

Office of the Cambridgeshire Police and Crime Commissioner and Cambridgeshire Constabulary

**Internal Audit Annual Report – Year ended 31 March
2014**

Presented at the Joint Audit Committee meeting of: 23 June
2014

Daniel Harris

Baker Tilly Risk Advisory Services LLP

1 Internal Audit Opinions

1.1 Context

As the provider of the internal audit service to Office of the Cambridgeshire Police and Crime Commissioner and Cambridgeshire Constabulary we are required to provide the Section 151 Officers and the Joint Audit Committee opinions on the adequacy and effectiveness of the two organisation's governance, risk management and control arrangements. In giving our opinions it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Police and Crime Commissioner (PCC) and the Chief Constable (CC) must have an internal audit service, and there must be an audit committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the CC, and summarises the work undertaken during 2013/14.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and CC prepare informed annual governance statements.

1.2 Internal Audit Opinions 2013/14

Office of the Cambridgeshire Police and Crime Commissioner

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Cambridgeshire Police and Crime Commissioner's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Cambridgeshire Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Cambridgeshire Police

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Cambridgeshire Constabulary's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 Cambridgeshire Constabulary has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

1.3 The Basis of the Opinions

1.3.1 Governance

A review was undertaken to ensure that the governance framework for the Office of the Cambridgeshire Police and Crime Commissioner and Force had been implemented in accordance with good governance arrangements including the 'Nolan principles' and associated best practice. As part of the process we also sought to gain assurances that the arrangements established provided the means to inform the completion of the Annual Governance Statements.

Our review confirmed that the general principles of good governance had been considered and were used to establish the governance framework for the OPCC and Force for the Code of Corporate Governance, the Scheme of Governance, decision-making policy and associated protocols including those in place where both corporations sole work jointly together.

We found that the OPCC could take substantial assurance that the controls upon which the organisation relied to manage this area were suitably designed, consistently applied and effective.

Our review concluded that a clear governance structure had been created with adequately detailed roles and responsibilities. We found that matters relating to finance, performance and risk management were being reported both within the Force and via the OPCC to fulfil the required obligations, and to hold the Chief Constable to account.

We concluded that the governance arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.2 Risk Management

OPCC

The Police and Crime Commissioner and the Chief Constable had identified the 16 key risks to the non-achievement of the Police and Crime Plan and these had been mapped into a Joint Strategic Risk Register. The register was maintained by the Head of Policy and Performance within the OPCC using an excel database. The strategic risks were reviewed monthly by the OPCC and Constabulary. Reporting on strategic risks was undertaken half yearly to the Joint Audit Committee.

In summary we concluded that the Office of the Cambridgeshire Police and Crime Commissioner could take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of risk materialising in this area.

Constabulary

The Constabulary had identified a number of strategic risks that were directly linked to the Police and Crime Plan. In addition, a number of corporate risks and operational risks emanating from Departments had been identified. All 37 risks were recorded on the 4Risk database. The Risk Champion for the Constabulary was the Deputy Chief Constable with day to day management vested through the Force Risk Manager assisted by the Force Risk Officer.

Risks were reviewed monthly and reported to the Force Executive Board through a rolling review programme. There was no formal reporting on Constabulary risks to the Joint Audit Committee in 2013/14.

Our audit concluded that it has been recognised by the Deputy Chief Constable that whilst risks at a strategic and corporate level were being effectively managed, this was not always considered to be the case in respect of operational risk. To improve this area a new Risk Review Board was being created that would take responsibility for ensuring that all risks within the Constabulary were being effectively identified, recorded and reviewed as required. The new Board will also ensure that collaboration risks, currently managed through Hertfordshire Constabulary, were reviewed and will act as a conduit in respect of reporting lines to the Force Executive Board, the joint Business Continuity Board and the Joint Audit Committee.

In summary we concluded that the Constabulary could take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of risk materialising in this area.

We concluded that the risk management arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.3 Control

We undertook a total of other 13 assurance reviews and 12 of these resulted in positive opinions with six substantial assurance (green), one reasonable assurance (amber / green), five some assurance (amber red) and one of which received no assurance (red) opinion.

The red opinion related to the audit of POCA and Cash Seizures and identified a number of significant weaknesses surrounding the processes for recording cash seizures. Management have agreed all of the recommendations within this review and an action plan is in place to address all of the issues identified in a timely manner.

In addition, we completed an advisory review across Bedfordshire, Cambridgeshire & Hertfordshire on the Collaborative Governance Arrangements.

We concluded that the control arrangements in place for both the OPCC and the Force were adequate and effective.

1.3.4 Acceptance of Recommendations

All of the recommendations made during the year were accepted by management.

1.3.5 Progress made with previous internal audit recommendations

Our follow up of the recommendations made previously, including those that were outstanding from previous years, showed that the Force had made adequate progress in implementing the agreed recommendations, as summarised below:

| Recommendation Priority | Number followed up | Of which: | |
|-------------------------|--------------------|-----------|--------------------------------------|
| | | Addressed | Not implemented or still in progress |
| High | 2 | 1 | 1 |
| Medium | 31 | 19 | 12 |
| Low | 20 | 12 | 8 |
| Totals | 53 | 32 | 21 |

1.3.6 Reliance Placed Upon Work of Other Assurance Providers

In forming our opinion we have placed reliance on the work of the Internal Auditors for Bedfordshire (Baker Tilly Risk Advisory Services LLP) and Hertfordshire (SIAS) OPCC and Force as part of the collaborative reviews as per the agreed plan.

The final report have been made available to members of the Committee for information, however, the scrutiny of these reviews was undertaken by the individual Joint Audit Committees who have sponsored the reviews. The results of these reviews were as follows:

| Assignment | Opinion | Actions Agreed (by priority) | | |
|---|---------------|------------------------------|--------|------------------------|
| | | High | Medium | Low / Merits Attention |
| Bedfordshire | | | | |
| Collaboration – Scientific Services Unit | Amber / Green | 0 | 2 | 1 |
| Hertfordshire (Different opinions used (Full, Substantial, Moderate, Limited, No Assurance)) | | | | |
| Financial Control for collaborated work streams | Substantial | 0 | 3 | 1 |
| Road Policing | Moderate | 3 | 1 | 0 |

2 Our Performance

2.1 Wider value-adding delivery

As part of our client service commitment, during 2013/14 we have:

- Issued client updates and general briefings during the year.
- Provided benchmarking within our reports on the number and priority of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken joint reviews with your collaborative partners to provide a joint assurance opinion including the Governance Framework.
- Undertaken both advisory and assurance reviews across both Corporations Sole as part of the establishment of the new Governance and Risk Management arrangements. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for further consideration to encourage continual improvement.
- Regular contact including Joint Audit Committee pre-meets and ad-hoc telephone calls and queries as required.

2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to Office of the Cambridgeshire Police and Crime Commissioner and Cambridgeshire Constabulary are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

The external review concluded that *“the design and implementation of systems for the delivery of internal audit provides **substantial assurance** that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”*.

2.3 Conflicts of Interest

We (Baker Tilly) have not undertaken any work or activity during 2013/14 that would lead us to declare any conflict of interests.

Appendix A: Internal Audit Opinions and Recommendations 2013/14

| Audit | Opinion | Actions Agreed (by priority) | | |
|---|---------------|------------------------------|--------|-----|
| | | High | Medium | Low |
| Audits to address specific risks | | | | |
| Health and Safety <i>Failure to safeguard the welfare and health and safety of all officers and staff etc. under the direction and control of the Chief Constable.</i> | Amber / Red | 0 | 5 | 4 |
| POCA and Cash Seizures <i>Not all seizures are adequately accounted for.</i> | Red | 2 | 6 | 0 |
| Collaborative – Procurement <i>The Commissioner and or the Chief Constable fail to enter into or achieve the benefits of collaboration agreements where it is in the interest of the efficiency or effectiveness of their own or another police force.</i> | Amber / Red | 0 | 10 | 3 |
| Data Security Arrangements for Tablet Computers <i>Unauthorised access to sensitive personal and operational data held on mobile computing devices, leading to breaches of data security and confidentiality.</i> | Amber / Green | 0 | 2 | 3 |
| Collaboration - Governance (Joint .13/14) <i>To review the development of governance arrangements for collaborated areas to inform the embedding of these arrangements, rate of progress, and ensure best practice going forward.</i> | Advisory | 2 | 10 | 0 |
| Core Assurance | | | | |
| Governance Framework – OPCC & Force | Green | 0 | 0 | 0 |
| Risk Management – OPCC | Amber / Green | 0 | 2 | 3 |
| Risk Management – Force | Amber / Green | 0 | 4 | 3 |
| Financial Controls | | | | |
| Income and Debtors | Amber / Red | 1 | 0 | 5 |
| General Ledger | Green | 0 | 0 | 4 |
| Cash, Banking and Treasury Management | Green | 0 | 0 | 0 |
| Payroll and Expenses | Green | 0 | 1 | 2 |
| Payment & Creditors | Amber / Red | 1 | 0 | 2 |
| Top Up Testing | Green | 0 | 1 | 2 |
| Other coverage | | | | |
| Absence Management | Green | 0 | 1 | 1 |
| Covert Human Intelligence Source Payments | Green | 0 | 0 | 0 |

| | | | | |
|-------------------------|-------------------|----------|-----------|-----------|
| Victim and Witness Care | Amber / Red | 1 | 2 | 2 |
| Follow Up | Adequate Progress | 0 | 7 | 10 |
| | Total | 7 | 50 | 42 |

We use the following levels of opinion classification within our internal audit reports:

| Red | Amber / Red | Amber / Green | Green |
|--|---|---|--|
| <p>Taking account of the issues identified, the OPCC & Constabulary cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p> | <p>Taking account of the issues identified, whilst the OPCC & Constabulary can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p> | <p>Taking account of the issues identified, the OPCC & Constabulary can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p> | <p>Taking account of the issues identified, the OPCC & Constabulary can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> |

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Recommendations for improvements should be assessed by you for their full impact before they are implemented. 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.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. 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 Baker Tilly Risk Advisory Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, Baker Tilly Risk Advisory 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 our Client 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.

Baker Tilly Risk Advisory Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.