

<b>JOINT POLICE &amp; CRIME COMMISSIONER AND CUMBRIA CONSTABULARY AUDIT AND STANDARDS COMMITTEE</b>	<b>Paper No. 14</b>
<b>Meeting date: 24 May 2017</b>	
<b>From: Audit Manager (Cumbria Shared Internal Audit Service)</b>	

## **INTERNAL AUDIT: ANNUAL REPORT 2016/17**

### **1. EXECUTIVE SUMMARY**

- 1.1. *This report provides a summary of the outcomes of the work of internal audit for 2016/17 and includes the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner and Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards.*
- 1.2. *Key points from internal audit's annual report are:*
- *The annual opinion of the Head of Internal Audit: based on work undertaken by Internal Audit during the year, the Audit Manager is able to provide Reasonable assurance over the effectiveness of the Police and Crime Commissioner and Chief Constable's arrangements for governance, risk management and internal control.*
  - *A total of 20 audit reviews have been finalised. This represents 91% of the planned audit work for the year.*
  - *Work is continuing on two audits from the 2016/17 internal audit plan. This does not impact on our ability to provide an annual opinion. The outcome of these audits will be reported to the Joint Audit and Standards Committee and will feed into our opinion for 2017/18.*
- 1.3. *Overall, 70% of finalised audit reviews resulted in Reasonable assurance.*

- 1.4. ***All audits have received a positive response from management with agreed action plans in place to address all recommendations.***
- 1.5. ***Follow ups have resulted in assurances being revised from partial / limited to reasonable assurance demonstrating the organisations' commitment to ensuring strong governance, risk management and internal control arrangements.***
- 1.6. ***Summaries of the outcomes of all completed audits during the year are included at Appendix 1. The text shaded in grey has been reported to Joint Audit and Standards Committee through regular progress reports during the year.***

## **2. POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS**

- 2.1. ***Internal Audit's assessment of internal control forms part of the annual assessment of the system of governance, risk management and internal control, which is now a mandatory requirement.***
- 2.2. ***The Audit Plan aims to match internal audit coverage with the PCC and Chief Constable's corporate risk assessment.***
- 2.3. ***Internal Audit must conform to the Public Sector Internal Audit Standards which require the preparation by the Head of Internal Audit of an annual opinion on the overall systems of governance, risk management and control. Regular reporting to Joint Audit and Standards Committee enables emerging issues to be identified during the year.***

## **3. RECOMMENDATION**

- 3.1. ***Members are asked to note:***
  - ***The progress in delivering the 2016/17 audit plan.***
  - ***The Head of Internal Audit's opinion and assurance statement on the PCC and Chief Constable's overall systems of governance, risk management and internal control for the year ended 31<sup>st</sup> March 2017.***
  - ***The Head of Internal Audit's declaration of conformance with the mandatory Public Sector Internal Audit Standards.***
  - ***The results of the Quality Assurance and Improvement programme***

- ***The Head of Internal Audit's declaration of Internal Audit independence as required by the PSIAS.***

## **4. BACKGROUND**

- 4.1. The PCC and Chief Constable must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the PCC and Chief Constable 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.
- 4.2. Internal audit is responsible for providing independent assurance to the PCC and Chief Constable and to the Joint Audit and Standards Committee on the systems of governance, risk management and internal control.
- 4.3. It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls are operating effectively.

### **Internal Audit Opinion**

- 4.4. The purpose of this report is to give my opinion as the Head of Internal Audit for the PCC and Chief Constable on the adequacy and effectiveness of both organisations' systems of risk management, governance and internal control from the work undertaken by internal audit for the year ended 31<sup>st</sup> March 2017. The annual opinion from the designated head of the internal audit function is a requirement of the Public Sector Internal Audit Standards.
- 4.5. This report is a key contributor to the PCC and Chief Constable's Annual Governance Statement.
- 4.6. In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance that there are no major control weaknesses. My opinion is based on the work undertaken by internal audit during the year, including the outcomes of follow up work.
- 4.7. I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also report that there

has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement.

- 4.8. In my opinion, the PCC and Chief Constable's frameworks of governance, risk management and internal control are reasonable and audit testing has confirmed that controls are generally working effectively in practice. Where internal audit work has identified scope for improvements, the management response has been positive with agreed action plans in place to address all recommendations.
- 4.9. The Shared Service Group Audit Manager has undertaken review of all internal audit work contributing to the annual opinion statement and is able to confirm that all work has been undertaken in accordance with the Public Sector Internal Audit Standards and with the Quality Assurance and Improvement Programme. All audit work has been reviewed at key stages by the Audit Manager or nominated deputy and is supported by appropriate evidence.
- 4.10. The Group Audit Manager supports the assurance opinion provided in this report.

#### **Internal audit performance**

- 4.11. A suite of performance measures was used to monitor Internal Audit's performance during 2016/17. The results are shown at Appendix 3.

#### **Internal audit coverage and outputs**

- 4.12. 18 reviews contributing to the assurance rating have been finalised. All audits relating to the OPCC have received an assurance level of reasonable or above.
- 4.13. Seven Constabulary reviews were assessed as providing reasonable or substantial assurance with all reviews of financial systems, covering both organisations and operated by the Constabulary, receiving reasonable assurance or higher. Five Constabulary audits have received partial assurance levels.
- 4.14. Management responses to Internal Audit reports and recommendations have been positive and follow ups undertaken during the year show a consistent picture of improvement. Progress in implementing Internal Audit recommendations are monitored by the Joint Audit and Standards Committee at each meeting.

- 4.15. The following table summarises the total number of audit evaluations made during 2016/17 for the Constabulary, OPCC and systems operated jointly for both organisations.

<b>Assurance level</b>	<b>Constabulary</b>	<b>OPCC</b>	<b>Joint</b>
Substantial	1	1	1
Reasonable	6	2	2
Partial	5	0	0
No / limited	0	0	0
<b>Total (with assurance)</b>	<b>12</b>	<b>3</b>	<b>3</b>
N/A	1	1	0
Grand total	13	4	3

- 4.16. Appendix 1 provides the detail of audit work undertaken from the 2016/17 internal audit plan. Text that is shaded in grey was reported to Joint Audit & Standards Committee at its meeting on 15<sup>th</sup> March and is included here for completeness.

### **Results of the Quality Assurance and Improvement Programme**

- 4.17. The QAIP was presented to the March 2017 JASC. We can confirm that the QAIP was followed in 2016/17.

### **Statement of Conformance with Public Sector Internal Audit Standards**

- 4.18. We have reviewed our conformance with the Public Sector Internal Audit Standards. The review took the format of a self-assessment against the checklist contained within the Local Government Application Note which accompanies the Public Sector Internal Audit Standards.
- 4.19. The outcomes of the review confirm that internal audit work has been undertaken in accordance with the Public Sector Internal Audit Standards.

**Emma Toyne**  
**Audit Manager**  
 9th May 2017

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### **APPENDICES**

***Appendix 1: Audits completed from the 2016/17 internal audit plan***

***Appendix 2: Progress of 2016/17 audit plan***

***Appendix 3: Internal Audit performance measures***

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## Appendix 1 – Final reports issued to 9 May 2017

Assignments	Status	Assessment
Annual report 15/16	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Annual Governance Statement 15/16 OPCC	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Annual Governance Statement 15/16 Constabulary	Presented to Joint Audit and Standards Committee 3 May 2016.	N/A
Procurement – OPCC	Report presented to Joint Audit and Standards Committee at the 7th September 2016 meeting. Report included in Committee papers and available on the Commissioner’s website.	Substantial
Procurement – Constabulary	Report presented to Joint Audit and Standards Committee at the 7th September 2016 meeting. Report included in Committee papers and available on the Commissioner’s website.	Partial
Business Continuity Planning - follow up (OPCC)	Report circulated to Joint Audit and Standards Committee. Report available on the Commissioner’s website.	Reasonable
Cumbria Multi-Agency Safeguarding Hub (2015/16 plan)	Report presented to Joint Audit and Standards Committee 24 November 2016. Report included in Committee papers and available on the Commissioner’s website.	Partial
Mobile and Digital	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Substantial
Stop and Search	Report presented to Joint Audit and Standards Committee 15 February 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Reasonable
Self Service – travel expenses and overtime	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Reasonable

## Appendix 1 – Final reports issued to 9 May 2017

Code of Corporate Governance – OPCC	Report presented to Joint Audit and Standards Committee 15 February 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Reasonable
Code of Corporate Governance - Constabulary	Report presented to Joint Audit and Standards Committee 15 February 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Reasonable
Follow up – Duty Management System	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Reasonable
Information Security	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Reasonable
Criminal Justice Unit - Digital Case Files	Report presented to Joint Audit and Standards Committee 24 May 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Partial
Use of Stingers	Report presented to Joint Audit and Standards Committee 24 May 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Partial
Receipt, handling & disposal of drugs	Report presented to Joint Audit and Standards Committee 24 May 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Partial
Pensions	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Reasonable
Payroll	Report circulated to Joint Audit and Standards Committee. Report will be available on the Commissioner’s website.	Substantial
Main Accounting System	Report presented to Joint Audit and Standards Committee 24 May 2017. Report included in Committee papers and will be available on the Commissioner’s website.	Reasonable
<p>In addition to the above a member of the Internal Audit team attended the Police Audit Group Conference in July 2016. The event was a useful networking opportunity and provided an overview on a number of areas including:</p> <ul style="list-style-type: none"> <li>• The changing policing landscape</li> <li>• Developments in Internal Audit and governance – CIPFA overview</li> <li>• Promoting Internal Audit and raising standards – Chartered Institute of Internal Auditors</li> <li>• How contracts really work – risk transfer in commercial relationships</li> </ul>		

## Appendix 1 – Final reports issued to 9 May 2017

- Integrated services
- Police effectiveness and accountability – HMIC
- Leadership, ethics and standards in policing
- Police accountability, collaboration and devolution

We will take these areas into account when preparing the 2017/18 Internal Audit plan.

The Group Audit Manager and Audit Manager attended the October 2016 extended Chief Officers' Group (COG) to present key points arising from national governance reports. This was well received and will lead in to 2017/18 Internal Audit planning.

Planning meetings for the 2017/18 Internal Audit plan have been scheduled. Our meetings with Senior Managers at the OPCC and Constabulary will inform the audit universe for both organisations. We will consult with the OPCC and Constabulary in January 2017 to consider the areas to be included in the plan which will be approved by Management. The plan will be presented to Joint Audit and Standards Committee in March 2017.

We have prepared and consulted on the 2017/18 draft Internal Audit plan with the Constabulary and OPCC. The draft plan is presented to the Committee for information as a separate agenda item.

## Appendix 2 – Progress on 2016/17 Audit Plan

OPCC / Constabulary Review	Audit	Stage	Feedback form returned
Constabulary	Safeguarding Hub (work in progress from 2015/16 Internal Audit plan)	Complete	Yes
OPCC	Procurement	Complete	Yes
Constabulary	Procurement	Complete	Yes
Constabulary	Information Security	Complete	Yes
Constabulary	Mobile and Digital	Complete	Yes
Constabulary	Command and Control	Awaiting information from the Constabulary to complete fieldwork	n/a
Constabulary	Criminal Justice Unit – Digital case file preparation	Complete	Yes
Constabulary	Use of Stop Sticks (stingers)	Complete	n/a – form issued 08/05/17
Constabulary	Stop and Search	Complete	Yes
Constabulary	Offender Management	Initial findings meeting held with a further meeting organised prior to report being drafted	n/a
Constabulary	Receipt, handing and disposal of drugs	Complete	n/a – form issued 08/05/17
Constabulary	Self-service – travel expenses / overtime	Complete	Yes

## Appendix 2 – Progress on 2016/17 Audit Plan

<b>OPCC / Constabulary Review</b>	<b>Audit</b>	<b>Stage</b>	<b>Feedback form returned</b>
Constabulary	Governance – Code of Corporate Governance	Complete	Yes
OPCC	Governance – Code of Corporate Governance	Complete	Yes
OPCC and Constabulary	Pensions	Complete	n/a - form issued 09/05/17
OPCC and Constabulary	Payroll	Complete	Yes
OPCC and Constabulary	Main accounting	Complete	Yes
OPCC	Follow up – Business Continuity Planning	Complete	Yes
Constabulary	Follow up – Business Continuity Planning	Complete	n/a – form issued 08/05/17
Constabulary	Follow up - Duty Management System	Complete	Yes
Constabulary	Annual Governance Statement 2015/16	Complete	n/a
OPCC	Annual Governance Statement 2015/16	Complete	n/a

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Completion of audit plan	% of audits completed to final report	95% (annual target)	91%	All audit work has been delivered with the exception of offender management and command & control. A findings meeting has been held for offender management and a further meeting is required before we issue the draft report. There have been delays in receiving some information required to complete the review of command and control due to Constabulary staff absences. This has been raised with management who are working with us to bring this audit to its conclusion.
	Number of planned days delivered	274 (annual target)	268	Six planned days remaining will be delivered to bring the audits of offender management and command & control and command & control to their conclusion.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	100%	

### Appendix 3 – Internal audit performance measures

Measure	Description	Target	Actual	Explanations for variances / remedial action required
Timeliness of final reports	% of final reports issued for corporate director comments within five working days of management response or closeout meeting.	90%	100%	
Recommendations agreed	% of recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	100%	
Quality assurance checks completed	% of QA checks completed	100%	100%	
Customer Feedback	% of customer feedback forms returned.	100%	100%	All feedback forms have been returned with the exception of those issued during May 2017. We would not expect to have received these forms at the time of writing our annual report.
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	100%	Figure is based on fifteen returned client feedback forms as detailed in Appendix 2.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	80%	