

**To: Joint Audit Committee**  
**Date: 27<sup>th</sup> July 2017**  
**By: Daniel Harris, RSM UK**  
**Title: Annual Internal Audit Report 2016/17**

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**Purpose of Report/Issue:**

Internal Audit professional standards and sector guidance such as the Chartered Institute of Public Financial and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK (2006) require the Internal Audit Service to provide an annual report on its activities and including an opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.

The work of internal audit, culminating in our annual opinion, forms a part of the OPCC's overall assurance framework and should be used to help inform the annual assurance statement.

The accompanying report summarises the work undertaken by Internal Audit over the 2016/17 financial year and includes our overall opinion on the PCC's governance, risk management and internal control arrangements.

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**Recommendation**

The Committee is asked to consider and comment on the end of year report for 2016/17.

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# SURREY POLICE FORCE AND OFFICE OF THE POLICE AND CRIME COMMISSIONER

**Annual internal audit report 2016/2017**

**May 2017**

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# 1 THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, 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 opinion should contribute to the organisation's annual governance reporting.

## 1.1 The opinions

### Police and Crime Commissioner

For the 12 months ended 31 March 2017, the head of internal audit opinion for Surrey Police and Crime Commissioner is as follows:

#### Police and Crime Commissioner Head of internal audit opinion 2016/17

**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.**

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### Chief Constable

For the 12 months ended 31 March 2017, the head of internal audit opinion for Surrey Police Chief Constable is as follows:

#### Chief Constable Head of internal audit opinion 2016/17

**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.**

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

## 1.2 Scope of our work

The formation of our opinions are achieved through a risk-based plan of work, agreed with management and approved by the Joint Audit Committee (JAC), which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinions do not imply that internal audit has reviewed all risks and assurances relating to the organisations. The opinions are substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework and risk register. As such, the assurance framework and risk register are just one component that the Corporations Sole takes into account in making their annual governance statements (AGS).

## 1.3 Factors and findings which have informed our opinion

### Risk management

Our review of risk management provided a reasonable assurance opinion and two medium priority actions were agreed with the Force and OPCC.

These actions related to putting a risk assurance framework in place and to considering risk as part of the annual service planning process.

### Governance

Our review of governance considered the policies and procedures that are in place to prescribe an ethical culture and the reporting mechanisms to provide feedback on compliance with these policies, procedures and the respective values. This review provided a substantial assurance opinion and raised only four low priority actions.

### Control

We have undertaken a total 12 specific assurance reviews (excluding risk management and governance) and one advisory review. We have issued six partial, four reasonable and two substantial assurance opinions. We also carried out a follow up review to determine made by management to implement previously agreed actions and concluded that reasonable progress had been made.

The six partial assurance opinions related to the following reviews:

We agreed one high priority action within our **Crime Recording Review**, we have not been able to provide positive assurance as there are known data quality issues with the crime recording data received by the OMU. As noted in our effectiveness findings at the time of the audit, for the sample we reviewed data was only 20% correct before OMU review, but 80% accurate thereafter.

**Strategic Planning and Budgeting** – We identified weaknesses and a lack of reliability for forecasting reported in the 2016/17 financial year as well as the impact the issues were having on the timeliness of the 2017/18 budget planning process. In particular we raised a high priority action relating to a lack of formal procedures and training having been provided regarding forecasting which has led to an inconsistent and unreliable process for forecasting.

Our review of the Surrey Police Force **Savings Plan** identified that whilst the Force had controls in place and operating for known savings, we found that there were still c£700k of 'purple saves' in the plan. These saves were yet to be found and so therefore placed the achievement of the savings plan at risk. Additionally, we found a lack of controls and processes in place regarding purple risks.

Our conclusion for our review of **Staff Experience** was based on the absence of a formal structured approach to the end to end process of the staff survey, and the inability to give assurance on the implementation of actions resulting from the findings of the survey.

Our review of **PSN compliance** found that overall, the control framework for handling residual remedial actions arising from the 2016 PSN process was found to be adequately designed. However, through our audit testing programme we identified a number of devices running on out of support operating system software remained to be decommissioned, and a number of IT Health Check recommendations were outstanding from 2015/16. In addition, with regard to the forthcoming 2017 PSN submission, we found that there were a number of opportunities for strengthening the current control arrangements.

Whilst our review of **Vetting** found no significant issues requiring management action, and that plans were in place to address the low performance of the new joint unit, performance remained below the unit's target levels. This has therefore impacted on the effectiveness and overall opinion.

A further 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 your annual governance reporting**

The OPCC and Constabulary should consider the areas set out at 1.3 above whereby partial assurance was given over the control framework for Crime Recording, Strategic Planning and Budgeting and PSN Compliance when completing the annual governance statements, unless assurances have been gained internally over improvements in the highlighted areas of weakness since the audit reports were issued.

In addition, further sector reviews have found weaknesses across other Police forces on collaborative assurances, and assurance around wider collaboration is another area for consideration for the annual governance statements.

## 2 THE BASIS OF OUR INTERNAL AUDIT OPINION

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 2016/2017.

### 2.2 Implementation of internal management actions

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisations had made reasonable progress in implementing the agreed actions.

Of the 71 management actions brought forward from 2015/16, 54 had been fully implemented and six superseded. Of the remaining 11 actions (two high and nine medium), the implementation of all but two medium actions was ongoing.

### 2.3 Working with other assurance providers

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

## 3 OUR PERFORMANCE

### 3.1 Wider value adding delivery

As part of our client service commitment, during 2016/17 we have undertaken the following:

- Issued police and fire sector updates and general briefings during the year;
- At joint audit committee meetings we have presented our briefings and discussed aspects around the topics with members;
- Undertaken both advisory and assurance reviews and also shared practice across the sector through our work;
- Made suggestions throughout our audit reports based on our knowledge and experience in the sector to provide areas for consideration;
- Completed ad hoc benchmarking requests and provided feedback; and
- Maintained regular contact with management and responded to queries.

### 3.2 Conflicts of interest

Surrey Police had a subscription for tax advice from our Autoritas service in 2016/17.

We (RSM) do not consider that any of the above work would lead us to declare any conflict of interests as all of this work was carried out under separate engagement letters, teams and engagement partners.

### 3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing and the International Professional Practices Framework (IPPF) as published by the Global Institute of Internal Auditors (IIA).

Under the standards, 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 IPPF.

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.



# 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

The organisation has an adequate and effective framework for risk management, governance and internal control.

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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.

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There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.



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The organisation does not have an adequate framework of risk management, governance or internal control.

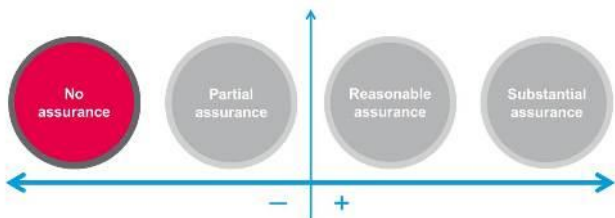
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# APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

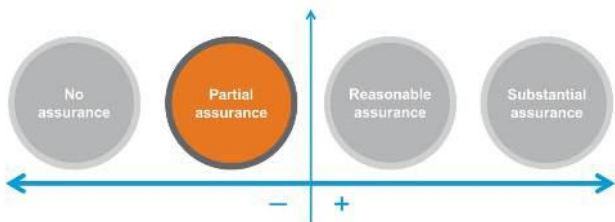
Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Crime Recording Review	Force Crime & Incident Registrar and Audit Manager		1	0	0
Savings Plan	Portfolio Management & Assurance Lead and Head of Surrey Change Delivery Team		1	2	3
Staff Experience (Draft)	Head of Employee Services		2	4	0
PSN Compliance	Chief Information Officer, Surrey and Sussex Police		0	6	0
Strategic Planning and Budgeting	Head of Finance		1	2	1
Vetting	Robert Lockyer - Joint Force Vetting Manager, Surrey & Sussex Vetting Unit		-	1	1
Policies and Procedures	Policy and Procedure Manager		1	3	2
Financial Feeder Systems	Financial Accounting Manager		0	2	3
Managing Victims of Crime - Domestic Abuse Referrals	Chief Executive OPCC		0	4	2
Capital Expenditure	Head of Finance		0	0	4
Risk Management	Head of Service Quality and Risk Manager		0	2	0

Assignment	Executive lead	Assurance level	Actions agreed		
			H	M	L
Governance	Chief Executive PCC		0	0	4
Complaints	Chief Inspector of Professional Standards Department		0	1	0
Cash Handling	Head of Shared Business Services	Advisory	0	4	3
Follow Up	Corporate Finance Manager	Reasonable progress	2	9	-

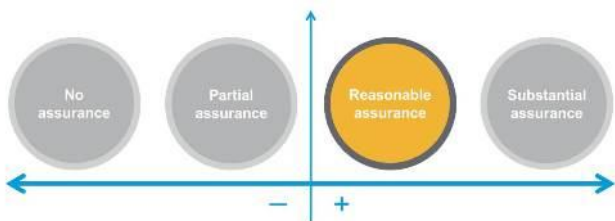
We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the PCC & CC can take:



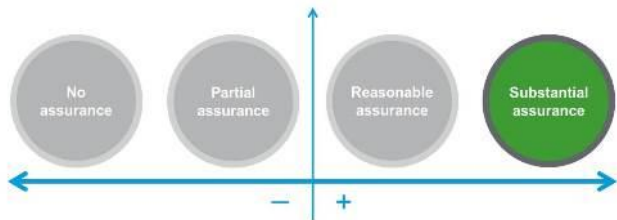
Taking account of the issues identified, the PCC & CC cannot take assurance that the controls upon which the organisations rely to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the PCC & CC 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).



Taking account of the issues identified, the PCC & CC 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).



Taking account of the issues identified, the PCC & CC can take substantial assurance that the controls upon which the organisations rely to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.

## FOR FURTHER INFORMATION CONTACT

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