



Devon & Cornwall Police and The Office of the Police & Crime Commissioner (OPCC)

Dorset Police and The Office of the Police & Crime Commissioner (OPCC)

Internal Audit Annual Opinion Report 2017/18

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Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Force's risk management, control and governance processes.



Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.



Background

The Internal Audit service for Dorset Police and the OPCC and Devon & Cornwall Police and the OPCC is provided by SWAP Internal Audit Services. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee.

Internal Audit Annual Opinion 2017/18

The Assistant Director as Head of Internal Audit is required to provide an opinion to support the Annual Governance Statement.

Identified 'High' Corporate Risks will be brought to the attention of the Audit Committee.



Annual Opinion

For the 2017-18 audit plan for Dorset Police and the OPCC and for Devon & Cornwall Police and the OPCC, a total of 37 reviews will be delivered. In agreement with management, and previously reported to this Committee, a number of reviews were 'exchanged' or 'removed' as the need to respond to new and emerging risks was identified. These are documented on Page 5.

The assurance opinions provided for our audit work in 2017/18 are detailed further on Page 6 of this report. 21 audits received a Reasonable assurance opinion during the year, whilst ten audits received a Partial assurance opinion and one a No Assurance opinion. Three audits received Substantial assurance and one audit was an Advisory review.

SWAP have found Senior Management to be supportive of SWAP findings and generally responsive to the recommendations made in audit reports. The Senior Management of both Police forces and the OPCCs have once again worked hard to cooperate with the audit process. There is a good relationship with Management whereby they feel they can approach SWAP openly about areas where they perceive potential problems and again welcome the opportunity to take on board recommendations for improvement. During the year, there have been some instances whereby pressures on management/audit leads have led to a delay in responding to audit requests, either for meetings or information and resulted in two audits being carried forward into 2018/19, as per the detail on Page 5. This appears to be reflective of the situation across the public sector, as staff and officers work hard to manage responsibilities within a time of austerity and significant budget constraints.

One significant risk was identified as High during 2017/18, as detailed on Page 4, resulting from the work completed around the Alliance's preparedness for the new EU General Data Protection Regulations (GDPR). Whilst this has informed our opinion, the prompt response and subsequent actions taken by the Senior Management at the Alliance has been pleasing to note.

As per the previous year, 2017/18 has continued to see significant organisational change for both Dorset Police and Devon & Cornwall Police with the Strategic Alliance, not least the proposed merger considerations. Whilst a number of Partial opinions were awarded again as part of the Financial Key Controls work, the control effectiveness within the areas reviewed appeared to be improving, particularly around the Payroll function.

Senior Management within Finance have been accepting of the recommendations made and have proactively been addressing these. Further work is included within the 2018/19 audit plan to provide assurance around the Agresso finance system, in addition to the Financial Key Controls work completed annually, to continue to provide Senior Management and the Committee with assurance on the effectiveness of the control environment.

Follow up work during 2017/18 undertaken by SWAP was limited to a review of the progress towards implementation of the recommendations made within the previous year's Payroll review. The majority of work was undertaken internally, with prompt progress being noted. For 2018/19, SWAP will be responsible for completing an independent follow up of Priority 4 and 5 recommendations raised during 2017/18, with Priority 3's continuing to be reviewed internally.

I have considered the balance of audit work, the assurance levels provided and outcomes together with the response from Senior Management and the Audit Committee and feel confident to offer the opinions in respect of the areas reviewed during the year: -

Police and Crime Commissioner for Dorset:

For the 12 months ended 31 March 2018 I am able to offer **reasonable assurance**, in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Chief Constable for Dorset:

For the 12 months ended 31 March 2018 I am able to offer **reasonable assurance**, in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Police and Crime Commissioner for Devon & Cornwall:

For the 12 months ended 31 March 2018 I am able to offer **reasonable assurance**, in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Chief Constable for Devon & Cornwall:

For the 12 months ended 31 March 2018 I am able to offer **reasonable assurance**, in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally, risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Summary of Audit Work 2017/18

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



Significant Corporate Risks

We provide a definition of the three Risk Levels applied within audit reports. For all the audits completed through the 2017/18 year, we assessed the following risk as 'High'.

Review/Risks	Auditors Assessment
EU General Data Protection Regulation (GDPR) Readiness The updated control framework necessary for GDPR may not be adequately planned, resourced and implemented resulting in potential reputational damage and severe financial loss to the Alliance and negative consequences for data subjects.	High

Although the risk assessment for the EU General Data Protection Regulation (GDPR) Readiness Audit has identified the corporate risk as 'High', it should be noted that work commenced in addressing the issues raised upon receipt of the draft report through the initiation of a Gold Group. Details of the key findings, Action Plan and subsequent update has been included within the 2017/18 Plan Progress report for reference.

Summary of Audit Work 2017/18

We keep our audit plans under regular review to ensure that we are auditing the right things at the right time.



Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2017/18 and the final outturn for the financial year. In total 37 will be delivered. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed. A summary of the changes/allocations which were made as part of the 2017/18 plan are detailed below:

Audits removed from the 2017/18 Joint Internal Audit Plan:

- DP: Safer Dorset Foundation Charity
- DCP: Support to Victims – Commissioning of Services
- DP&DCP: Shared Use of Property
- DP&DCP: Risk Management
- DP&DCP: Review of Joint Policies

Additional audits allocated and included in the 2017/18 Joint Internal Audit Plan:

- DCP: Procurement Process Review
- DP OPCC: Dorset Small Grant Scheme
- DP OPCC: Commissioning Arrangements
- DCP: Cash Handling Review
- DCP: OPCC Loan Arrangements
- DP: Welfare Fund Accounts
- D&C OPCC: MOJ Police Transformation Fund ‘Tackling Pathways to Offending’
- DP&DCP: Hire Car Contract

Audits deferred from the 2017/18 Joint Internal Audit Plan to be finalised in 2018/19:

- DP: Employee Cessation Payments
- DP&DCP People Strategy and Workforce Plan (now a combined audit)

Summary of Audit Work 2017/18

At the conclusion of each audit assignment, the review is awarded an Audit Assurance Opinion, a summary of the assurance opinions is as follows:

- **Substantial – Well controlled and risks well managed.**
- **Reasonable – Adequately controlled and risks reasonably well managed.**
- **Partial – Systems require control improvements and some key risks are not well managed.**
- **None – Inadequately controlled and risks are not well managed.**

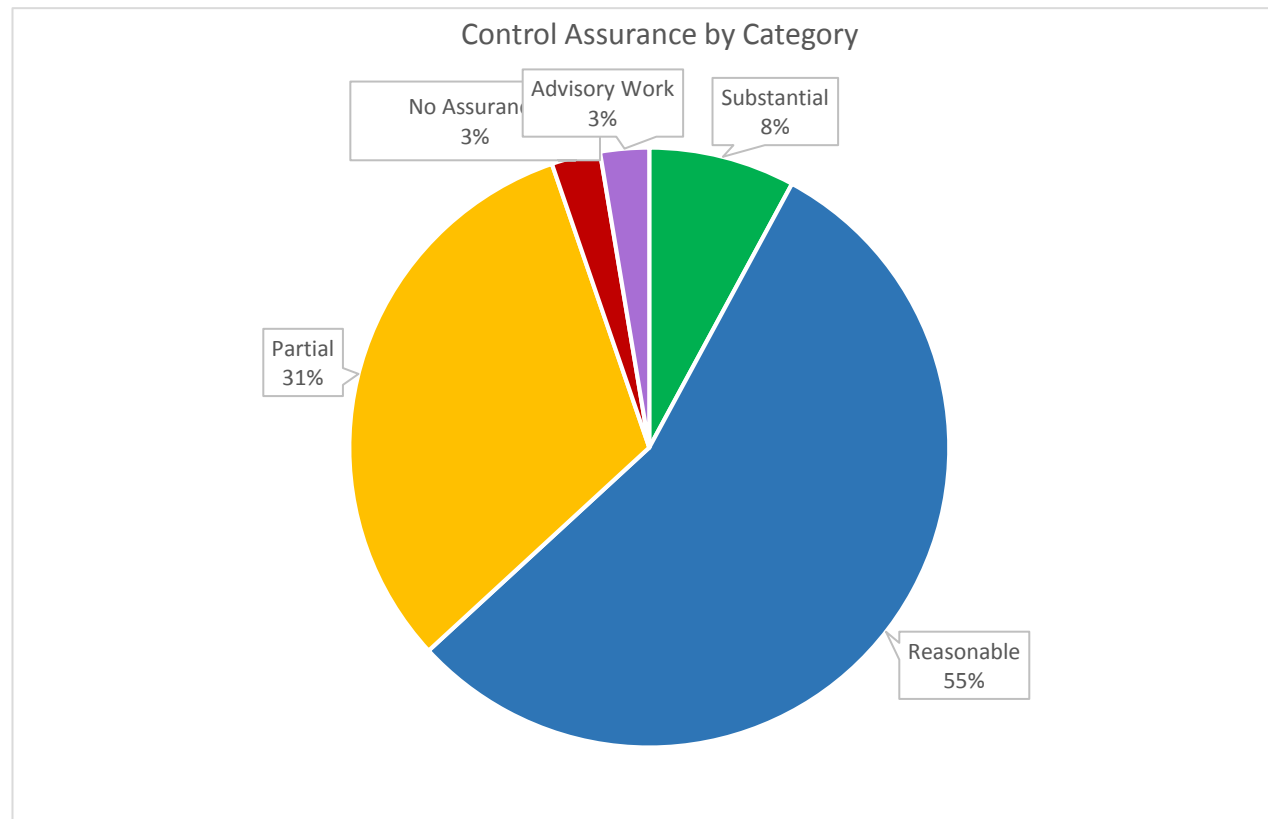
We have also included other audit activity:

- **Advisory Work**



Summary of Audit Opinions

The following chart provides a summary of the audit opinions provided during 2017/18. It should be noted that the chart below is based on all of the 2017/18 work up to report stage. This includes the opinions provided in reports remaining in Draft at the time of writing.



Summary of Audit Work 2017/18

SWAP Performance - Summary of Audit Recommendations by Priority.

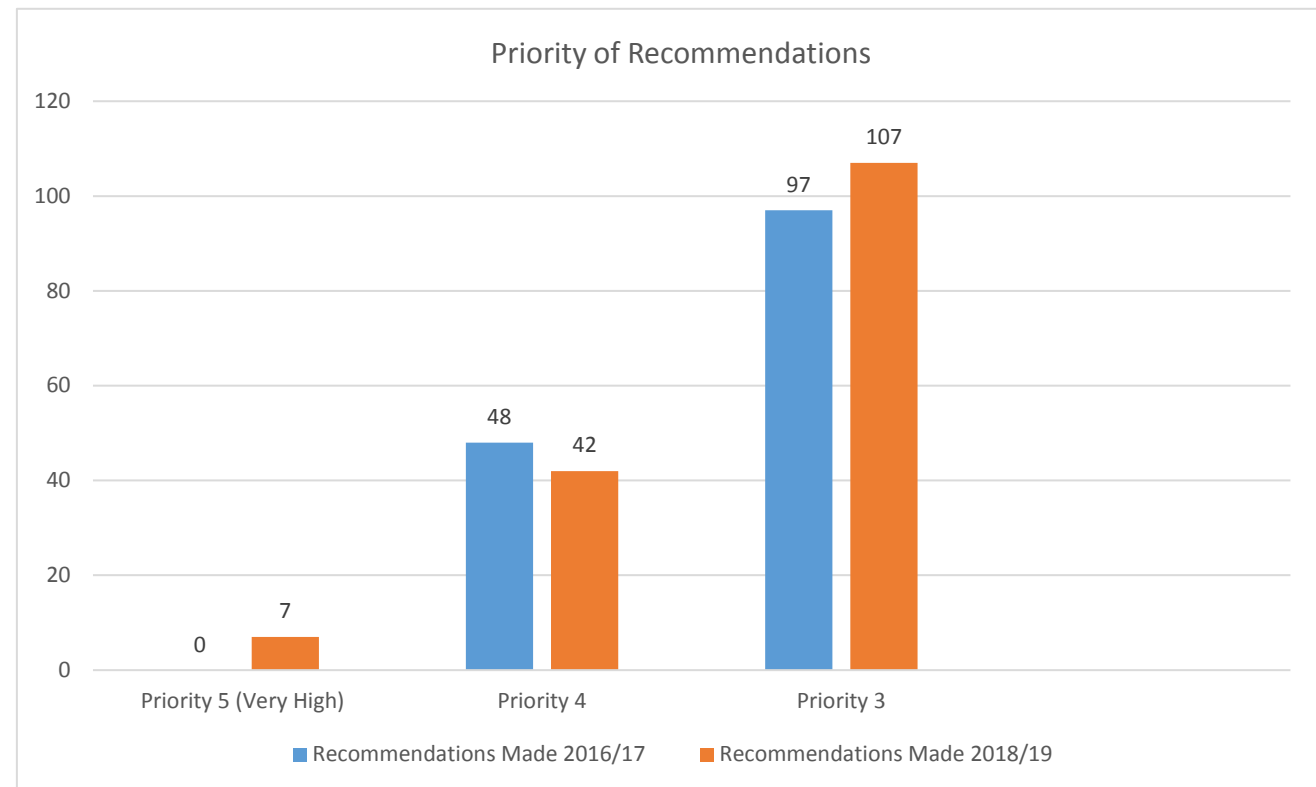
We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action.

Recommendations below a Priority 3 are reported verbally to Management and do not feature in our reports.



Analysis of Recommendations Raised in 2017/18

When making recommendations to Management it is important that they know how important the recommendation is to their service. The following graph details the recommendations raised during 2017/18, against the number of recommendations made in 2016/17. These do not include any recommendations raised within reports still in Draft at the time of writing.



The Executive Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 26 Partners and public-sector Authorities. SWAP performance is subject to regular monitoring and review by both the Board and the Member Meetings. The respective outturn performance results for Dorset Police and OPCC and Devon & Cornwall Police and OPCC for the 2017/18 year to date (as at 13th June) are as follows:

Performance Target	Performance
<p><u>Audit Plan – Percentage Progress</u></p> <p>Final, Draft and Discussion In progress Yet to Commence</p>	<p>100% 0% 0%</p>
<p><u>Draft Reports</u></p> <p>Issued within 5 working days</p>	<p>86% (Average Days of 3)</p>
<p><u>Final Reports</u></p> <p>Issued within 10 working days of draft report</p>	<p>64% (Average days of 10)</p>
<p><u>Quality of Audit Work</u></p> <p>Customer Satisfaction Questionnaire</p>	<p>90%</p>

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). SWAP has been independently assessed and found to be in Conformance with the Standards.

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

The following are examples of Added Value delivered by SWAP during 2017/18:

- Distributed comparative processes on the arrangements to repackage/ reseal seized property
- Shared benchmarking data relating to the readiness of public-sector authorities for compliance with GDPR
- We are exploring opportunities for further information and risk sharing between SWAP Police Partners
- Shared benchmarking data on the number of internal audit plan days across Police forces nationwide
- Provided insight as to what level of audit coverage could be offered against the number of budgeted audit days
- Free Audit Committee Member Training offered to all SWAP Partners
- Sharing Newsletters and Audit Together Bulletins across all SWAP Partners

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ☆	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ☆ ☆	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ☆ ☆ ☆	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Recommendations below a Priority 3 are reported verbally to Management and do not feature in our reports.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Audit Partner	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
							Recommendation				
							1	2	3	4	5
Completed Audits											
Operational	DCP Sports Centre	DCP	1	Final	Reasonable	6	-	-	6	-	-
Operational	Force Dogs and In-House Breeding	DP & DCP	1	Final	Reasonable	3	-	-	3	-	-
Governance	Cash Handling Review	DCP	2	Final	Partial	2	-	-	1	1	-
Operational	Litigation with Morrisons	DCP	1	Final	Reasonable	2	-	-	2	-	-
Operational	Use of Force	DP & DCP	1	Final	Reasonable	1	-	-	1	-	-
Operational	Property Stores	DCP	2	Final	Partial	7	-	-	2	5	-
Governance	Chief's Charities (Chief's Foundation)	DP & DCP	1	Final	Partial	3	-	-	3	-	-
Operational	Property Stores	DP	2	Final	Reasonable	3	-	-	2	1	-
Operational	Fleet Services	DP & DCP	1	Final	Partial	4	-	-	2	2	-
Governance	Procurement Process Review	DCP	2	Final	Partial	3	-	-	1	2	-
Governance	Welfare Fund Accounts	DP	2	Final	Substantial	0	-	-	-	-	-
Operational	Ministry of Justice Grant Claim	DCP	3	Final	Substantial	3	-	-	3	-	-
Operational	Injury on Duty	DP&DCP	1	Final	Partial	9	-	-	9	-	-
Key Control	Treasury Management	DP & DCP	2	Final	Reasonable	4	-	-	4	-	-

Summary of Work Programme

Appendix B

Audit Type	Audit Area	Audit Partner	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
							Recommendation				
							1	2	3	4	5
Governance	Health & Safety Governance	DCP	3	Final	Substantial	0	-	-	-	-	-
Governance	OPCC Loan Arrangements	DCP	3	Final	Advice & Guidance	0	-	-	-	-	-
Operational	Information Asset Owners	DP & DCP	3	Final	Reasonable	10	-	-	9	1	-
Key Control	Creditors	DP & DCP	3	Final	Partial	5	-	-	3	2	-
Key Control	Debtors	DP & DCP	3	Final	Partial	9	-	-	6	3	-
Key Control	Payroll	DP & DCP	2	Final	Partial	13	-	-	11	2	-
Operational	Review of Small Grant Scheme	DP OPCC	3	Final	Reasonable	4	-	-	4	-	-
Key Control	Budgetary Control	DP & DCP	3	Final	Reasonable	3	-	-	2	1	-
Key Control	Main Accounting & Bank Reconciliations	DP & DCP	3	Final	Reasonable	6	-	-	6	-	-
Operational	Agresso – VAT	DP & DCP	3	Final	Reasonable	1	-	-	1	-	-
Operational	Agresso - HMRC Payments	DP & DCP	3	Final	Reasonable	3	-	1	2	-	-
Operational	Agresso – Budget Upload	DP & DCP	3	Final	Reasonable	4	-	-	4	-	-
ICT	Alignment of PRISM with ICT Convergence Strategy	DP & DCP	3	Final	Reasonable	6	-	-	6	-	-
Compliance	New EU Data Protection Regulations	DP & DCP	3	Final	None	23	-	-	1	15	7
Operational	MOJ Police Transformation Fund ‘Tackling Pathways to Offending’	DCP OPCC	4	Final	Reasonable	2	-	-	2	-	-

Audit Type	Audit Area	Audit Partner	Quarter	Status	Opinion	No of Rec	1 = Minor ← → 5 = Major				
							Recommendation				
							1	2	3	4	5
Operational	Commissioning Arrangements	DP	4	Final	Partial	7	-	-	3	4	-
Operational	Job Evaluation	DP & DCP	4	Final	Reasonable*	16*	-	-	16*	-	-
Operational	Agresso Stock Control	DP & DCP	4	Final	Reasonable	5	-	-	5	-	-
Key Control	Pensions	DP & DCP	4	Final	Reasonable	6	-	-	6	-	-
Operational	Modern Slavery Grant Claim	DP & DCP	4	Final	Reasonable	1	-	-	1	-	-
Operational	Fighting Fraud Locally	DP & DCP	4	Final	Reasonable	2	-	-	2	-	-
Operational	Hire Car Contract	DP & DCP	4	Final	Reasonable	7	-	-	7	-	-
ICT	ICT Vulnerability	DCP	3	Draft	Partial	TBC					
Operational	Automated Time on Card Payments	DP & DCP	4	Draft	Partial	TBC					

* The Job Evaluation audit was undertaken at both Dorset Police and Devon & Cornwall Police. Both Forces received a Reasonable assurance opinion, with Dorset Police receiving 9 Priority 3 recommendations and Devon & Cornwall receiving 7 Priority 3's.

NOTE - Reports in Draft reflect the current opinion level of the piece of work with recommendations still to be finalised. Both of these audits have experienced significant delays and a verbal update will be given to the Committee if these remain to be finalised at the meeting