

**JOINT INDEPENDENT AUDIT COMMITTEE**

**14 MAY 2018**

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**INTERNAL AUDIT ANNUAL REPORT – 2017/18**

**REPORT OF INTERNAL AUDIT**

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**1 Purpose of the Report**

- 1.1 To inform the Committee about work undertaken by the Internal Audit Service during 2017/18 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 2017/18.

**2 Background**

- 2.1 The audit plan for 2017/18 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 Joint Chief Finance Officer 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 2017/18 was 25, final reports have been issued for 18 of these, four are at draft report stage and fieldwork has been completed for three audits.
- 3.2 The 2017/18 audit plan allocated 2,640 hours to routine audits, and advice and liaison with the Force and OPCC. As at 31 March 2018 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; and
- 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 2017/18 100% 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 18 final audit reports issued, 15 concluded that systems and procedures in place were operating well and three audits concluded that systems and procedures were operating satisfactorily. 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 in place is effective and no recommendations or only a few best practice recommendations have been raised.
  - Satisfactory - where the system in place works, however there are medium priority recommendations.
  - Significant weakness - where the system in place is flawed and there are one or more high priority recommendations or a large number of medium priority recommendations. Also where little or no action has been taken since the previous audit.
- 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 2017/18, 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.

#### **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.

**Agenda Item 6 iii**  
**APPENDIX A**

	<b>2017/18 Audit Area</b>	<b>Status</b>	<b>Opinion</b>
	<b>Police &amp; Crime Commissioner</b>		
1	Treasury Management	Final Report Issued	Operating Well
	<b>Chief Constable</b>		
2	IT – Application data security	Final Report Issued	Operating Well
3	IT – Patch Management	Draft Report Issued	
4	Asset Management	Final Report Issued	Operating Well
5	Human Resources & Training	Final Report Issued	Satisfactory
6	Legal Department and Insurance Arrangements	Final Report Issued	Operating Well
7	Firearms Licensing	Final Report Issued	Operating Well
8	Police Operational Support Functions	Fieldwork Complete	
9	Police Charities Fund	Final Report Issued	Operating Well
10	Procurement	Draft Report Issued	
11	Property	Draft Report Issued	
12	Cash and Miscellaneous Income (Business Support)	Final Report Issued	Operating Well
13	NERSOU	Final Report Issued	Operating Well
	<b>Combined</b>		
14	Risk Management and Business Continuity Arrangements	Fieldwork Complete	
15	Joint Working Arrangements	Fieldwork Complete	
16	Governance	Final Report Issued	Operating Well
17	Information Governance & Data Security	Final Report Issued	Operating Well
18	Annual Governance Statement – Review of Managers’ Assurances	Final Report Issued	Operating Well
19	VAT	Final Report Issued	Operating Well
	<b>Corporate Systems</b>		
20	Creditors	Draft Report Issued	
21	Debtors	Final Report Issued	Operating Well
22	Payroll and Pensions	Final Report Issued	Satisfactory
23	Main Accounting System	Final Report Issued	Operating Well
24	Budgetary Control	Final Report Issued	Operating Well
25	Employee Claims	Final Report Issued	Satisfactory