



SURREY POLICE FORCE AND OFFICE OF THE POLICE AND CRIME COMMISSIONER

Annual Internal Audit Report 2018/2019

10 July 2019

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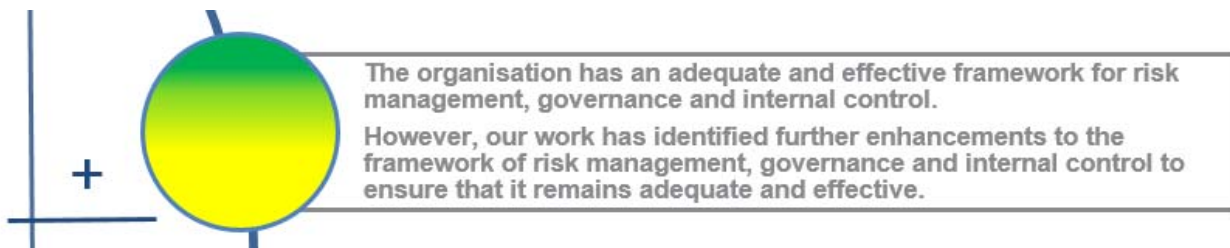
1 THE HEAD OF INTERNAL AUDIT OPINION

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

1.1 The opinion

For the 12 months ended 31 March 2019, the head of internal audit opinion for the Office of the Police and Crime Commissioner for Surrey 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 Surrey Police Force 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 Joint 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 organisations;

- the opinions are substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance frameworks are one component that the Force and PCC take into account in making the annual governance statements (AGS);
- the opinions are based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- 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

Governance

We completed a review of Governance which focussed on the processes around the Scheme of Governance. We agreed three medium and two low priority actions in relation to this area. The Force and OPCC can take reasonable assurance from this review.

Risk Management

We completed a review of Risk Management and found that the core elements of a risk management framework were in place and largely operating as intended. We noted that continuing efforts are being made to fully implement the intended processes where these were not fully complied with (e.g. to encourage regular risk updates as required by the Surrey Police and OPCC risk management policy) but that these efforts were not effective, in particular relating to review and update of risks by risk owners. We agreed two medium and one low priority action in relation to this review. The Force and OPCC can take reasonable assurance from this review.

Furthermore, through attendance at the Joint Audit Committee we confirmed the organisations' risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members.

Control

To date, we have undertaken nine audits of the control environment that resulted in formal assurance opinions. These nine reviews concluded with one no assurance (negative) opinion, six reasonable (positive) assurance and two substantial assurance (positive) opinions. We identified the organisations had established controls frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

The Force and OPCC cannot take any assurance from our review of Uniform and Small Assets. We identified significant issues across the core of the processes relating to both issuing of and receipting back Uniforms. This included issues identified in every test completed in relation to compliance testing of Uniform, as well as control design problems with the management of inventory and receipting of Uniforms. Furthermore, with the shared stores now operating between Surrey and Sussex Police the spreadsheet systems used to monitor activities were no longer fit for purpose. We agreed two high and three medium priority actions.

The Force and OPCC can take reasonable assurance from our review of Gifts and Hospitality, Evidential Property, Financial Feeders, Risk Management and Governance. The Force and OPCC can take substantial assurance from our review of Police Officer Allowances and no actions were agreed as a result of this review.

Additionally, we have completed Advisory reviews of Financial Governance – Follow Up and Victim Support. The Financial Governance – Follow Up found 11 of the 16 actions raised previously were fully implemented with two ongoing and the remaining three yet to be implemented. Our review of Victim Support found elements covered in the audit scope had been addressed in the design and (pre-delivery) implementation of the service but that the planned-for post-implementation review should be completed as intended.

We have also completed a follow up audit, where we have issued a Poor Progress opinion, concluding that a number of actions previously agreed have either not been implemented, or are still in progress.

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

We issued one no assurance opinion (Uniform and Small Assets) and one poor progress opinion (Follow Up) in 2018/19 (both negative opinions). The organisations should consider the poor progress opinion issued for our follow up review, given that this was following up a number of high priority actions on the IT Governance Framework and Mandatory Training agreed in 2017/18, when completing their annual governance statements, together with any actions taken by management to address the actions agreed.

In addition, further sector reviews have found weaknesses across other Police forces on collaborative assurances, GDPR compliance and cyber security. Assurances around wider collaboration and the areas of cyber security and GDPR are therefore other areas for consideration for Police annual governance statements.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

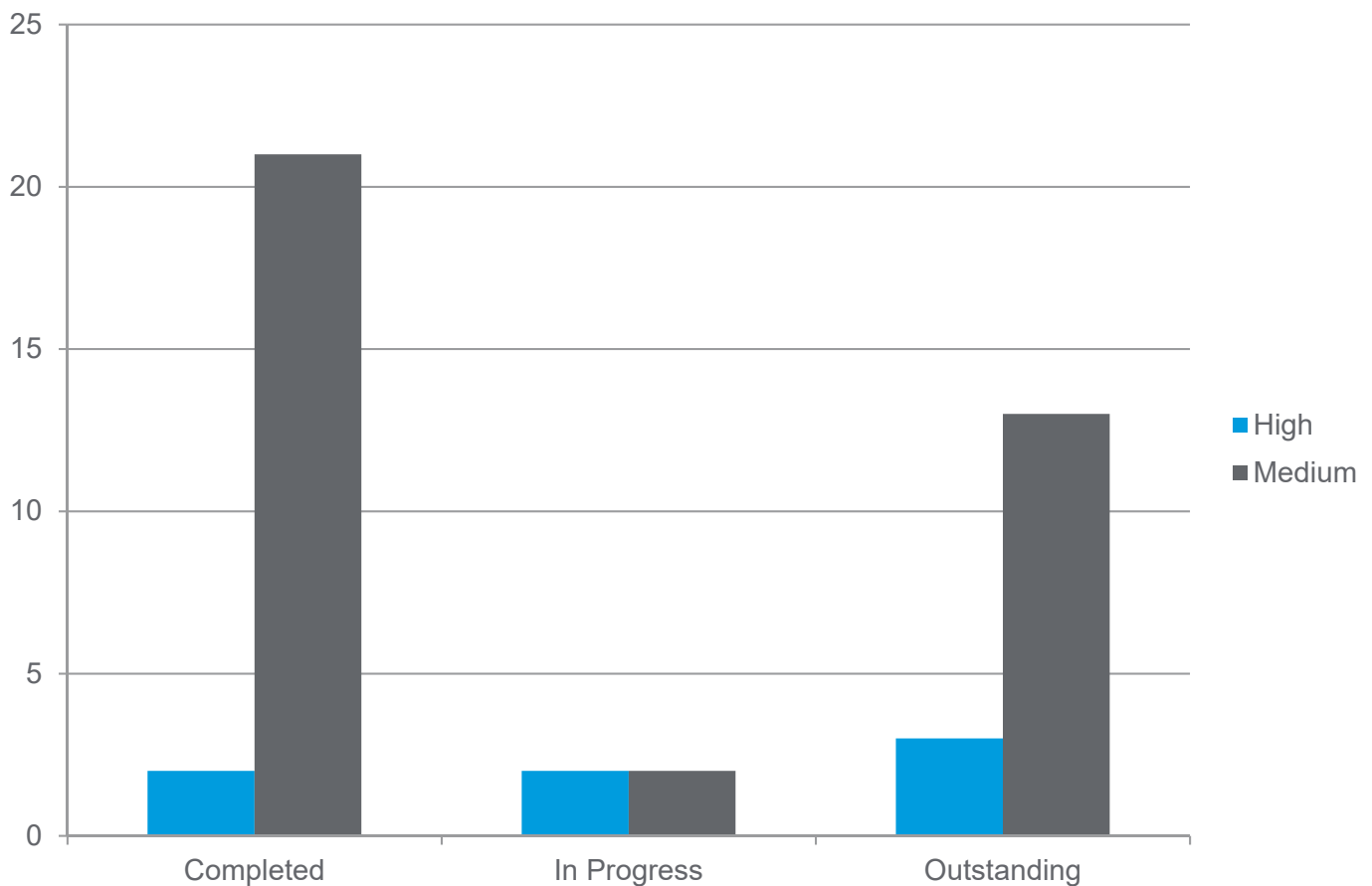
As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

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 2018/2019, subject to the reports remaining in draft.

2.2 Implementation of internal audit management actions

We have performed a follow up review to determine the organisations implementation of internal audit findings and we have reported **poor progress** has been made in implementing the agreed actions. The table below summarises the implementation of actions.



The actions not yet completed (in progress and outstanding) relate to the following areas:

- Vehicle Recovery Unit – 1 medium action

- Preparations for PSN compliance – 3 medium actions
- Staff experience – 2 high and 4 medium actions
- Tasers – 1 medium action
- Mandatory training – 2 high and 1 medium actions
- IT governance – 1 high and 3 medium actions
- Proceeds of Crime Act Seizures – 2 medium actions

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 2018/19 we have issued a number of briefings relating to the sector within our progress reports presented to the Joint Audit Committee.

We have provided benchmarking within our reports where possible on the number and category of recommendations and assurance opinions across organisations similar to you.

We have attended and contributed to the Joint Audit Committee meetings and held numerous pre-JAC meetings with management to discuss our work, emerging sector issues and risks and updated the plan throughout the year as required. Conflicts of interest

3.2 Conflicts of interest

Our specialists provided some work on a Financial Forecasting software review during the year. This was under a separate letter of engagement and delivered by a separate team and led by a different partner to the core internal audit team. We do not believe this work has resulted in any conflict of interest that needs to be declared.

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.

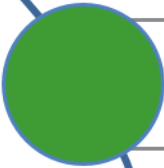
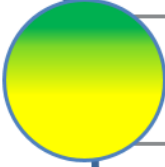
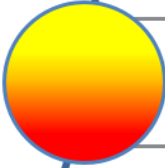
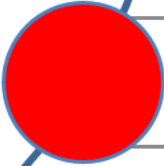
3.4 Quality assurance and continual improvement

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
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<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;
<p>+</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>	<ul style="list-style-type: none"> limitations in the individual audit assignments; the adequacy and effectiveness of the risk management and / or governance control framework;
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> the impact of weakness identified; the level of risk exposure; and
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/2019

Assignment	Client Sponsor	Assurance level	Actions agreed		
			H	M	L
Gifts and Hospitality	Darren McInnes - Detective Superintendent	Reasonable	0	5	5
Police Officer Allowances	Bill Davis - Head of Employee Services	Substantial	0	0	0
Evidential Property	Chris Jackson - Facilities Manager	Reasonable	0	3	2
Uniform and Small Assets	Paul Cliff - Head of People Development	No Assurance	2	3	0
Financial Feeders	Bev Foad – Corporate Finance Manager	Reasonable	0	3	4
Financial Governance – Follow Up	Paul Bundy	N/a – Follow Up	3 Ungraded		
Governance	Alison Bolton - Chief Executive of the OPCC	Reasonable	0	3	2
Risk Management	Helen Bayliss - Head of Service Quality and Risk Manager	Reasonable	0	2	1
Victim Support	Lisa Herrington - Head of Policy and Commissioning	N/a - Advisory	0	1	0
Legal and Insurance	Darren McInnes - Detective Superintendent Lorna Mackay - Head of Insurance Services	Substantial	0	1	0
Out of Court Disposals	Clive Davies - Head of Criminal Justice & Custody	Reasonable	0	0	1
Follow up (including IT follow up) (DRAFT)	Bev Foad - Corporate Finance Manager	Poor Progress	5	15	0

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 Surrey Police Force and Police and Crime Commissioner 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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