICT and IM’s governance, risk and control frameworks is **reasonable assurance**. The governance, risk management and control arrangements are good, although some action is required to improve efficiency or effectiveness. The opinion demonstrates a good awareness and application of effective risk management, control and governance to facilitate the achievement of both organisations’ objectives, outcomes and delivery of services. Areas were identified through our work where the design or effectiveness of arrangements in place required enhancing or strengthening. Where these areas were reported, management responded positively, identifying appropriate actions to address the risks raised.”

The definitions used by the internal auditors for Thames Valley Police are as follows:



3. Internal Audit Coverage

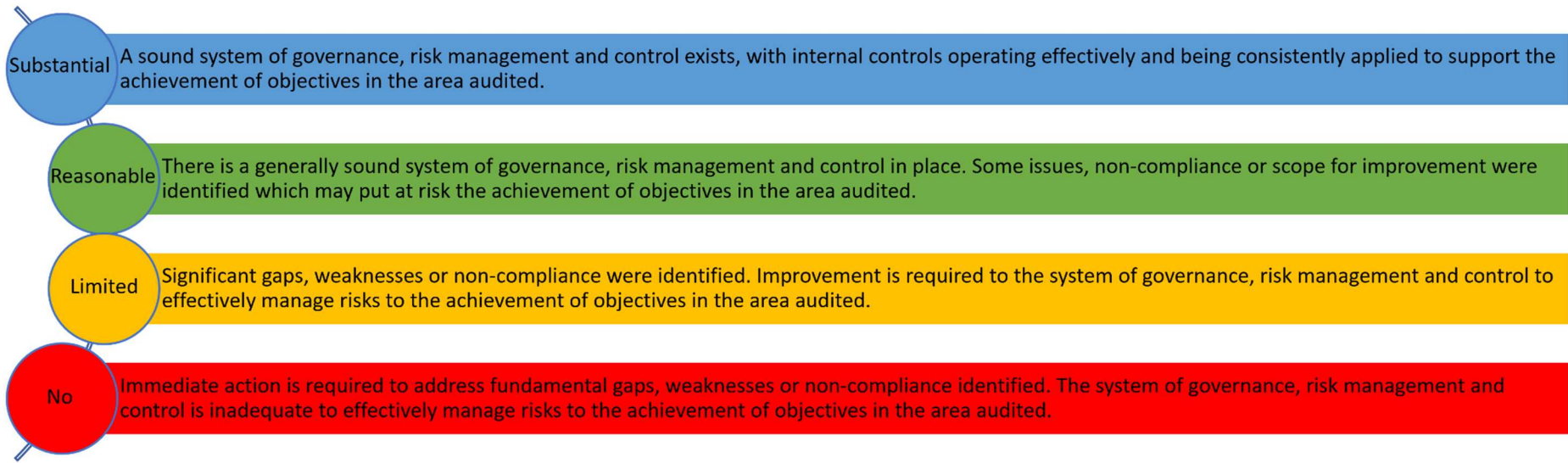
The annual internal audit plan was prepared to take account of the characteristics and relative risks of the OPCC and Constabulary activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Joint Audit Committee in February 2022 prior to approval by the PCC and Chief Constable. It was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management, including the PCC’s Chief Executive, Chief Finance Officer for the PCC, Chief Finance Officer for the Constabulary and the Assistant Chief Constable (Corporate Services), to ensure it aligned to key risks facing the organisations.

The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. As a result, a number of changes were

made to the plan that was approved in February 2022 to ensure that it continued to meet the needs of the PCC and Chief Constable during the year. These changes were agreed with the Chief Finance Officers for the PCC and Constabulary and reported in detail to the Joint Audit Committee in the internal audit progress reports which were reviewed at each meeting. Due to the significant restructure of the OPCC, this included the deferral of two reviews to 2023-24 to allow time for the revised structure, teams and processes to embed.

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. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the PCC and Chief Constable to inform their governance statements. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' 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 opinion 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 PCC and Chief Constable's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the OPCC, the Constabulary and the Joint Audit Committee. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. As Chief Internal Auditor, I feel that the maturity of this relationship and the PCC and Chief Constable's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

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 internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable overall and audit testing has demonstrated controls to be working in practice.

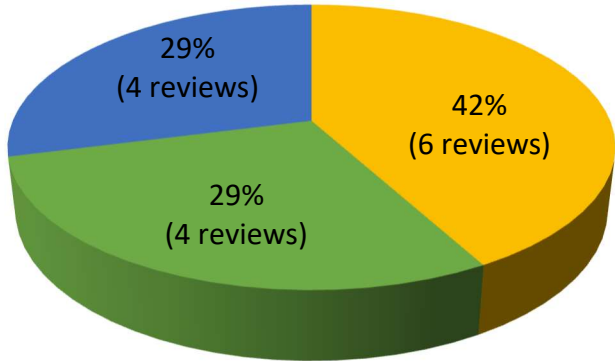
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Joint Audit Committee in full throughout the year and a summary of the assurance opinions is outlined below. None of the reviews carried out during 2022-23 resulted in a ‘no assurance’ rating. For a table summarising the opinions assigned to each audit review see Exempt Appendix B.

Assurance Opinions



■ No ■ Limited ■ Reasonable ■ Substantial

Governance

Governance arrangements are considered during the planning and scoping of each review area and in most cases, the scope of our work includes a review of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements;
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook reviews of the governance arrangements in place to ensure that the OPCC and Constabulary can demonstrate compliance with the CIPFA Financial Management Code, with both reviews resulting in a substantial assurance opinion.

Based on the work completed during the year and observations during our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the OPCC and Constabulary are robust, fit for purpose and subject to regular review as part of the annual review of governance arrangements and the production of the Annual Governance Statement. There is also appropriate reporting to the Joint Audit Committee to provide the opportunity for independent consideration, challenge and recommendation to the Chief Constable and PCC relating to the Annual Governance Statements. The Committee also periodically review the Scheme of Corporate Governance.

In terms of culture, our experience is that both the OPCC and Constabulary are committed to continuous improvement and findings from internal audit reviews and all external sources of assurance are taken seriously with action plans put in place and monitored to completion. This is based on our observations through our attendance at the Joint Audit Committee, Strategic Risk and Learning Board and monthly liaison meetings with senior officers from the OPCC and Constabulary. During the year the OPCC completed a significant restructure, and this did impact on the timing of our planned reviews whilst new teams and processes embedded, however the impact of the restructure on ongoing governance, risk management and control processes will continue to be considered in future internal audit work.

No common findings or issues of concern relating to governance have been identified during the course of our work.

Risk management

We last reviewed risk management arrangements in the OPCC in 2019, resulting in a reasonable assurance rating. The planned review for 2022-23 has been deferred to 2023-24 to allow time for the impact of the restructuring to settle. Based on our planning discussions with the OPCC, reports presented and discussed at the Joint Audit Committee and attendance by OPCC officers at the Strategic Risk and Learning Board where Constabulary and OPCC risks are discussed, the OPCC appears to continue to actively identify and manage risks and this will be reviewed in detail as part of our 2023-24 internal audit plan.

We reviewed the Constabulary's arrangements for risk managements during the year and this also resulted in a reasonable assurance opinion, with no significant issues arising but observations made to further enhance the process. The evidence obtained during the review demonstrated that risk management arrangements are robust and well documented within the Constabulary. We found that risk owners are

clearly identified, and risks are regularly reviewed and challenged to ensure that they remain relevant with appropriate mitigations in place, or further actions planned. Constabulary risks are also reviewed quarterly at the Strategic Risk and Learning Board.

In accordance with their terms of reference, the Joint Audit Committee, 'monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC and the CC in addressing risk-related issues reported to them'. This has been supported throughout the year through the Committee's overview of the approach to risk management and the Risk Registers which feature as a standard agenda item. The Committee continue to be instrumental in helping both the Constabulary and OPCC to improve their risk management processes and approach.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is also taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

Control

Internal audit work found there to be a sound control environment in place across eight of the review areas included in the 2022-23 plan where systems were working effectively to support the delivery of corporate objectives.

As indicated above, however our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance and concern raised by management to ensure that ongoing organisational improvements can be achieved. It is therefore unlikely for all areas to achieve substantial or reasonable assurance ratings. Whilst six reviews resulted in a limited assurance opinion during the year, these related to specific issues rather than a general failure of governance and control and we identified opportunities to strengthen the controls framework and / or to improve compliance with existing controls. The key observations from these reviews are outlined in the Exempt Appendix B.

We found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestions for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the OPCC or Constabulary, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Implementation of all agreed actions is monitored and challenged as appropriate by either the OPCC; or by the Constabulary. Progress is also reported to the Joint Audit Committee throughout the year through the quarterly internal audit progress reports and reports from management which also provide an update on the status of any overdue actions. These reports demonstrate that actions are closely monitored to completion.

6. Anti-Fraud and Corruption

The OPCC and the Constabulary are committed to the highest possible standards of openness, probity and accountability and recognise that the public need to have confidence in those responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence and damage reputation and image. Policies and strategies are in place setting out the approach and commitment to the prevention and detection of fraud or corruption.

The OPCC and the Constabulary have established Confidential Reporting and Whistleblowing policies respectively. Given the nature of the business, any concerns are reported to the Constabulary's Professional Standards Department or Compliance Unit for assessment and investigation, however, we are notified of any issues through the Chief Financial Officers to ensure that the impact on the control framework can be assessed as appropriate.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The latest NFI data upload was carried out in October 2022. Potential matches will continue to be reviewed by the Constabulary throughout 2023-24 and we are not aware of any significant issues arising to date.

No significant issues relating to fraud or corruption have been brought to my attention during 2022-23 that would impact on the system of governance, risk management or control.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a 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.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards’.

There are no disclosures of Non-Conformance to report.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of the OPCC and Constabulary and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison 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 maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- A self-assessment against the IPPF, PSIAS & LGAN.

10. Internal Audit Performance

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

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft / final report)	95%	82%
Positive customer survey response		
● Hampshire OPCC & Constabulary	90%	99%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date March 2023).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the OPCC and 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
May 2023

Summary of audit reviews completed in 2022-23 by assurance rating

See Exempt Appendix B to cover report