

**JOINT INDEPENDENT AUDIT COMMITTEE**

**19 JUNE 2017**

---

**INTERNAL AUDIT ANNUAL REPORT – 2016/17**

**REPORT OF INTERNAL AUDIT**

---

**1 Purpose of the Report**

- 1.1 To inform the Committee about work undertaken by the Internal Audit Service during 2016/17 and to give an overall assessment and independent opinion on the effectiveness of both the Police and Crime Commissioner (PCC) and Chief Constable's internal control systems, risk management and governance arrangements to feed into the Annual Governance Statements for 2016/17.

**2 Background**

- 2.1 The audit plan for 2016/17 set out to meet the requirements of the UK Public Sector Internal Audit Standards (PSIAS) in providing a risk-based focus for the deployment of internal audit resources. The requirements of both the PCC and Chief Constable were taken into account when preparing the audit plan.
- 2.2 The audit plan also enables the Treasurer to the PCC and Director of Finance to the Chief Constable to fulfil his delegated responsibility to maintain an adequate internal audit of financial affairs as required by Section 151 of the Local Government Act 1972.

**3 Performance Management and Quality Assurance**

- 3.1 The number of planned audits in 2016/17 was 27, final reports have been issued for 25 of these, one is at draft report stage and the fieldwork has been completed for the other audit. As one audit resulted in two final reports being issued and an additional investigation was carried out during the year 27 final reports have been issued.
- 3.2 The 2016/17 audit plan allocated 2,690 hours to routine audits, and advice and liaison with the Force and OPCC. As at 31 March 2017 100% of the audit plan, in terms of actual audit hours against planned hours was achieved by the Internal Audit Service, against a target of 97.25%.
- 3.3 The Chief Constable has in place a framework of assurance, which includes Internal Audit, but also includes other audits and checks undertaken by employees.

- 3.4 The Internal Audit Service has a Quality Assurance and Improvement Programme in place which appraises:
- The quality of audit work
  - The quality of supervision
  - Compliance with PSIAS
  - Compliance with the Audit Service's local audit manual
  - The ways in which the Internal Audit Service benefits the PCC and Chief Constable
  - Achievement of performance standards
- 3.5 The percentage of audits subject to quality review by the Chief Audit Executive (CAE) varies but will not be less than 20% of all audits. During 2016/17 100% of audits were reviewed by the CAE. An action plan is in place for the continued development of the Internal Audit Service which accommodates any findings from these quality reviews.

#### **4 Main Audit Findings**

##### *Overall Assessment & Independent Opinion*

- 4.1 Of the 27 final audit reports issued, 21 concluded that systems and procedures in place were operating well, five audits concluded that systems and procedures were operating satisfactorily and one audit report did not include an opinion due to the nature of the investigation. A summary of these audits is attached at Appendix A.
- 4.2 The standard conclusions in audit reports are defined as:
- Operating well - where the system is effective and no recommendations or only a few minor points have been raised.
  - Satisfactory - where the system works but there are a number of recommendations or where issues have not been fully addressed from the previous audit.
  - Significant weakness - where the system is flawed so there are a large number of recommendations or at least one that is of high significance.
- 4.3 Audit work has been focused on the completion of routine systems based audits. There have been no special investigations during the period under review and therefore no cases of suspected fraud or corruption.
- 4.4 Based on the evidence arising from internal audit activity during 2016/17, including advice on governance arrangements, the PCC and Chief Constable's internal control systems and risk management and governance arrangements are considered to be effective.
- 4.5 This overall assessment of the PCC and Chief Constable's internal control environment and governance arrangements by Internal Audit makes up a fundamental element of assurance for the Annual Governance Statement.

- 4.7 Internal Auditors have received full co-operation from all police officers, OPCC officers and police staff involved in the areas under review.

**5 Equal opportunities implications**

- 5.1 It is considered that there are no equal opportunities implications arising from the report.

**6 Human rights implications**

- 6.1 It is considered that there are no human rights implications arising from the report.

**7 Risk Management implications**

- 7.1 There are no additional risk management implications arising directly from this report. The audit plan supports the sustainability of adequate and appropriate resources.

**8 Financial implications**

- 8.1 There are no financial implications directly arising from this report

**9 Recommendation**

- 9.1 The Committee is requested to note the findings set out in this report.

Appendix A

	2016/17 Audit Area	Status	Opinion
	<b>Police &amp; Crime Commissioner</b>		
1	Treasury Management	Final Report Issued	Operating Well
2	Grant Distribution	Final Report Issued	Operating Well
	<b>Chief Constable</b>		
3	IT – Cyber Security	Draft Report Issued	
4	IT – Disaster Recovery	Fieldwork complete	
5	Fleet Management	Final Report Issued	Operating Well
6	Communications Department	Final Report Issued	Operating Well
7	Custody	Final Report Issued	Operating Well
8	Firearms Licensing	Final Report Issued	Satisfactory
9	Police Charities Fund	Final Report Issued	Operating Well
10	Procurement	Final Report Issued	Operating Well
11	Professional Standards & Counter Fraud Arrangements	Final Report Issued	Operating Well
12	Property	Final Report Issued	Satisfactory
13	Cash and Miscellaneous Income: - Finance - Business Support	Final Report Issued Final Report Issued	Satisfactory Operating Well
14	NERSOU	Final Report Issued	Satisfactory
	<b>Combined</b>		
15	Strategic Corporate Communications	Final Report Issued	Operating Well
16	Equalities & Diversity	Final Report Issued	Operating Well
17	Governance	Final Report Issued	Operating Well
18	Health & Safety	Final Report Issued	Operating Well
19	Annual Governance Statement – Review of Managers’ Assurances	Final Report Issued	Operating Well
20	Performance Management & Data Security	Final Report Issued	Operating Well
	Complaints	Final Report Issued	Operating Well
21	<b>Corporate Systems</b>		
22	Creditors	Final Report Issued	Operating Well
23	Debtors	Final Report Issued	Operating Well
24	Payroll and Pensions	Final Report Issued	Satisfactory
25	Main Accounting System	Final Report Issued	Operating Well
26	Budgetary Control	Final Report Issued	Operating Well
27	Employee Claims	Final Report Issued	Operating Well
	<b>Additional Investigation</b>		
	RODI	Final Report Issued	No opinion