



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 and Report 2018-19

Internal Audit ■ Risk ■ Special Investigations ■ Consultancy

Unrestricted

Contents

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Summary

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

Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Forces' and OPCCs' respective Annual Governance Statements (AGS). This report should include the following:

- an opinion on the overall adequacy and effectiveness of the organisation's governance, risk management 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 standards; and
- 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 and the Annual Internal Audit Opinion given.

Scope

The Internal Audit service for Dorset Police and OPCC and Devon & Cornwall Police and OPCC is provided by SWAP Internal Audit Services. The internal audit work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee (see Appendix). This report summarises the activity of the internal audit function for the 2018/19 year against the Internal Audit Plan (as approved by the Independent Audit Committee). Our annual opinion should inform the Review of Effectiveness within the Annual Governance Statement.

Internal Audit Annual Opinion 2018-19

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

Internal audit is only one source of assurance; therefore, where we have highlighted gaps in our coverage, assurance should be sought from other sources where possible in order to ensure sufficient and appropriate assurances are received.

Audit Universe Key:

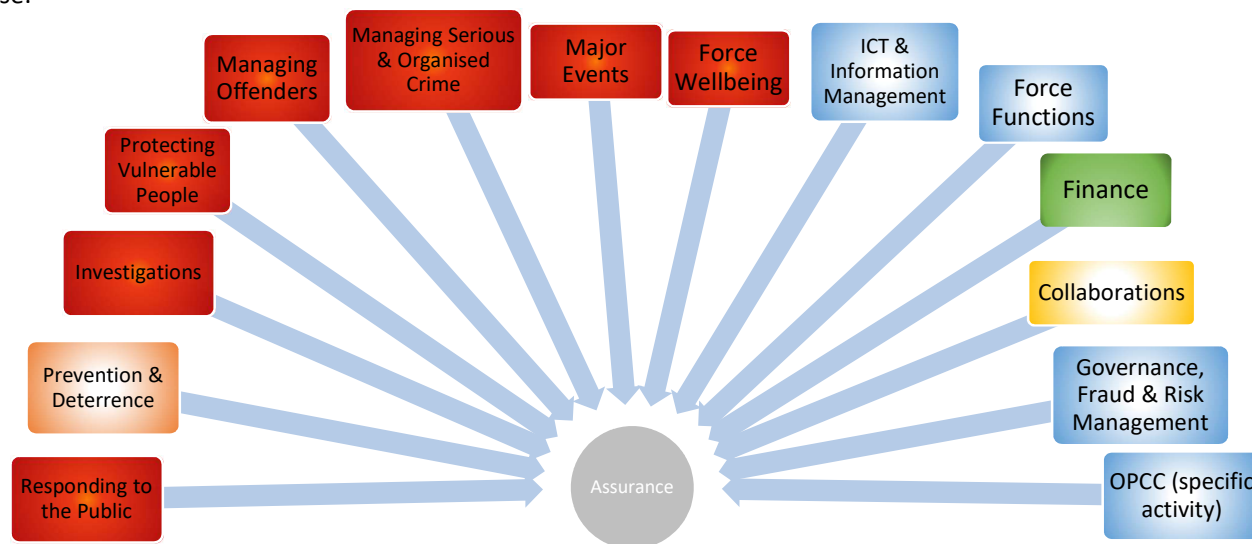


For those areas marked as Red (No Coverage), we anticipate that other assurance providers will provide coverage of these areas.

Annual Opinion

I have considered the balance of 2018/19 audit work and overall 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 managed, but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. A number of audits did identify significant corporate risks and are detailed further below.

Internal Audit has not reviewed all risks and assurances relating to Devon and Cornwall Police & OPCC and/or Dorset Police & OPCC and therefore cannot provide absolute assurance on the internal control environment. Senior Management are ultimately responsible for ensuring an effective system of internal control. The diagram below provides an assessment of the *depth of our audit coverage* over 524 days against the sections of the Force Management Statement as a proxy for the audit universe:



Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

Internal Audit Annual Opinion 2018-19

Annual Opinion Continued

Whilst we consider this adequate to inform an overall opinion, coverage of some more operational areas of the Forces' work has been limited and our opinion should be considered in this context. The Annual Opinion is made based on the following sources of information:

- Completed audits (during the year 2018/19) which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Notable changes to the organisation's strategy, objectives, processes or IT infrastructure.
- Assurances from other providers, including third parties, regulator reports etc.

Our internal audit annual opinion is a balanced reflection rather than a snapshot in time. Information to support this assessment is obtained from multiple engagements and sources (including advice/ consultancy work). The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

A number of audits identified significant corporate risks during the course of the year as follows:

- Disaster Recovery
- Dorset Police and OPCC Employee Cessation Payments
- Devon and Cornwall Police File and Property Tracking System.

At the time of writing, the Strategic Alliance Benefits Realisation Draft report is in circulation to the Chief Finance Officers and Deputy Chief Constable and contains a potential significant corporate risk being explored following the non-merger decision.

High priority recommendations to address weaknesses identified were raised accordingly with Management to address the weaknesses identified and will be subject to independent follow up and verification when due.

Over the year, we have found the organisation to be supportive of Internal Audit findings and responsive to the recommendations made. A follow up process is in place whereby Internal Audit verify the implementation of Priority 1 and 2 level recommendations due on a quarterly basis in advance of the next meeting of the Independent Audit Committee. Priority

Internal Audit Annual Opinion 2018-19

Annual Opinion Continued

3 level recommendations are subject to internal follow up by the Alliance Audit, Insurance and Strategic Risk Management Department.

A summary of the assurance opinions awarded during the course of the year, together with details of the number of recommendations raised, is included in Appendix A. We have included some further context pertaining to headline areas for noting by Members below.

Key Financial Controls

As part of our annual audit plan, we conducted a suite of financial 'Key Controls' reviews to provide an assurance opinion on a number of areas. Whilst we provided the same assurance opinion as the previous year in Creditors and Payroll audits, we did note an improvement in controls in 2018/19 in comparison to the previous year. We were able to provide an improved assurance opinion within the Debtors audit to Reasonable from Partial in 2017/18. We will conduct these reviews again in 2019/20 with the addition of Treasury Management to the suite of financial reviews. Having considered areas susceptible to fraud within our annual audits of Key Financial Controls we are not aware of any specific concerns in relation to fraud risk at this time and there have been no Internal Audit-led investigations.

Risk Management

Risk Management arrangements for both Forces and OPCCs were audited during the year, with Partial assurance being awarded overall. Given the close interdependencies between the four organisations, a single assessment and audit opinion was provided, although it should be noted that our review of the Corporate Risk Registers of both OPCCs found them to meet all standards used as the benchmark for audit fieldwork. It should be noted that our review coincided with a period of reflection and reassessment following the decision made in October 2018 not to merge both Forces, before which a clear plan had been in place to align risk management processes in anticipation.

Throughout our review, we encountered widespread inconsistency in the general management of departmental risk registers, including articulation of risk, assignment of ownership of risks and monitoring of mitigating actions. Examples of good practice were identified, although the effectiveness of such good practice was undermined by this not being applied universally throughout the organisations. There were some internal reservations noted over the suitability of the Pentana risk management system to facilitate risk arrangements that are effective and sustainable for each organisation. We also identified a number of risk registers which did not exist or were not fully established in Pentana.

Internal Audit Annual Opinion 2018-19

Summary of Assurance Opinion

Police and Crime Commissioner for Dorset:

For the 12 months ended 31 March 2019 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 2019 I am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as the majority were found to be adequately controlled. Generally, risks are 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 2019 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 2019 I am able to offer **Reasonable Assurance** in respect of the areas reviewed during the year, as the majority were found to be adequately controlled. Generally, risks are managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Summary of Audit Work

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.

High Corporate Risk

For those audits which have reached report stage through the year, we have highlighted the following reports which identified a high corporate risk(s) as follows:

Review/Risks

Disaster Recovery

The Organisation is unable to recover key systems and data when a disaster occurs.

Dorset Police and OPCC Employee Cessation Payments

1. A lack of organisational policy regarding termination payments, and non-compliance with statutory deduction requirements, results in the incorrect treatment of payments and potential legal action and/or financial loss.
2. Termination payments are not accounted for correctly and a lack of transparency exists as to what payments have been made and the basis of their treatment; resulting in incorrect recording within the Force's accounts and subsequent challenge/ reputation impairment.

Devon and Cornwall Police File and Property Tracking System

The Force's File and Property Tracking System may not be sufficiently robust, leading to potential loss, misclassification, compromising and/or misplacing of evidence and records, giving rise to a potential risk of undermining police investigations and court prosecutions by weakening the integrity of evidence provided, thus leading to reputational damage through harm to the public and financial loss through legal action.

Summary of Audit Work

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

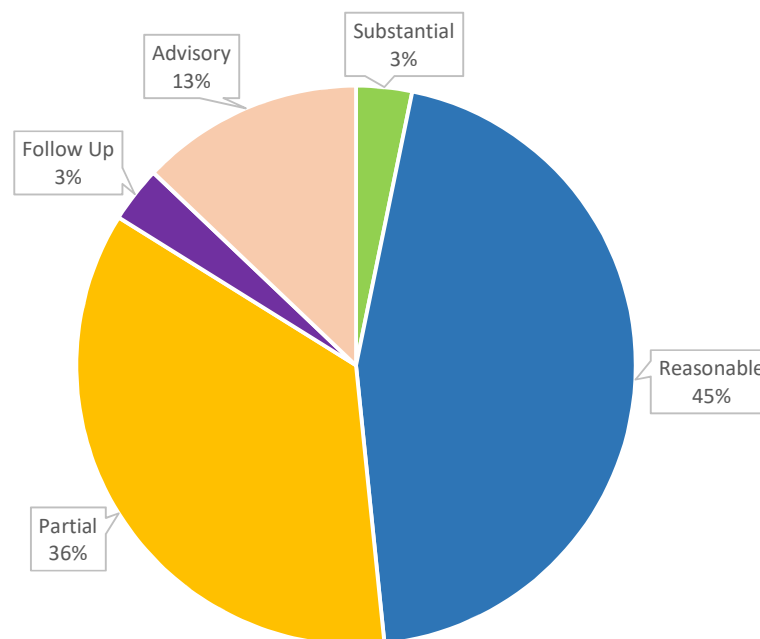
Assurance Definitions

None	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.
Partial	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.
Reasonable	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.
Substantial	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.

Summary of Control Assurance Opinions

As well as our standard audit opinions, we have also included our Follow Up work. It should be noted that the chart below is based on all of the 2018/19 work.

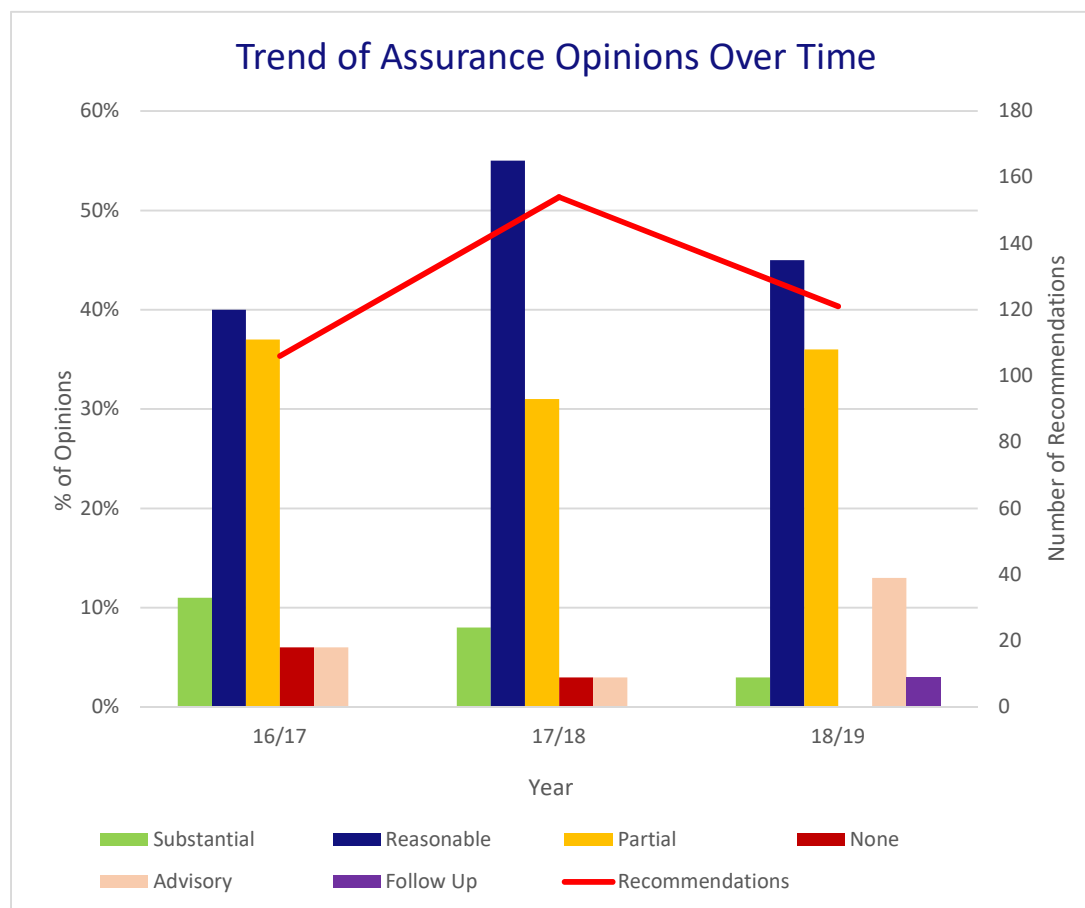
Summary of Opinions for 2018/19 Internal Audit Plan



Summary of Audit Work

We have included some further analysis in this section which details the assurance opinions provided over the last three years against the number of recommendations raised per year.

This analysis signposts to a varied picture in terms of the assurance opinions offered with no real deterioration in the opinions over the period considered. We do note however a reduction in the number of Substantial and None opinions provided during the last three years, in addition to a move towards different types of internal audit reviews, including Advisory and Follow Up.



Plan Performance

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

Changes to the Internal Audit Plan

The schedule provided at Appendix A contains a list of all audits agreed for delivery as part the Annual Audit Plan 2018/19 and the final outturn for the financial year. In total 30 audits 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/allocation which were made as part of the 2018/19 plan are detailed below:

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 (combined audit)

Audits removed from the 2018/19 Joint Internal Audit Plan:

- DP&DCP: Digital Enabling Technology
- DP&DCP: Contract Monitoring
- DP&DCP: Law Enforcement Directive
- DP: STORM – Move to Single Command & Control (implementing STORM in Dorset)
- DCP: Local Criminal Justice Board (LCJB) Compliance
- DP&DCP: Stability and Security of Force/OPCC Information Assets and Systems

Additional audits allocated and included in the 2018/19 Internal Audit Plan:

- DP&DCP: Pension Board
- DP&DCP: Software Licensing
- DCP: Distribution of Income – Police (Property) Regulations
- DP&DCP: Risk Management

Audits deferred from the 2018/19 Joint Internal Audit Plan to be finalised in 2019/20:

- Police Officer Overtime – this review was a substitute late in the year for two of the audits removed as above. Due to the late commencement of this review, the audit will be finalised in 2019/20.

Plan Performance

Value Added

'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.'

Value Added

During 2018/19 we have sought to add value through the provision of the internal audit service to Dorset Police and OPCC and Devon & Cornwall Police and OPCC in our reports.

In addition, we have also:

- Undertaken regional work in relation to the Police Pensions Administration;
- Sharing of risk management benchmarking information;
- Engaged with the regional Directors of Finance for SWAP Police Partners to further collaboration opportunities with internal audit;
- Utilised risk areas and audits undertaken with other Partners to inform our 2019/20 audit plan;
- Provided Audit Committee Member training;
- Provided High Risk bulletins, incorporating emerging issues from across our SWAP Partnership base;
- Supporting the Head of Alliance Audit, Insurance and Strategic Risk Management during the vacancy of the Senior Audit Manager post in preparing reports to the Chief Finance Officers and other tasks as requested;
- Information and sharing of benchmarking with other police forces outside of the SWAP Partnership and attendance at national Police Audit Group conferences.

Plan Performance

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).

Internal Audit Team Performance


SWAP's 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 2018/19 year are as follows:

Performance Measure	Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress/ Review Yet to start	100% 0% 0%
<u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation?)</i> Percentage of SWAP staff qualified or working towards a qualification	100% 100%
<u>Outcomes from Audit Work</u> Percentage of Priority 1 & 2 recommendations identified by SWAP during the year, that remain outstanding past their original implementation date Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	26% 100%

Summary of Work Plan 2018/19

Appendix A

The schedule below contains a list of audits agreed for inclusion in the Annual Audit Plan 2018/19 and the final outturn for the financial year.

Audit Type	Audit Area	Audit Partner	Quarter	Audit Days	Status	Opinion	No of Recs	1 =		3 =
								Major		Minor
								Recommendation		
	Reporting Stage									
Operational	Fuel Cards	DP & DCP	1	15	Final Report	Reasonable	4	-	-	4
Operational	File and Property Tracking System (FTPS)	DCP	1	12	Final Report	Partial	6	1	4	1
Governance	Chief’s Charities	DP & DCP	2	7	Final Report	Reasonable	1	-	-	1
Follow Up	GDPR Follow Up	DP & DCP	2	10	Final Report	N/A				
Operational	People Strategy & Workforce Plan	DP & DCP	1	30	Final Report	Reasonable	3	-	-	3
Operational	Employee Cessation Payments	DP	1	10	Final Report	Partial	10	1	8	1
Operational	Firearms Licensing	DP & DCP	1	15	Final Report	Partial	8	-	6	2
Non-Opinion	Inventories	DP & DCP	1	10	Final Report	Advisory	0	-	-	-
Non-Opinion	Distribution of Income – Police (Property) Regs	DCP	2	5	Final Report	Advisory	0	-	-	-
Operational	Management and Implementation of Significant Recommendations^	DP & DCP	2	12	Final Report	DP -Partial DCP - Substantial	6	-	3	3
Operational	Delivery of Police & Crime Plans*	DP & DCP	2	20	Final Report	Reasonable	4	-	-	4
Key Control	Creditors	DP & DCP	3	20	Final Report	Partial	6	-	4	2
ICT	ICT Disaster Recovery	DP & DCP	2	15	Final Report	Partial	16	-	5	11
Key Control	Debtors	DP & DCP	3	20	Final Report	Reasonable	1	-	1	-
Governance	Counter Fraud Controls	DP & DCP	2	20	Final Report	Reasonable	6	-	-	6
Operational	Overtime Arrangements	DP & DCP	2	15	Final Report	Reasonable	3	-	2	1

Audit Type	Audit Area	Audit Partner	Quarter	Audit Days	Status	Opinion	No of Recs	1 = Major	↔	3 = Minor
								Recommendation		
								1	2	3
Governance	Partnership Working & Collaborations*	DP & DCP	2	20	Final Report	Reasonable	12	-	-	12
Key Control	Payroll	DP & DCP	3	20	Final Report	Partial	7	-	5	2
Key Control	Pension Fund	DP & DCP	3	13	Final Report	Partial	6	-	4	2
Key Control	Budgetary Control	DP & DCP	3	13	Final Report	Reasonable	6	-	-	6
Key Control	Main Accounting	DP & DCP	3	13	Final Report	Reasonable	2	-	1	1
ICT	Software Licensing	DP & DCP	3	15	Final Report	Advisory	0	-	-	-
Operational	Grant Funding	DP & DCP	3	15	Final Report	Reasonable	3	-	-	3
Operational	Agresso Reconfiguration Project	DP & DCP	2	10	Final Report	Partial	2	-	2	-
Operational	Trainer & Consultant Spend	DP & DCP	4	15	Final Report	Reasonable	6	-	-	6
Operational	Police Pensions Administration	DP & DCP	3	8	Final Report	Advisory	0	-	-	-
Governance	Risk Management	DP & DCP	4	20	Final Report	Partial	10	-	7	3
Operational	Modern Apprentices	DP & DCP	4	10	Final Report	Reasonable	3	-	-	3
Governance	Pensions Board Governance	DP & DCP	4	15	Final Report	Reasonable	4	-	1	3
Governance	Strategic Alliance Benefits Realisation	DP & DCP	4	20	Draft Report	TBC	-	-	-	-

^ denotes that two opinions, one for each Force were produced for this audit due to the differing approaches to the controls in place. Recommendations were only raised for Dorset.

* denotes that two reports were issued, one for each OPCC. The assurance opinion for each OPCC was the same and the recommendations are the total from both reports.