

Annual Internal Audit Report & Opinion 2020-21

The Police & Crime Commissioner for Surrey
and The Chief Constable of Surrey Police

Office of the Police and Crime
Commissioner for Surrey



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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1. Role of Internal Audit

The Police and Crime Commissioner for Surrey (PCC) and the Chief Constable are required by the Accounts and Audit (England) Regulations 2015, to ‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’ In fulfilling this requirement, the PCC and Chief Constable should have regard to the Public Sector Internal Audit Standards (PSIAS), issued by the relevant internal audit standards setters (the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors), as the internal audit standards set for local government and the police. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

In addition to enabling the PCC and Chief Constable to fulfil their requirements in relation to the relevant Accounts and Audit Regulations, internal audit is needed:

- to help the PCC and Chief Constable satisfy themselves that effective internal control systems are in place; and
- to provide assurance that financial systems and internal controls are effective and that the Police Fund is managed so as to secure value for money.



The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The PCC and Chief Constable are responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the PCC and Chief Constable that these arrangements are in place and operating effectively.

The PCC and Chief Constable’s response to internal audit activity should lead to the

strengthening of the control environment and, therefore, contribute to the achievement of the organisations' objectives.

2. Internal Audit Approach

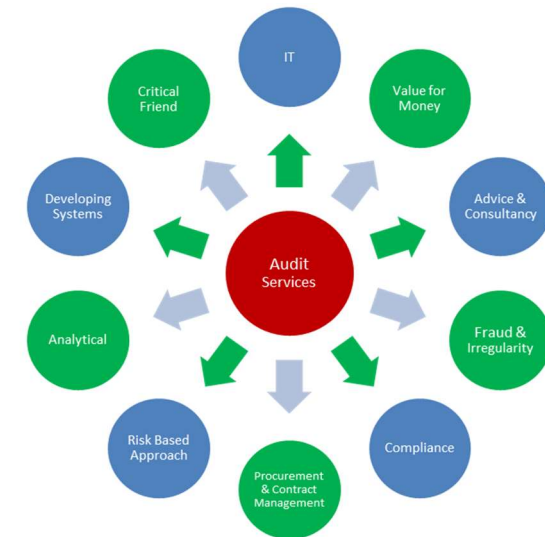
To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the PCC and Chief Constable on the framework of internal control, risk management and governance in operation and to stimulate improvement.

The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive *'if you can work from home, you must do so'* has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.



Work contributing to my 2020-21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings. I am confident that the revised operating model has not compromised quality or SIAP's ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to OPCC and Surrey Police staff and officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach, without which the delivery of an annual opinion would not have been possible.

3. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the PCC and Chief Constable to inform their governance statements. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the PCC and Chief Constable's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Police and Crime Commissioner, Surrey Police Force and the Joint Audit Committee. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. As Chief Internal Auditor, I feel that the maturity of this relationship and the PCC and Chief Constable's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2020-21 financial year.

Annual Internal Audit Opinion 2020-21

“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable and audit testing has demonstrated controls to be working in practice.*

In 2019-20 I gave a limited assurance opinion, primarily due to the results relating to IT reviews, given that this is such a critical area of control. Prior to 2019-20 there had been very little assurance work completed in the collaborative area of IT and this was rectified from 2019-20 through delivery of a joint internal audit plan with Sussex Police, following our appointment as Surrey Police’s internal auditors from April 2019. Whilst there remains work to be done in some areas, the results of our reviews and follow-up work in 2020-21 relating specifically to IT, have shown significant progress in addressing the issues raised. The direction of travel remains positive with strong governance over monitoring and challenging progress in addressing the outstanding actions.

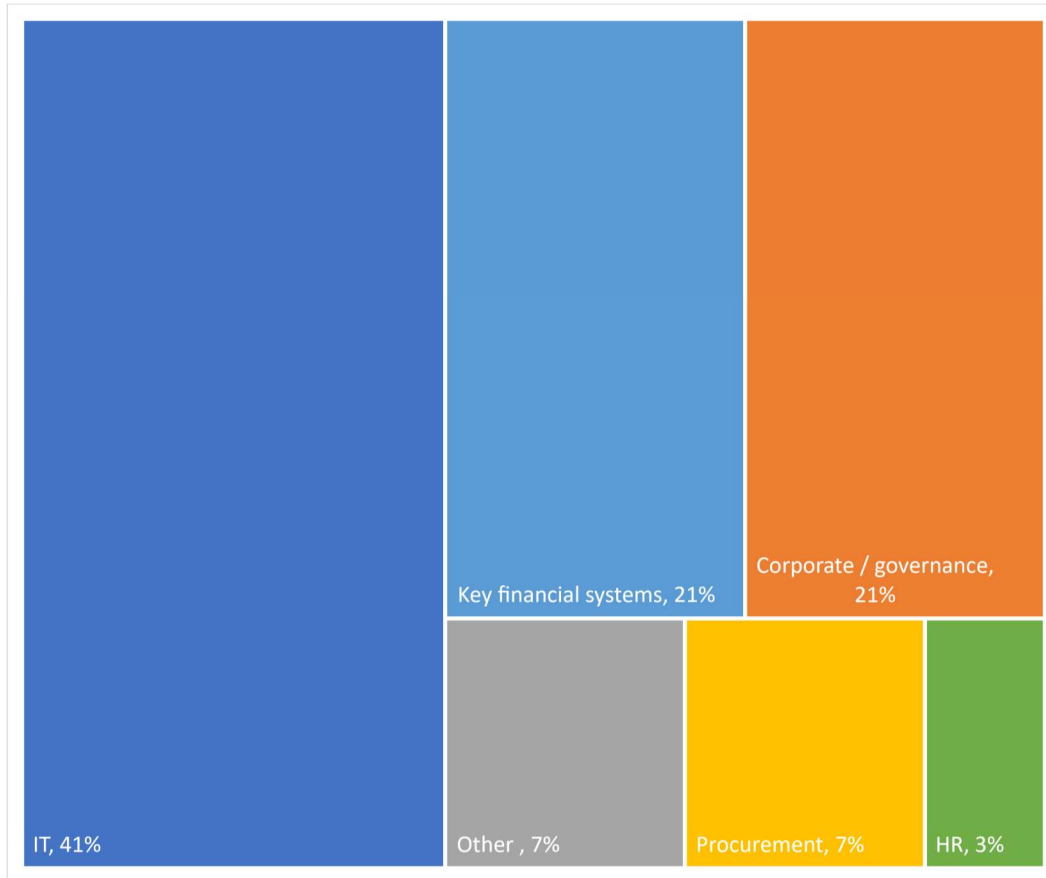
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

* definitions can be found on page 9

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the PCC and Surrey Police activities and to support the preparation of the Annual Governance Statement.

Internal audit reviews by type



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2020-21 internal audit plan was considered by the Joint Audit Committee in July 2020 prior to approval by the Police and Crime Commissioner and Chief Constable. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management, including the Chief Finance Officer for the PCC and the Executive Director of Finance and Commercial Services for Surrey Police to ensure it aligned to key risks facing the organisations.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. The plan has remained fluid throughout the year to maintain an effective focus.

As a result, a number of changes were made to the plan that was approved in July 2020 to ensure that it continued to meet the needs of the PCC and Chief Constable during the year. These changes were agreed with the Chief Finance Officer for the PCC and the Executive Director of Finance and Commercial Services for Surrey Police and reported in detail to the Joint Audit Committee in the internal audit progress reports which were reviewed at each meeting.

In delivering the internal audit opinion, internal audit have undertaken 29 reviews during the year ending 31 March 2021.

Despite the significant impact and subsequent challenges posed by the coronavirus pandemic (Covid-19), the revised 2020-21 internal audit plan is substantially complete.

Work is complete for 25 reviews. An opinion has been formed for one further review and a draft report issued, however, the final report has not yet been agreed. The results of this work are reflected in my opinion.

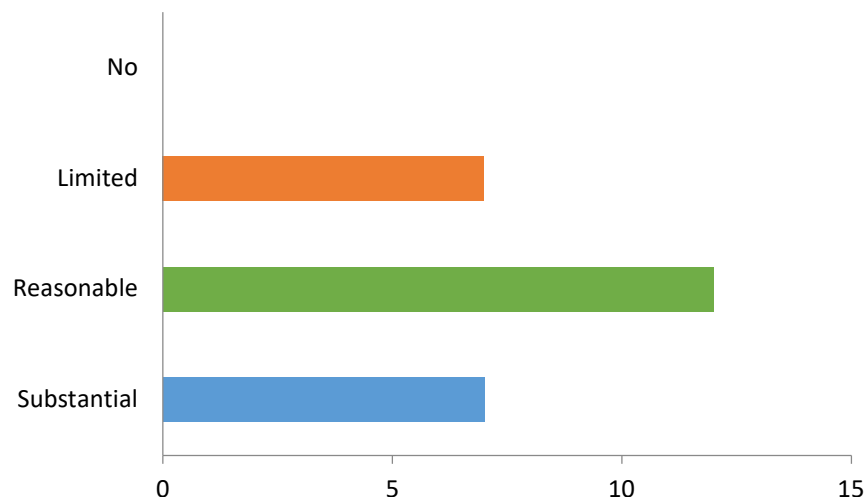
Three pieces of internal audit work did not culminate in an opinion; two pieces of follow up work to assess progress in addressing the issues raised in the 2019-20 limited assurance IT and Commercial Unit reviews; and we carried out a proactive fraud review.

Summary of work completed

Stage reached	Number of reviews
Final report with assurance opinion	25
Final report – follow up work (no assurance opinion)	2
Draft report with assurance opinion (factual accuracy agreed)	1
Work in progress carried forward to 2021-22	0
Proactive fraud review	1
Total	29

The assurance opinions assigned to each internal audit review on issue (including the draft report) are summarised and defined as follows. A table summarising the opinions assigned to each audit review is attached at Annex 1.

Assurance opinions for 2020-21 reviews



Substantial –A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Reasonable - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

5. Collaboration

Surrey Police have entered into a range of collaborative arrangements with Sussex Police and a joint internal audit plan was agreed with Sussex Police for 2020-21 to provide assurance over all areas of collaborated and shared services. The results of this work are reflected in my opinion.

6. Key Observations – PCC and Surrey Police reviews

There were no ‘No Assurance’ opinions issued during the year. Internal audit work found there to be a sound control environment in place across the majority of review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisations’ risk environment. Where our work identified risks that we considered fell outside the parameters acceptable to the PCC or Surrey Police, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

IT Controls

In my 2019-20 Annual Report and Opinion I drew attention to the results of our work relating to IT controls and as indicated above, these findings resulted in a limited assurance opinion for the year, given that this is such a critical area of control. Prior to 2019-20 there had been very little assurance work completed in the collaborative area of IT and this was rectified from 2019-20 through delivery of a joint internal audit plan with Sussex Police, following our appointment as Surrey Police’s internal auditors from April 2019.

We have continued our work in this area by completing the reviews carried forward from 2019-20, as well as the reviews agreed as part of the 2020-21 planning process. We also carried out follow-up work to assess the progress made in addressing the issues identified in the 2019-20 IT reviews which were given a limited assurance opinion.

Our follow-up work has shown that significant progress had been made and where actions remain outstanding they are being actively monitored and challenged through the Organisational Reassurance Board. Whilst there remains work to be done in some areas, the direction of travel is positive and working relations between IT and internal audit staff have strengthened through regular liaison meetings, resulting in improved understanding of the process as well as improvements in the timeliness of response to internal audit requests for information and as a result, the completion of reviews.

Organisational Risk Management Framework

During the year we reviewed the arrangements for managing organisational risk to ensure that risks are recorded, monitored and updated effectively and that robust oversight arrangements are in place. Operational policing risk was outside the scope of this review, being more aligned to the work of HMICFRS. We found risks that are jointly managed with Sussex Police are well documented, regularly updated and

reviewed. However, whilst our planning meetings and attendance at the Surrey Organisational Reassurance Board (ORB) and Joint Audit Committee meetings demonstrated that an overview of other organisational risks, including emerging risks, is in place, the reports provided were not detailed enough to support and facilitate in depth challenge and oversight. Force management were already aware of the limitations of the existing risk management system and have plans in place to replace the system through a joint approach with Sussex Police. This will be rolled out across the Force and will also provide a consistent risk management system and process for all areas of collaborative working. Workshops with senior key risk holders are planned to facilitate more detailed review, challenge and assurance to support this process. We acknowledge the Forces' robust response to the issues raised and endorse the approach to ensure that risk management is embedded across the organisation. In our opinion successful implementation of the new system and supporting risk management processes will address the issues raised going forward.

Estates - maintenance

Arrangement are in place, through an in-house team and contracts with third parties, to provide for both planned and reactive maintenance and certifications as required. These arrangements are regularly monitored and reviewed and there are controls in place to ensure that contractors have undergone the appropriate level of vetting. However, our review highlighted opportunities to formalise the arrangements for post work inspections and to improve the arrangements for ensuring that contractors are given timely access to premises to ensure that all required works are completed to meet the required standards and regulations.

Management actions

Implementation of all agreed actions is monitored as appropriate by either the OPCC or by Surrey Police through the Organisational Reassurance Board; and reported to the Joint Audit Committee throughout the year through the quarterly internal audit progress reports and reports from management which provide an update on the status of any overdue actions.

ERP project

We were kept informed of the progress of the Tri Force ERP project during the year through the regular reporting to the Joint Audit Committee. Ongoing work by the project team during the year culminated in Chief Officers taking the decision to take a transfer of the ownership of programme assets and licensing with a view to working on further developments internally. We understand that it is the

intention to adopt a managed, phased delivery of the next stages of the ERP programme, with business cases being written to assess where the greatest risks and opportunities lay, with integration being pursued where possible.

The PCC and Chief Constable, as members of the Tri-Force collaboration, have previously made arrangements with specialist advisers to provide assurance over the governance and project management controls for this programme and as a result this has not featured heavily in the internal audit plan to date. Progress will continue to be assessed through both our regular liaison and planning meetings to ensure that our work continues to focus on the key risk areas and provides assurance over the controls in place following any system and process changes.

7. Anti-Fraud and Corruption

The OPCC and Surrey Police are committed to the highest possible standards of openness, probity and accountability and recognise that the public need to have confidence in those responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence and damage reputation and image. Policies and strategies are in place setting out the approach and commitment to the prevention and detection of fraud or corruption. This includes well established mechanisms for staff to make confidential reports of any concerns.

Responsibility for the Anti-Fraud and Corruption policy and procedures rests with the Head of the Professional Standards Department who oversees the Anti-Corruption Unit and Joint Force Vetting Unit. However, we are notified of any issues through the Chief Financial Officers to ensure that the impact on the control framework can be assessed as appropriate.

National Fraud Initiative (NFI) - The NFI is a statutory exercise facilitated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Public sector bodies are required to submit data to the National Fraud Initiative on a regular basis (every two years). The latest NFI data upload was carried out in October 2020.

Potential matches will be reviewed by Surrey Police throughout 2021-22.

No significant issues relating to fraud or corruption have been brought to my attention during 2020-21 that would impact on the system of governance, risk management or control.

In addition, a proactive fraud review of procurement cards was undertaken to review the controls in place to mitigate the risk of fraud and actions were agreed where opportunities to strengthen controls were identified.

8. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team concluded:

‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’

9. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards’.

There are no disclosures of Non-Conformance to report.

10. Quality control

Our aim is to provide a service that remains responsive to the needs of the PCC and Surrey Police and maintains consistently high standards. In complementing the QAIP this was achieved in 2020-21 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

11. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered	95%	100%
Positive customer survey response		
<ul style="list-style-type: none"> Surrey PCC & Police 	90%	100%
<ul style="list-style-type: none"> SIAP – all Partners 	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).

12. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the OPCC and Surrey Police with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Karen Shaw
Deputy Head of Southern Internal Audit Partnership
June 2021

2020-21 Audit Reviews and Assurance Opinions (for definitions see page 9)

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> - Independent custody visitors - Imprest accounts - Accounts receivable - Accounts payable - Payroll - Governance of collaborative arrangements (joint) - Data classification / data governance (joint) 	<ul style="list-style-type: none"> - Cyber security – security monitoring (19-20 c/fwd) (joint) - Data protection – OPCC - Risk management – OPCC - Main accounting system - Business continuity (joint) - Pension administration arrangements (joint) - Recruitment (joint) - Procurement (joint) - Information governance – data sharing agreements (joint) - Security controls (joint) - Systems lifecycle support and planning (joint) - Monitoring, assurance and compliance (joint) (draft) 	<ul style="list-style-type: none"> - Commercial Unit (19-20 c/fwd) (joint) - Cyber security – third party management (19-20 c/fwd) (joint) - Application management (19-20 c/fwd) (joint) - IT Business continuity / disaster recovery planning (19-20 c/fwd) (joint) - Organisational Risk Management Framework – Force - Estates management - IT asset management (joint) 	

Note: 1) Joint review refers to systems shared by Surrey and Sussex Police

2) In addition, follow up work was completed to assess progress made in addressing the issues arising from the limited assurance areas of IT and the Commercial Unit identified as part of the 2019-20 internal audit plan (see page 10)