



OFFICE OF THE POLICE AND CRIME COMMISSIONER FOR STAFFORDSHIRE AND STAFFORDSHIRE POLICE

Annual Internal Audit Report 2018/19

15 April 2019

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1 THE HEAD OF INTERNAL AUDIT OPINIONS

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide annual 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 statement.

1.1 The opinions

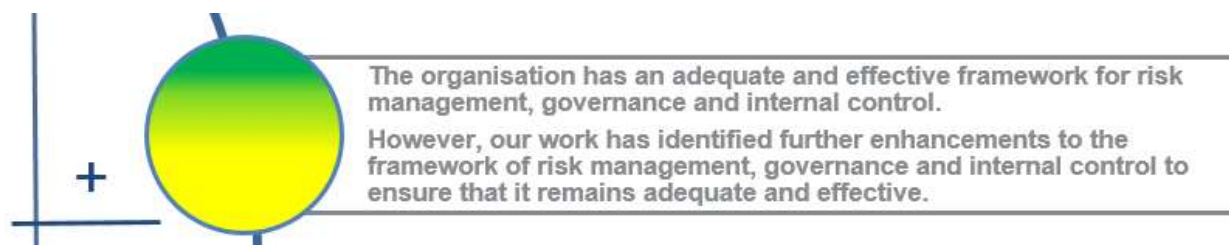
For the 12 months ended 31 March 2019, the head of internal audit opinion for the Office of the Police and Crime Commissioner (OPCC) for Staffordshire is as follows:

Head of internal audit opinion 2018/19



For the 12 months ended 31 March 2019, the head of internal audit opinion for Chief Constable for Staffordshire is as follows:

Head of internal audit opinion 2018/19



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

1.2 Scope and limitations of our work

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

- the opinions do not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinions are substantially derived from the conduct of risk-based plans generated from a robust and organisation-led risk management framework. As such, the framework is one component that the ETAP and Police and Crime Commissioner (PCC) and the Chief Constable takes into account in making its 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 individuals;
- the opinions are based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- 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 attention; and
- 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 seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Of the audit assignments completed during 2018/19, two were advisory reviews in which we offered no formal assurance opinion. These reviews related to Savings Programme and Data Quality – Niche Implementation (Governance). A brief outline of the key findings are provided below.

Within the **Data Quality - Niche Implementation (Governance)** review, there were a significant number of high and medium priority actions agreed. A number of key processes and supporting documentation (including terms of reference to support the reporting routes) were either work in progress or in a draft format at the time the fieldwork took place, and therefore we were not able to confirm that the structure provided an effective framework. Furthermore, there was little or no evidence of performance reports being produced and substantiated.

Our **Savings Programme** review confirmed that the Force Business Change – Governance Overview (document) was robustly designed and had clear governance arrangements to ensure the savings/business changes have a structure to transition from ideas/opportunity through to delivery. It was key to note the importance of ensuring the resource is available to be able to apply all of the processes set out in the document. We agreed three 'advisory' management actions.

We issued one report where we concluded that on partial assurance could be taken which was in relation to **Financial Management**. The key weaknesses identified were in relation to training and the timeliness and transparency of financial reporting. However, the audit also determined an improved internal scrutiny and review of the financial information and the changes that were being made internally to the Finance Team and Finance system around structure, responsibilities and reporting to improve accountability, challenge, scrutiny and transparency. As such when we repeated the **Financial Management** audit during quarter four of 2018/19, we concluded that the Force could take reasonable assurance.

We also a further five reports where positive assurance could be taken, two reports in which we concluded the PCC and the Chief Constable could take substantial assurance and a further four reports where they could take reasonable assurance. Good progress was made in our follow up audit, which tracks the implementation of previously agreed internal audit management actions.

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

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

Based on the work we have undertaken and specifically with consideration to the findings within our advisory reivew around Data Quality – Niche Implementation (Governance) there are some key issues that we would expect some commentary on within the AGS. Such issues include the improvements that were highlighted to strengthen the framework in place for governance, review, escalation and contract management of the Boeing partnership.

The OPCC and the Chief Constable should consider the findings of our work and consider whether any of our findings should be reflected in the AGS. The OPCC and the Chief Constable may also wish to consider whether any other issues have arisen, including the results of any external reviews or inspections which might warrant inclusion in the AGS.

2 THE BASIS OF OUR INTERNAL AUDIT OPINIONS

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/19. Please note two reports remain in draft at the time of preparing this report.

2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by the governance team through the action tracking process in place. During the year progress has been reported to the ETAP, with the validation of the action status confirmed by internal audit.

Our follow up of the actions agreed to address previous year internal audit findings shows that the organisation had made **good progress** in implementing the agreed actions.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers, however we have reviewed the work and conclusions of HMICFRS and external audit when undertaking our internal audit work, to ensure minimal duplication but aligned assurances.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

Throughout the year we have provided technical and sector updates as part of our progress reports presented to each ETAP meeting as well as sharing our emergency services quarterly update publications.

We have offered places at sector seminars to OPCC and Force staff.

We have provided benchmarking information where possible from across our Police client base.

We have used specialists from across our project / transformation consultancy teams.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2018/19 that would lead us to declare any conflict of interest.

3.3 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.

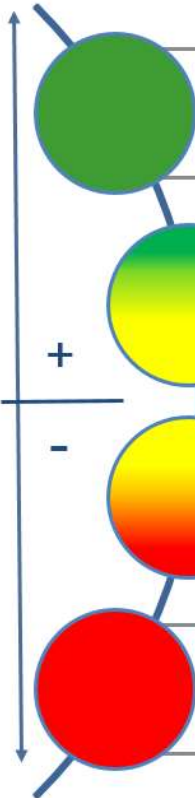
3.4 Quality assurance and continual improvement

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 opinion.

Annual opinions	Factors influencing our opinion
 <div data-bbox="355 831 1152 1536"><p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p><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><p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p><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 opinion 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.

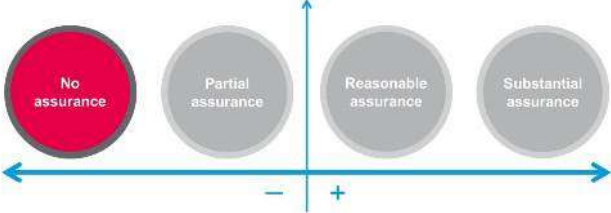
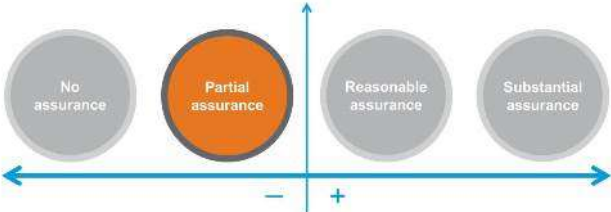
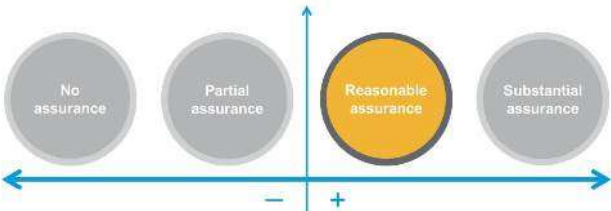
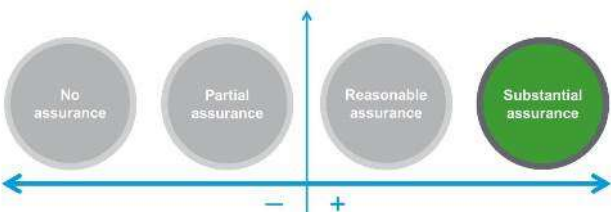
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/19

Assignment	Audit lead	Assurance level	Actions agreed		
			H	M	L
Financial Management (1.18/19)	Chief Finance Officer	Partial	1	6	6
Risk Management Framework and Strategy (2.18/19)	OPCC Chief Executive / Force Governance Manager	Substantial	0	1	0
Governance - Transition of Fire Authority (3.18/19)	OPCC Chief Executive	Substantial	0	1	1
Key Financial Controls (4.18/19)	Chief Finance Officer	Reasonable	0	2	6
Data Quality - Niche Implementation (Governance) (5.18/19)	Ch Supt Simon Tweats – Head of Transformation and Strategy	Advisory	8	1	0
Cash Seizures (6.18/19)	E. Sharrad-Williams - Chief Superintendent - Head of Operational Support Unit	Reasonable	0	3	4
Savings Programme (7.18/19)	Chief Finance Officer	Advisory*	0	0	0
Financial Management (including Follow Up of report 01.2018/19) (8.18/19)	Chief Finance Officer	Reasonable	0	5	0
Overtime (DRAFT)	Chief Finance Officer	Reasonable	0	5	2
Follow Up	Various	Good Progress	-	-	-

*Advisory management actions were included as part of the audit report.

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.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:

	<p>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).</p>
	<p>Taking account of the issues identified, the board can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the board can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. 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).</p>
	<p>Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

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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, 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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