

CUMBRIA POLICE & CRIME COMMISSIONER AND CUMBRIA CONSTABULARY JOINT AUDIT COMMITTEE

Meeting date: 23 May 2019

From: Audit Manager (Cumbria Shared Internal Audit Service)

INTERNAL AUDIT: ANNUAL REPORT 2018/19

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the outcomes of the work of internal audit for 2018/19 and includes the Head of Internal Audit's opinion on the effectiveness of the Police and Crime Commissioner and the Chief Constable's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 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 the Chief Constable's arrangements for governance, risk management and internal control.
 - Overall 94% of finalised audits resulted in Reasonable or Substantial assurance.
 - The work of Internal Audit is considered to have provided an appropriate level of coverage to provide the opinion, and there have been no threats to Internal Audit's independence in the year to which this opinion relates.
- 1.3 All audits have received a positive response from management with agreed action plans in place to address all recommendations.

- 1.4 Four follow ups have been finalised during the year. The assurance levels for Multi-agency Safeguarding Hub, Receipt, handling, storage & disposal of drugs, and Offender Management were revised to Reasonable based on action taken to address the recommendations. The level of assurance for the follow up audit of Stingers remained partial. Senior management provided assurances to the March 2019 Joint Audit Committee that the issues identified in the follow up report have now been addressed. Internal Audit can confirm that the outstanding issues have been addressed.
- 1.5 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 Committee through regular progress reports during the year.
- 1.6 Appendix 2 shows progress against the 2018/19 Internal Audit plan.

2.0 OVERVIEW

- 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 the 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 Committee enables emerging issues to be identified during the year.

3.0 RECOMMENDATION

- 3.1 Joint Audit Committee members are asked to note:
 - The progress in delivering the 2018/19 audit plan.
 - The Head of Internal Audit's opinion and assurance statement on the PCC and the Chief Constable's overall systems of governance, risk management and internal control for the year ended 31st March 2019.
 - 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.

4.0 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 Audit Standards or guidance.
- 4.2 Internal audit is responsible for providing independent assurance to the PCC and Chief Constable and to the Joint Audit 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 the 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 31st March 2019. 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 the Chief Constable's Annual Governance Statements.
- 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.

Risk Management

PCC

- 4.7 Internal Audit's review of the PCC's risk management arrangements concluded that they are effective.

- 4.8 The OPCC's risk management strategy was updated in April 2017. The strategy comprehensively sets out the approach, objectives, framework, methodology and responsibilities in respect of risk management. The OPCC reviews its strategic and operational risks on a quarterly basis and meets with Officers within the Constabulary to review their strategic risks and any potential impact on the OPCC as part of the PCC's responsibility to hold the Chief Constable to account. The strategic risk register is presented to the Joint Audit Committee for review and scrutiny during the year.
- 4.9 Audit work undertaken during the year confirms that operational risks are being managed on a regular basis and have been captured in accordance with the risk management policy.
- 4.10 To support the OPCC's development of assurance mapping we have provided examples used in Local Government and the NHS.

Constabulary

- 4.11 Our work undertaken on the Constabulary's risk management arrangements concluded that they are operating effectively.
- 4.12 The Constabulary's risk management policy in place in 2018/19 was approved in September 2014. The policy sets out the Constabulary's approach to risk management and the arrangements in place to manage risk within the organisation. The risk appetite for the force is defined within the policy alongside risk tolerance, risk categories, methodology, roles and responsibilities and accountability and governance arrangements.
- 4.13 The Constabulary's strategic risk register has been presented and discussed at Joint Audit Committee meetings during the year.
- 4.14 Various audits, undertaken during the year, have identified that operational risks are being managed on a regular basis and have been captured in accordance with the risk management policy, thereby demonstrating application of the policy in practice.
- 4.15 During 2018/19 the Constabulary has been working on a refreshed risk management policy, which is due to be approved in May 2019. Changes in the refreshed policy include revised corporate objectives, core policing deliverables, Vision 25 and the revised corporate governance structure. An appendix to the policy sets out in diagrammatic form the strategic and operational mechanisms used by the Constabulary to manage risks, showing how all the elements contribute to effective risk management. The refreshed risk management policy includes an 'Assurance Landscape for Policing' as an appendix which sets out the regular and proactive inspections, audits and

compliance checks undertaken by external and regulatory bodies that provide the force with independent assurance. We have shared examples of assurance mapping used in Local Government and the NHS with the Constabulary.

Governance

- 4.16 Both organisations have a suite of documents setting out the governance arrangements in place. Cyclical reviews of the documents are timetabled to ensure the documents are kept under review and are current. These are subject to independent scrutiny by the Joint Audit Committee.
- 4.17 The corporate governance arrangements within the OPCC and Constabulary are based on the core principles of good governance set out by CIPFA/SOLACE and in line with the Nolan Principles.
- 4.18 Both organisations have Codes of Conduct setting expectations required of staff/officers.
- 4.19 Both organisations have an anti-fraud and corruption strategy in place.
- 4.20 Formal mechanisms are in place to engage with stakeholders (examples being Public Accountability Conferences, Collaborative Board meetings, events held / attended by the PCC, etc.).

Internal Control

- 4.21 From work undertaken in 2018/19, all but one review for both organisations, received either substantial or reasonable assurance supporting our view that there are no significant control issues. One Constabulary review was given partial assurance (follow up of stingers). This highlighted that pursuit recording forms were not always provided to driver training, there were delays in fully implementing the Chronicle system and briefing and de-briefing processes. Assurances have been provided by the DCC that these issues have now been addressed and we have reviewed information provided by the Constabulary and can confirm that the outstanding issues have been addressed.

Internal Audit Opinion 2018/19

- 4.22 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.
- 4.23 In my opinion, the PCC and the 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.

- 4.24 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.
- 4.25 The Group Audit Manager supports the assurance opinion provided in this report.

Internal audit performance

- 4.26 A suite of performance measures was used to monitor Internal Audit's performance during 2018/19. The results are shown at Appendix 3.

Internal audit coverage and outputs

- 4.27 17 reviews contributing to the assurance rating have been finalised.
- 4.28 All audits relating to the OPCC have received an assurance level of substantial or reasonable.
- 4.29 Ten 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. One Constabulary follow up audit received partial assurance. Senior management provided assurances to the March 2019 Joint Audit Committee that the issues identified in the Stingers audit follow up have been addressed. Internal Audit have reviewed information provided by the Constabulary and can confirm that the outstanding issues have been addressed.
- 4.30 Management responses to Internal Audit reports and recommendations have been positive.
- 4.31 Progress in implementing Internal Audit recommendations are monitored by the Joint Audit Committee at each meeting.
- 4.32 The following table summarises the total number of audit evaluations made during 2018/19 for the Constabulary, OPCC and systems operated jointly for both organisations for finalised reports.

| Assurance level | Constabulary | OPCC | Joint | Total |
|-----------------|--------------|----------|----------|-----------|
| Substantial | 3 | 2 | 2 | 7 |
| Reasonable | 7 | 1 | 1 | 9 |
| Partial | 1 | - | - | 1 |
| No / limited | - | - | - | - |
| Total | 11 | 3 | 3 | 17 |

4.33 In addition to the 17 finalised reviews we have also issued one draft report and undertaken the following other work:

| Audit | Date of issue of draft report | Initial audit assessment |
|---|-------------------------------|--------------------------|
| Debtors | 03/05/19 | Reasonable assurance |
| We have also undertaken work on risk management for both organisations. The outcome is set out in paragraphs 4.7- 4.15 of this report and has been reflected within the annual opinion. | | |
| Advice has been provided on the current proposals for benefits realisation for the SAAB project before the system goes live in June 2019. | | |

4.34 Appendix 1 provides the detail of audit work undertaken from the 2018/19 internal audit plan including work in progress from the 2017/18 plan. Text that is shaded in grey has been reported to Joint Audit Committee during the year and is included here for completeness.

Results of the Quality Assurance and Improvement Programme

4.35 The QAIP was presented to the March 2019 JAC. We can confirm that the QAIP was followed in 2018/19.

Statement of Conformance with Public Sector Internal Audit Standards

4.36 The risk based approach has been designed to ensure internal audit work is conducted in accordance with the Public Sector Internal Audit Standards. All audit work has been conducted in line with the agreed audit methodology and has been subject to quality assurance checks by Internal Audit management.

Emma Toyne
Audit Manager
13th May 2019

APPENDICES

Appendix 1: Final reports issued to 13th May 2019

Appendix 2: Progress on all risk based audits from the 2018/19 plan including work in progress from the 2017/18 plan

Appendix 3: Internal audit performance measures to 13th May 2019

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Appendix 1 – Final reports issued to 13th May 2019

| Assignments | Status | Assessment |
|---|---|-------------|
| Creditors | Report presented to Joint Audit Committee at 19 th July 2018 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Information Security (OPCC) | Report presented to Joint Audit Committee at 19 th July 2018 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Follow up – Multi-agency safeguarding hub (2017/18 WIP) | Report presented to Joint Audit Committee at 12 th September 2018 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Specified Information Order (OPCC) | Report presented to Joint Audit Committee at 22 nd November 2018 meeting. Report included in Committee papers and available on the Commissioner's website. | Substantial |
| Workforce Planning | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website. | Substantial |
| General Data Protection Regulation (GDPR) - OPCC | Report presented to Joint Audit Committee at 20 th March 2019 meeting. Report included in Committee papers and available on the Commissioner's website. | Substantial |
| Digital Media Investigation Unit | Report presented to Joint Audit Committee at 20 th March 2019 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Payroll | Report circulated to members of Joint Audit Committee for consideration. Report available on the Commissioner's website (20 th March 2019 meeting). | Substantial |

Appendix 1 – Final reports issued to 13th May 2019

| Assignments | Status | Assessment |
|--|---|-------------|
| Pensions | Report presented to Joint Audit Committee at 20th March 2019 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Follow up - Stingers | Report presented to Joint Audit Committee at 20 th March 2019 meeting. Report included in Committee papers and available on the Commissioner's website. | Partial |
| Follow up – Receipt, handling, storage and disposal of drugs | Report circulated to members of Joint Audit Committee for consideration. Report available on the Commissioner's website (20th March 2019 meeting). | Reasonable |
| Command and Control & 101 Calls | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website (20th March 2019 meeting). | Reasonable |
| Victims Code of Practice | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website (20th March 2019 meeting). | Substantial |
| General Data Protection Regulation (GDPR) - Constabulary | Report presented to Joint Audit Committee at 23 rd May 2019 meeting. Report included in Committee papers and available on the Commissioner's website. | Reasonable |
| Follow up – Offender Management | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website (23 rd May 2019 meeting). | Reasonable |
| Main Accounting System | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website (23rd May 2019 meeting). | Substantial |

Appendix 1 – Final reports issued to 13th May 2019

| Assignments | Status | Assessment |
|--|---|-------------------|
| Processes for monitoring police overtime | Report circulated to members of the Joint Audit Committee and included in Committee papers for discussion at the meeting if required. Report available on the Commissioner's website (23rd May 2019 meeting). | Substantial |

Appendix 2 – Progress on 18/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|---|--|------------------------|
| Joint | Creditors (2017/18 WIP) | Complete | Yes |
| OPCC | Information security (2017/18 WIP) | Complete | Yes |
| Constabulary | Follow up – Multi-agency safeguarding hub (2017/18 WIP) | Complete | N/A |
| Constabulary | Risk Management | Complete - our work in this area has informed the 2018/19 annual opinion and is reported within the narrative of the annual report of the Head of Internal Audit. | N/A |
| OPCC | Risk Management | Complete - our work in this area has informed the 2018/19 annual opinion and is reported within the narrative of the annual report of the Head of Internal Audit. | N/A |
| Constabulary | Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network (ESN) | Audit removed from the plan as the risk is a national issue with a national review of the ESMCP programme being undertaken. We do not consider that an internal audit of this area would add value at this time. | N/A |

Appendix 2 – Progress on 18/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|---|---|--|
| Constabulary | Governance Structure | Work in progress. Initially delayed due to unplanned auditor absence and then availability of key contacts. | N/A |
| Constabulary | General Data Protection Regulation (GDPR) | Complete | No – reminder issued 29/04/19. Key contact currently on leave. |
| OPCC | General Data Protection Regulation (GDPR) | Complete | Yes |
| OPCC | Specified Information Order | Complete | Yes |
| Constabulary | Digital Media Investigation Unit | Complete | Yes |
| Constabulary | Command and Control Room and 101 | Complete | Yes |
| Constabulary | Neighbourhood Policing Hubs | Work in progress. Audit will recommence in May 2019. | N/A |
| Constabulary | Processes for monitoring overtime | Complete | N/A – form issued on 09/05/19 |
| Constabulary | Workforce Planning | Complete | Yes |
| Constabulary | Force Tasking and Co-ordination | Fieldwork | N/A |

Appendix 2 – Progress on 18/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|--|--|----------------------------|
| OPCC | Victims Code of Practice | Complete | Yes |
| Joint | Main Accounting System | Complete | N/A – form issued 10/05/19 |
| Joint | Debtors | Draft report issued. | N/A |
| Joint | Payroll | Complete | Yes |
| Joint | Pensions | Complete | Yes |
| Constabulary | Follow up – Offender Management | Complete | N/A |
| Constabulary | Follow up – Criminal Justice Unit | Work in progress. Audit commenced in March 2019 when the Constabulary reported to JAC that all actions had been completed. | N/A |
| Constabulary | Follow up - Stingers | Complete | N/A |
| Constabulary | Follow up – Receipt, handling, storage and disposal of drugs | Complete | N/A |
| N/A | Project support / consultancy. Internal Audit time will focus on a short, high level review of the SAAB project benefits realisation plan. | We have reviewed the proposals in place to manage and monitor benefits realisation at this stage of the project and have met and | N/A |

Appendix 2 – Progress on 18/19 Audit Plan, including 2017/18 work in progress

| OPCC / Constabulary Review | Audit | Stage | Feedback form returned |
|----------------------------|---|---|------------------------|
| | | liaised with the Director of Corporate Improvement to discuss suggested improvements. A formal assurance review is included in the 2019/20 Internal Audit plan. | |
| N/A | Attendance at Police Audit Training & Development event | Event took place on 12 th & 13 th July 2018 | N/A |

Key: Complete Work in progress Not yet started

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) | 77% | <p>Seventeen audits have been finalised during the year.</p> <p>One audit has been issued in draft.</p> <p>Four audits are work in progress and will be reported as part of our 2019/20 programme of work. Reasons for delays in these pieces of work are:</p> <ul style="list-style-type: none"> • Internal Audit team sickness • Availability of key contacts • Follow up work (Criminal Justice Unit) - only commenced once confirmation provided to JAC (March 2019) that recommendations have been implemented. |
| | <p>Number of planned days delivered</p> <p>*281 days in 18/19 plan as per the shared service agreement.</p> <p>18/19 plan days reduced by 15 days due to removal of ESMCP / ESN audit from the plan.</p> <p>15 days c/f from 17/18 for Digital Media Investigation Unit were delivered.</p> | 281* | 255 | <p>26 planned days remaining will be delivered to complete the fieldwork on Governance Structure, Neighbourhood Policing Hubs, Force Tasking & Co-ordination and the follow up of Criminal Justice Unit.</p> |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|---|--|--------|--------|--|
| 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% | |
| Timeliness of final reports | % of final reports issued for Chief Officer / 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 satisfaction surveys returned | 100% | 91% | Eleven forms returned. Three relate to audits reported in the 2017/18 annual report and eight reported in 2018/19. |

Appendix 3 – Internal audit performance measures

| Measure | Description | Target | Actual | Explanations for variances / remedial action required |
|-------------------|--|--------|--------|---|
| Customer Feedback | % of customer satisfaction survey scoring the service as good. | 80% | 100% | Based on the eleven forms returned. |
| Chargeable time | % of available auditor time directly chargeable to audit jobs. | 80% | 80% | |