



STAFFORDSHIRE POLICE, FIRE AND CRIME COMMISSIONER AND THE CHIEF CONSTABLE OF STAFFORDSHIRE

[Annual Internal Audit report 2019/20](#)

Draft

30 April 2020

This report is solely for the use of the persons to whom it is addressed.
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THE ANNUAL INTERNAL AUDIT OPINION

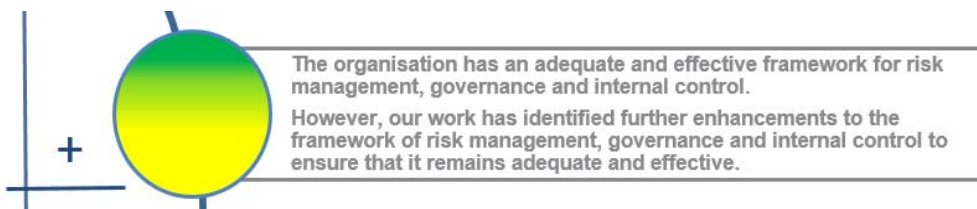
This report provides annual internal audit opinions, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinions should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2020, the head of internal audit opinion for Staffordshire Police, Fire and Crime Commissioner (SPFCC) is as follows:



For the 12 months ended 31 March 2020, the head of internal audit opinion for the Chief Constable for Staffordshire is as follows:



Please see appendix A for the full range of annual opinions available to us in preparing this report and opinions.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our draft opinions is achieved through a risk-based plan of work, agreed with management and approved by the ETAP, our opinions are subject to inherent limitations, as detailed below:

- internal audit has not reviewed all risks and assurances relating to the organisations;
- the opinions are substantially derived from the conduct of risk-based plans generated from robust and organisation-led assurance frameworks. The assurance framework is one component that the Chief Constable and SPFCC take into account in drafting the annual governance statement (AGS);

- the opinions are based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention; and
- Our internal audit work for 2019/20 was completed prior to the advent of the substantial operational disruptions caused by the Covid-19 pandemic. As such our audit work and annual opinion does not reflect the situation which has arisen in the final weeks of the year. We do, however, recognise that there has been a significant impact on both the operations of the organisations and their risk profiles.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINIONS

Our Governance opinions have been informed by our reviews that incorporated both operational and strategic governance aspects such as Contract Management – Boeing, Savings Programme and our advisory review around Collaboration Governance and Savings (DRAFT). Our Risk Management opinions have been informed by our risk-based approach to individual assignments and as well as attendance at the ETAP, where risk management and the Force and OPFC risk registers are considered and appropriately challenged by members.

We have issued 10 reports, of which two reports concluded that ‘substantial’ assurance could be taken; one report concluded that ‘reasonable’ assurance could be taken; two reports concluded that ‘partial’ assurance could be taken and one report was advisory. We also undertook three follow up reviews and concluded that good progress had been made by the organisations to implement previously agreed management actions for two of these reviews and reasonable progress for the other. For one report (Contract Management - Boeing Governance Arrangements), a split opinion concluded that ‘substantial’ assurance could be taken for operational governance and ‘partial’ assurance for strategic governance.

For the reports where we concluded that ‘partial’ assurance could be taken, these related to the following areas:

Procurement and Contract Management (Kier Facilities Limited)

We concluded that the organisations could take partial assurance around the operational framework and the value for money that the Kier contract delivers. There were a number of areas where compliance with controls contained elements of both no assurance or partial assurance. Our review identified various areas of the contract which were not being complied with by both the Force and Kier and a number of issues which required urgent management attention, in order for full oversight, assurance and control of the Kier contract to be in place.

Given the nature of the findings a follow up review was commissioned and this concluded that the organisations had made reasonable progress in the implementation of the actions included within our original report, where the date for implementation had been reached.

Fleet Utilisation

Our opinion was primarily impacted by a number of ‘missing controls’ and some non-compliance. There were also a number of further issues which needed to be addressed by Management to ensure that performance of the Fleet Management function is monitored and any issues can be identified, reported and resolved through the Governance structure.

Our audit confirmed that the Key2 system was usable and fit for purpose, particularly for scheduling works/servicing and ordering/managing parts. However there needed to be an understanding of the full functionality of the system and in particular the reports and management information that can be produced and utilised, in order to minimise the significant manual workarounds to produce informed reporting and management information.

Contract Management – Boeing

The audit considered the revised operational governance structure in place to manage and report upon the Boeing contract, together with the linkage to the strategic governance of the contract. Our opinion was split and we concluded that ‘substantial assurance’ could be taken for the operational governance framework and ‘partial assurance’ for the strategic governance elements.

The audit confirmed the need for a transparent and co-ordinated linkage (both strategic and technical) between the Technical Assurance Board and the Force Strategy and Strategic Governance Board. Furthermore, attendees at the Force Strategy Board should be reviewed to ensure that attendance was appropriate, given their remit and role.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Topics judged relevant for consideration as part of the annual governance statement

We issued three partial (negative) assurance opinions in 2019/2020. The organisations should therefore consider the **partial assurance** opinions given for Procurement and Contract Management Kier Facilities Limited, Fleet Utilisation and the strategic governance aspects within Contract Management (Boeing) when completing their annual governance statements, together with any actions already taken and action planned by management to address the actions agreed.

THE BASIS OF OUR INTERNAL AUDIT OPINIONS

As well as those headlines previously discussed, the following areas have helped to inform our opinions. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during the year ended 31 March 2020.

Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management.

During the year progress has been reported to the ETAP, with the validation of the action status confirmed by three different Follow Up reviews by RSM, concluding in two 'good' and one 'reasonable' progress opinions.

Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Issue of Emergency Services Briefings	The sector briefings provide both Management and ETAP Members with an insight of key risks, issues and an update of any changes in sector requirements.
Webinar invitations	Various invitations have been sent to CFOs to attend webinars to inform of any sector and wider sector updates. Examples include VAT, Employment Tax and COVID-19.
Off-payroll working / IR35	We have provided Emergency Services clients with updates in relation to the Off-payroll working / IR35 rules, following the launch of the Government review into the implementation of the changes to the off payroll working rules that will aim to determine if any further steps can be taken to ensure the 'smooth and successful implementation' of the reforms from 6 April 2020.
Trust in the boardroom	We have provided Emergency Services clients with our Trust in the boardroom thought leadership publication. With Boardrooms increasingly in the spotlight - effective corporate governance should be used as a passport to success to earn the trust of stakeholders and secure a more sustainable future. Recent corporate governance failings show us that the fallout of poor decision making, and inadequate control measures can be far reaching. Organisations and Boards not only need to be prioritising corporate governance, but also need to be analysing how effective they are in cementing that sustainable thinking.
RSM's 'Catch 22: Digital transformation and its impact on cybersecurity'	RSM's 'Catch 22: Digital transformation and its impact on cybersecurity' report comprises responses to a range of questions posed to 597 companies in 33 European countries, spanning multiple industries and sizes. RSM provided a number of insights and also a range of 'Cyber Security Top Tips'.
Emergency Services - benchmarking of internal audit findings 2018/19	We provided management with our annual Emergency Services - benchmarking of internal audit findings 2018/19, which compares the numbers of actions agreed and the assurance opinions provided across the sector in our client base.
Coronavirus: Various briefings and webinars	RSM have delivered a number of webinars and client briefings in relation to Coronavirus (ranging from Government financial support for employers, fraud briefings, HR and Legal Support etc).

Conflicts of interest

During 2019/20, our Contract Management Team completed advisory work around specifically around the Boeing contract. A separate Letter of Engagement was issued and a separate specialist team completed the advisory work. In addition, our Governance Team completed an assessment of ETAP and similarly a separate Letter of Engagement was issued and a separate specialist team completed the work.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that 'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.' RSM was found to have an excellent level of conformance with the IIA's professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

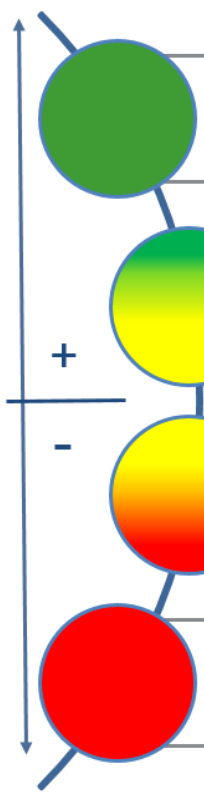
Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinions.

Annual opinions	Factors influencing our opinion
 <div data-bbox="392 459 1176 587"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> </div> <div data-bbox="392 646 1176 774"> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> </div> <div data-bbox="392 833 1176 960"> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> </div> <div data-bbox="392 1019 1176 1147"> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p> </div>	<p>The factors which are considered when influencing our opinions are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2019/20

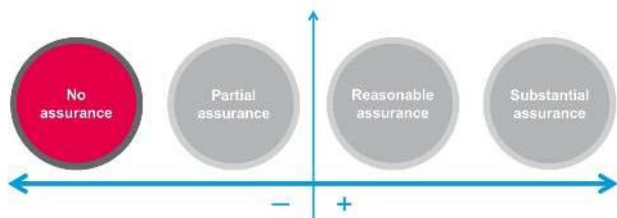
All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Procurement Contract Management (Kier Facilities Ltd) (1.19/20)	Justine Kenny, Director of People and Resources John Bloomer - Chief Finance Officer (Force) David Greensmith - Chief Finance Officer (SPFCC)	Partial Assurance [●]	2	10	4
Contract Management - Boeing (Governance Arrangements) (2.19/20)	Justine Kenny, Director of People and Resources John Bloomer - Chief Finance Officer (Force) David Greensmith - Chief Finance Officer (SPFCC)	Substantial Assurance (Operational Governance) [●] Partial Assurance (Strategic Governance) [●]	2	2	3
Follow Up (3.19/20)	Various	Good Progress	0	0	0
Fleet Utilisation (4.19/20)	Justine Kenny, Director of People and Resources Sarah Wood, Strategic Head of Transport	Partial Assurance [●]	3	7	2
Key Financial Controls (5.19/20)	John Bloomer, Chief Finance Officer (Force)	Substantial Assurance [●]	2	0	0
Follow Up Data Quality Niche Implementation (Governance) (5.18/19) (6.19/20)	Various	Good Progress	0	0	0
Savings Programme (7.19/20)	John Bloomer - Chief Finance Officer (Force) David Greensmith - Chief Finance Officer (SPFCC)	Reasonable Assurance [●]	5	3	0

Assignment	Executive lead	Assurance level	Actions agreed		
			L	M	H
Governance – Collaboration Governance and Savings (8.19/20) (DRAFT)	John Bloomer - Chief Finance Officer (Force) David Greensmith - Chief Finance Officer (SPFCC)	No opinion / Advisory [●]	Actions to be agreed - DRAFT		
Workforce Planning (9.19/20)	Caroline Coombe, Head of People Services (Force)	Substantial Assurance [●]	2	0	0
Follow Up: Kier (10.19/20)	Justine Kenny, Director of People and Resources John Bloomer - Chief Finance Officer (Force) David Greensmith - Chief Finance Officer (SPFCC)	Reasonable Progress	2	4	0

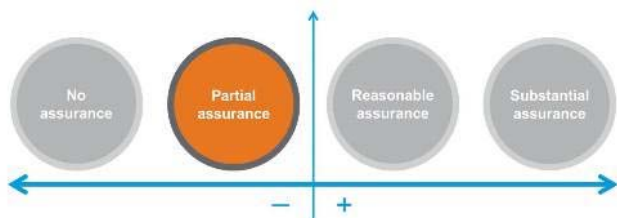
APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the organisation can take:



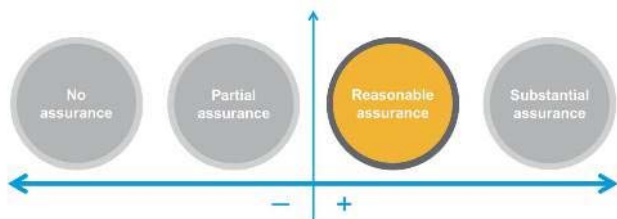
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



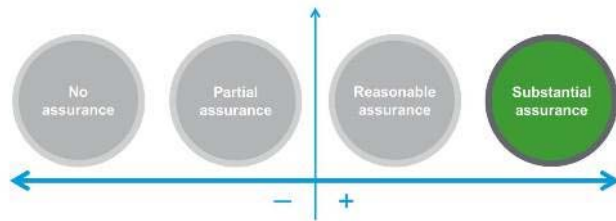
Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Staffordshire Police, Fire and Crime Commissioner and Chief Constable of Staffordshire, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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