

Annual Internal Audit Report & Opinion

2017 – 18

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

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-10
5. Key observations – Hampshire Constabulary and Office of the Police and Crime Commissioner reviews	10
6. Anti Fraud and Corruption	10
7. Quality Assurance and Improvement	11
8. Disclosure of Non-Conformance	12
9. Quality control	13
10. Internal Audit Performance	14
11. Acknowledgement	14

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’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards], which were updated in 2017.



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 for Hampshire and the 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 for Hampshire and the 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. 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 in forming 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

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, in particular the work of Thames Valley Police internal auditors in respect of the ICT and information management collaboration;
- 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.

Annual Internal Audit Opinion 2017-18

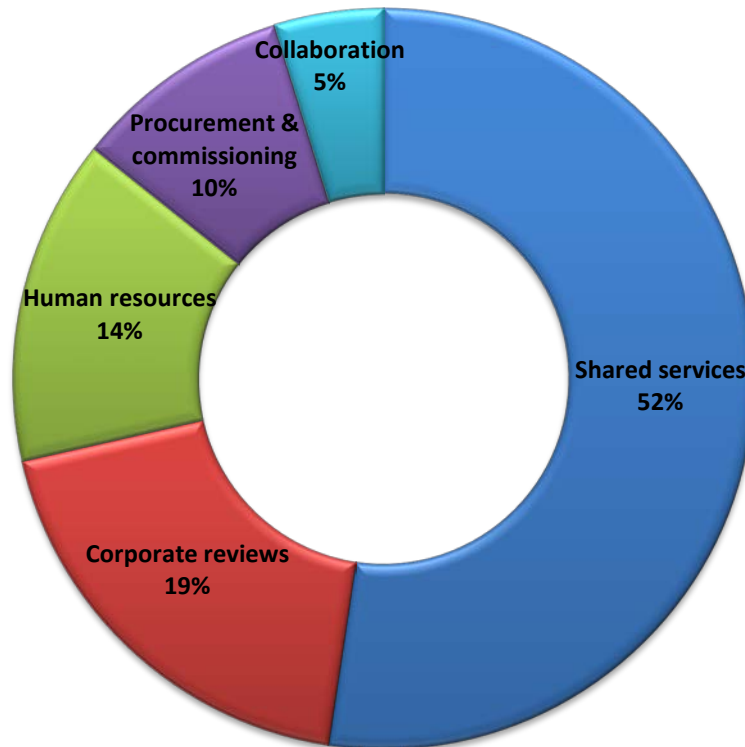
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

*In my opinion frameworks of governance, risk management and management control are **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."

4. Internal Audit Coverage and Output

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 2017-18 internal audit plan was considered by the Joint Audit Committee in February 2017 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.

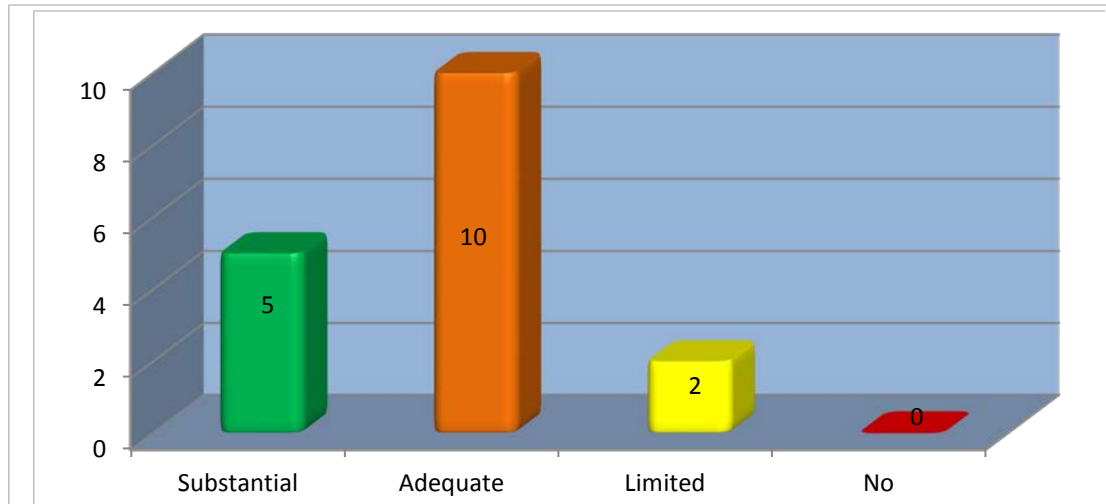
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Southern Internal Audit Partnership have undertaken 21 reviews in the year ending 31 March 2018.

The revised 2017-18 internal audit plan has been delivered with the following exceptions:

- Work is complete and an opinion has been formed for 2 reviews, however, a final report has not yet been agreed with management (Shared Services – recruitment, Shared Services – debt collection). The outcomes of these reviews are reflected in the internal audit opinion for 2017/18.
- Work remains in progress for one review which will be carried forward to be included in the 2018/19 annual internal audit opinion (Shared Services – statutory checks).

I do not consider this exception to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:



*3 reviews did not culminate in an audit opinion.

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.

Shared Services

The results of work completed as part of the Shared Services plan are included above, however the Head of Southern Audit Partnership has also produced a statement of assurance specifically for the Integrated Business Centre as outlined below. This includes the IT environment in which these systems operate and I have also taken this into account in forming my overall internal audit opinion.

Statement of Assurance 2017/18 – Integrated Business Centre

“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 within the Integrated Business Centre.

In my opinion, the framework of governance, risk management and management control is ‘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.”

The main issues arising from this work and highlighted in the assurance reports are as follow:

“Recruitment – Pre employment checks

Our review of pre-employment checks resulted in a limited assurance opinion. Whilst testing confirmed that the pre-employment checks requested by recruiting managers (in conjunction with HR advice) are being undertaken on prospective employees, a number of weaknesses were identified in the identification of the pre-employment checks to be undertaken, recording of DBS details and the setting-up of tasks for DBS re-checks in SAP. Linked SAP records for employees with multiple employments were not always updated with DBS check details. There are also opportunities to improve and expand documented guidance to ensure consistency of advice and that expectations for all pre-employment checks are clear.”

Collaboration

The Constabulary has a shared joint information and communication technology and joint information management unit for which Thames Valley Police is the lead partner and in forming my internal audit opinion I take into consideration the work undertaken by the internal auditors for Thames Valley Police on these collaborative arrangements. This is in accordance with the internal audit protocol approved by the collaborative partners to avoid duplication of coverage. In accordance with the protocol, the Chief Internal Auditor for Thames Valley Police has provided an annual assurance statement as follows:

Assurance Statement 2017/18

Joint Information and Communication Technology and Joint Information Management Unit

*“On the basis of the work completed by the Joint Internal Audit Team during 2017/18, the opinion on the governance framework, risk management arrangements and internal controls in place within ICT and IM is **reasonable assurance**. The system of internal control is good and the majority of risks are being effectively managed.*

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 and identified appropriate actions to address the risks raised.

Overall, the opinion demonstrates a good awareness and application of effective risk management, control and governance to facilitate the achievement of the organisation’s objectives and outcomes.”

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

- 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.

5. Key observations – Hampshire Constabulary and Office of the Police and Crime Commissioner reviews

Internal audit provided limited assurance in one area during 2017-18. This was in respect of the ongoing programme of work related to the workforce strategy which aims to ensure that the Constabulary has the right skills and knowledge in place to meet current and future needs. Although progress had been made, at the time of our review this work was still in progress and further work was also required to cleanse existing data.

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. Anti Fraud and Corruption

The Office of the Police and Crime Commissioner for Hampshire and Hampshire 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 Office of the Police and Crime Commissioner for Hampshire and Hampshire 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 cases to ensure that the impact on the control framework can be assessed as appropriate.

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary also continue to conform to the requirements of the National Fraud Initiative. The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation.

The Office of the Police and Crime Commissioner for Hampshire and Hampshire Constabulary submitted required data sets in October 2016 and received feedback on potential matches in January 2017. Work was carried out during 2017-18 to review identified 'recommended matches'. No significant issues have been identified as a result of this work.

No significant issues relating to fraud or corruption have been brought to my attention during 2017/18 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.

In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the Southern Internal Audit Partnership.

The assessment included review of a wide range of documentary evidence and interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the Southern Internal Audit Partnership staff.

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

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of the principles contained within the International Professional Practice Framework (IPPF), the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).

There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self assessments have been completed since the external inspection concluding that SIAP continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm 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 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 2017-18 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;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complemented by a comprehensive set of audit and management procedures;
- Review and quality control of all internal audit work by professional, qualified senior staff members; and
- Self assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

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

Annual performance indicators			
Aspect of service	2016-17		2017-18
	Actual (%)		Actual (%)
Revised plan delivered (including 2016/17 c/f)	100%		95%
Compliant with the Public Sector Internal Audit Standards	Yes		Yes
Customer satisfaction *	96%		96%

*this is based on the feedback from a customer survey and as such reflects the perceptions across the Partnership, rather than those expressed specifically by the Office of the Police and Crime Commissioner or Hampshire Constabulary. 17/18 actuals are based on the February 2017 questionnaire

11. 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
May 2018