

Warwickshire Joint Audit and Standards Committee Report Summary

Meeting Date: 6th July 2021

Subject: Internal Audit Annual Report

Contact details: Paul Clarke – Head of Audit

Tel: 01926 412897

Email: paulclarkere@warwickshire.gov.uk

Purpose of the report:

This report summarises the results of Internal Audit work during 2020-21 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2020-21 in respect of Warwickshire Police and Warwickshire Police and Crime Commissioner (PCC).

Recommendation:

The Committee is requested to note the report.

Background:

Paragraphs 13-20 of the JASC Terms of Reference, set out the Committee's responsibilities in relation to Internal Audit. In particular this includes consideration of the Head of Internal Audit's annual report and opinion, the Head of Internal Audit's Statement of the level of conformance with the Public Sector Internal Audit Standards, Local Government Application Note and the Quality Assurance and Improvement Programme.

Executive summary:

Over the year Internal Audit has undertaken sufficient assurance and other work to provide an evidenced opinion on the governance, risk management and control arrangements of the force and OPCC.

Quality standards have been maintained and work has been undertaken in accordance with the Public Sector Internal Audit Standards.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits

involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, Warwickshire Police will continue to face significant challenges in the coming year. In particular there are key transactional and ICT services which are due to transition from the former Alliance and it is important that issues identified are addressed and that these risks continue to be managed effectively.

Based upon the results of work undertaken during the year my opinion is that the control environments operated by Warwickshire Police and Crime Commissioners and Warwickshire Police provide Moderate assurance that the significant risks facing their respective organisations are addressed. This is the same level of assurance as given in the 2019-20 annual opinion.

Internal Audit Annual Report 2020/21

“Providing assurance on the management of risks”

Internal Audit Annual Report 2020/21

“Providing assurance on the management of risks”

This document summarises the results of Internal Audit work during 2020/21 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2020/21 in respect of Warwickshire Police and Warwickshire Police and Crime Commissioner (PCC).

Opinion

Based upon the results of work undertaken during the year my opinion is that the control environments operated by Warwickshire Police and Warwickshire Police and Crime Commissioner (PCC) provide **Moderate** assurance that the significant risks facing their respective organisations are addressed.

Context

This report outlines the work undertaken by the Internal Audit service of Warwickshire County Council for the Police and Crime Commissioner and Chief Constable between 1 April 2020 and 31 March 2021.

2020/21 commenced with the Covid 19 pandemic having a huge impact across the world and locally. It created a delay in the approval of the Audit Plan as the March 2020 meeting could not go ahead, and created operational challenges in undertaking internal audit work safely. Despite a slow start, work has continued throughout the year and with some audits being completed after the year end, sufficient coverage has been achieved to deliver the annual internal audit opinion.

For the OPCC and Warwickshire Police, the Covid impact was an additional challenge in what was already a fast changing environment. The transition from the former Alliance continued and this creates both risks and opportunities. The financial and operational risks are recognised and have been reported and managed throughout the year but the sheer level of change raises the level of risk which is being faced.

Warwickshire Internal Audit section during the year worked to a joint Audit Plan, Strategy, Service Level Agreement and Audit Charter covering Warwickshire OPCC and Warwickshire Police, agreed by the Joint Audit and Standards Committee in July 2020. The Audit Plan was designed to deliver a programme of assurance audits which would enable end of year Head of Audit opinion to be delivered for Warwickshire OPCC and Warwickshire Police.

Management is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements i.e. the control environment. Internal Audit plays a vital part in advising the organisation that these arrangements are in place and operating properly. On behalf of the organisation, Internal Audit review, appraise and report on the efficiency, effectiveness and economy of these arrangements.

Internal Audit is required by professional standards to deliver an annual Internal Audit opinion and report to those charged with governance timed to inform the Annual Governance Statement. The annual Internal Audit opinion must conclude on the overall

adequacy and effectiveness of the organisation's framework of governance, risk management and control. The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

The primary role of audit is to provide assurance to both policing organisations, managers, Joint Audit and Standards Committee and ultimately the taxpayers that the organisations maintain an effective control environment that enables them to manage their significant business risks. The service helps each organisation achieve its objectives and provides assurance that effective and efficient operations are maintained. The assurance work culminates in an annual opinion on the adequacy of each organisation's control environment.

Internal audit work during 2020/21

The underlying principle to the 2020/21 plan was risk and accordingly audits were only completed in areas that represented an identified risk.

The methodology adopted in preparing the 2020/21 audit plan, and the plan itself, were approved by the Joint Audit and Standards Committee in July 2020.

Since the original plan was approved a number of variations to the plan have proved necessary. Variations to the plan during the year are inevitable if the plan is to adequately reflect changing circumstances and the changing organisation. These changes were subsequently confirmed at the Joint Audit and Standards Committee.

Appendix A provides a summary of those jobs completed since the last Annual Report to the Committee in July 2020. This appendix shows **all** work completed against the 2020/21 plan along with those 2019-20 jobs which were finalised after the production of the 2019-20 Annual Report.

A small number of audits started during the year were not completed at year end but have been prioritised for completion in 2021/22. Although some difficulty has been experienced in completing the work and finalising audits due to the availability of officers during the Covid 19 pandemic, the team has worked hard to complete as much of the work as possible. The net effect is that although the work undertaken during the year was different to that anticipated when the plan was agreed, 86% (150.5 days) of the revised planned days were delivered by 31 March 2020. Since 1st April a further 24 days have been spent on finalising assignments which means that 99% of the 2020/21 plan has now been completed.

Each final report includes a detailed action plan that has been agreed with the relevant manager. These plans specify the manager responsible for implementing each action and a target implementation date. Where a manager has not agreed a recommendation and is therefore accepting the risks involved this will be noted in progress reports to the Committee.

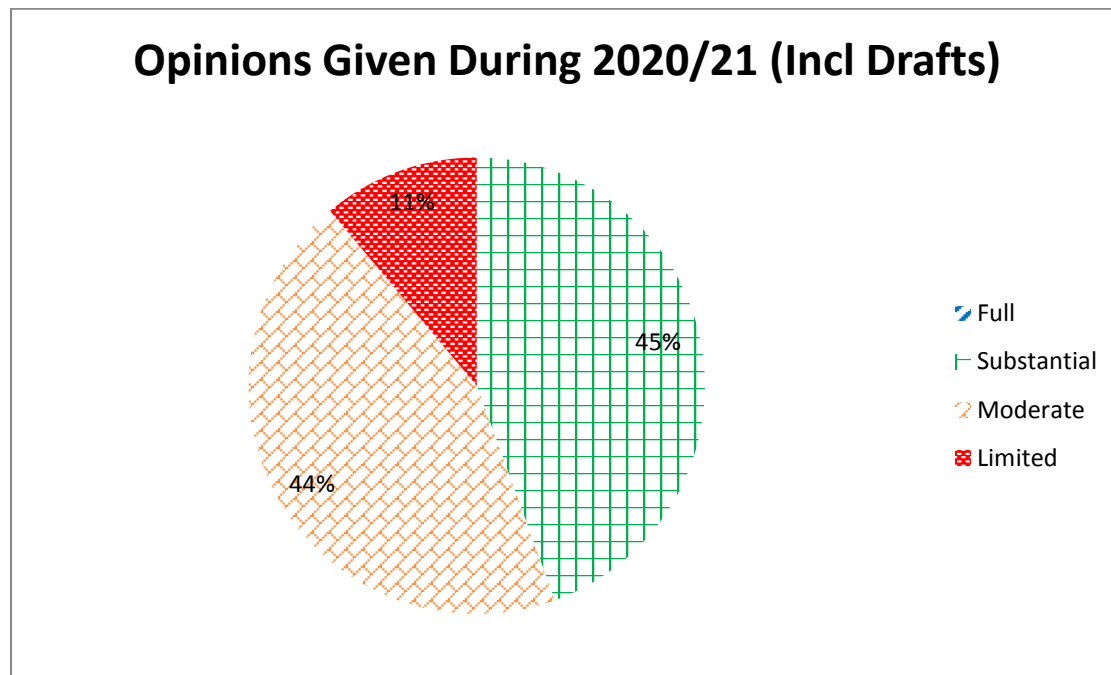
Summary of assurance work

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels depending on the strength of controls and the operation of those controls. The four categories ranging from the lowest to highest are Limited, Moderate, Substantial and Full. The opinion reflects both the design of the control environment and the operation of controls. The lowest category, Limited, is a negative view whilst the others are all positive. The individual opinions given

during the year form the basis of the overall annual opinion. The Joint Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

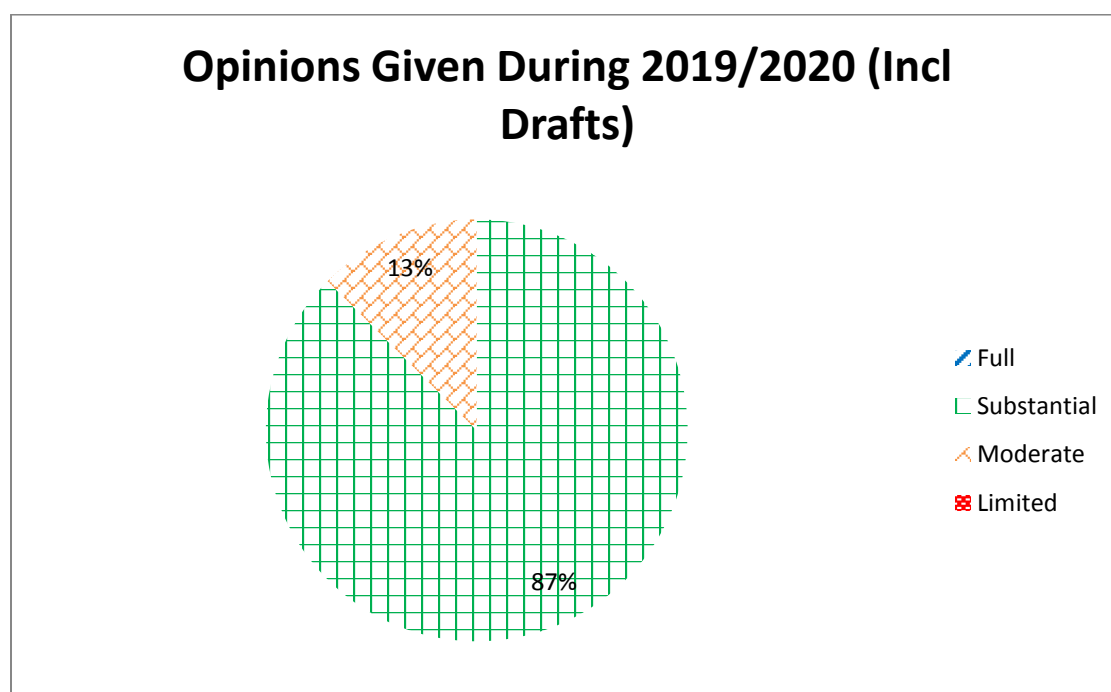
As shown in the following chart 89% of this year's audits have resulted in a positive opinion with either a moderate or substantial rating.

Audit Opinions 2020/21



Direct comparison between years is not possible because the content of audits plans varies from year to year and the number of audits is relatively small. Nevertheless, it is helpful to monitor for significant changes. This year there was an increase in the proportion of Moderate opinions and decrease in Substantial opinions. The outcomes for 2019/20 were as follows:

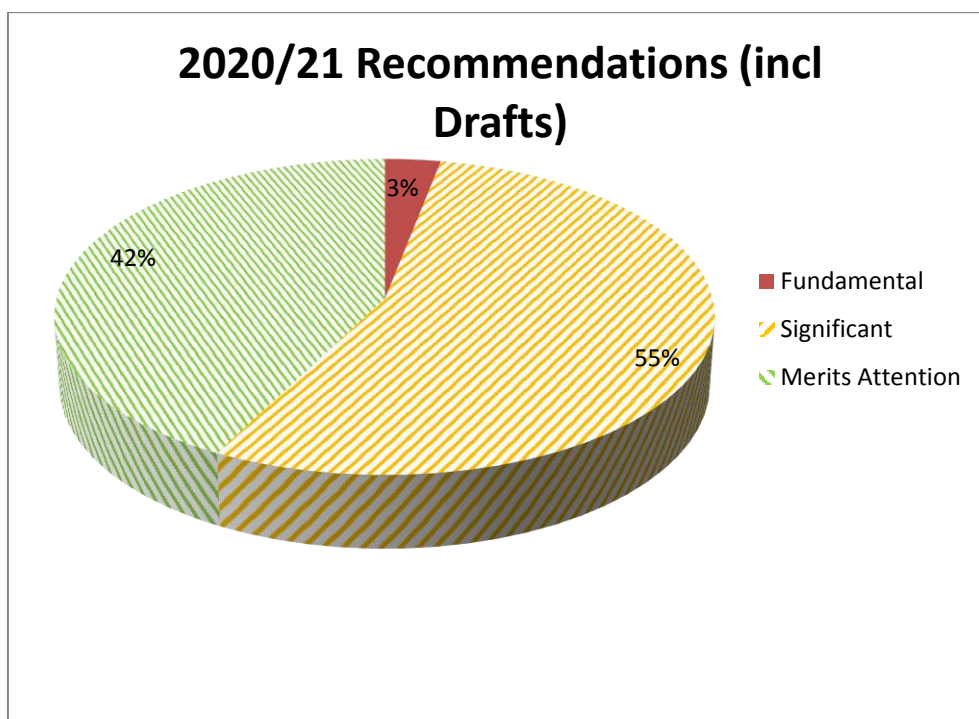
Audit Opinions 2019/20



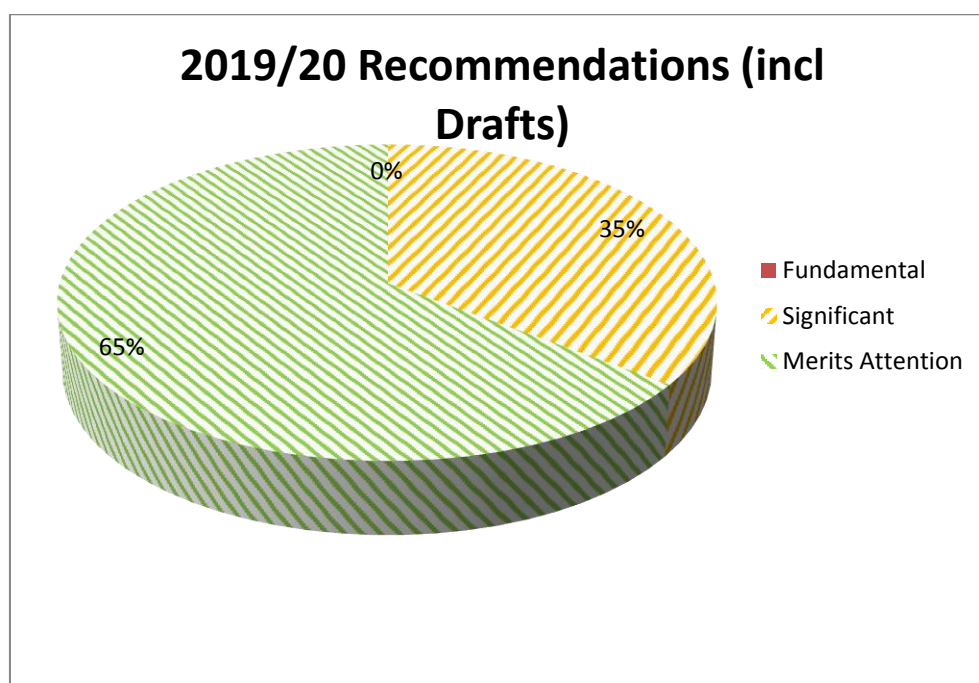
A full list of the assurance work undertaken in respect of Warwickshire audits during the year is included in Appendix A. One audit in 2020/21 was given a limited opinion.

Recommendations

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The current categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental. During the year 33 recommendations, the majority of which were categorised as significant, were made to address weaknesses in control which would otherwise not have been identified. The following chart shows the proportion of recommendations made in each category:



Whilst the variation in audit plan content means that direct comparisons are not always helpful, the proportion of significant findings is higher than in 2019/20:



Responsibility for implementing agreed recommendations rests with the PCC Chief Executive and Chief Constable who have implemented monitoring arrangements to establish progress on implementing audit recommendations. Analysis & Service Improvement (A & S I) are responsible for recommendation follow up for Warwickshire and ask managers for regular updates and provide information for inclusion in Committee reports.

The information in Appendix B summarises the results of the latest monitoring exercise based on the information provided by Audit, Risk and Compliance. The table shows all those audits which have recommendations which have still to be implemented. Based upon the target date agreed with management there are 9 recommendations overdue. Whilst none of these are classed as fundamental, there are 6 “Significant” Medium (M) priority recommendations which are more than 6 months overdue. Five of these are ICT related issues which are being addressed as the IT is transitioned from the Alliance arrangements.

Summary of non-assurance work

Advice

Internal Audit is most efficient when its advice is utilised to ensure that appropriate controls are incorporated at an early stage in the planning of policy or systems development. This work reduces the issues that will be raised in future audits and contributes to a stronger control environment. This year we undertook a significant piece of advisory work on the police fleet. The vehicle fleet was previously managed under a shared service agreement with West Mercia but has now been moved in-house. Our advisory work provided guidance on the establishment of controls and governance under the new arrangements.

Special Investigations

Special Investigations within the organisation are largely dealt with by Professional Standards, although on occasion we may be asked to undertake an investigation into suspected irregularities. We did not undertake any investigations during the year.

Effectiveness

This section of the report sets out information on the effectiveness of the audit service and focuses on compliance with the Public Sector Internal Auditing Standards (PSIAS) and customer feedback.

A full externally conducted quality assessment of the service was conducted during February 2018. External assessments are required every five years. The report of that assessment states that the audit service “complies with the expectations of the Public Sector Internal Audit Standards and compares favourably to other provision within the sector.”

In accordance with best practice there is a rigorous internal review of all work undertaken by senior staff and the results feed into the staff appraisal process.

Following each audit a “post audit questionnaire” is issued to the relevant managers asking for their views on the conduct of the audit. The questionnaire



includes a range of questions covering the audit approach, reporting format, etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore an inherent tension that can make it difficult to interpret surveys.

Warwickshire Internal Audit continued to rate very highly during 2020/21 with an overall average score of 4.25 (out of a maximum of 5). A number of positive comments and compliments about the service provided have been received, including:

- Auditor was personable
- Auditor was easy to deal with and flexible

These comments are consistent with the comments received across all clients.

It is clearly important for any Audit service to keep abreast of best professional practice. Warwickshire Internal Audit Services are fortunate in having strong links with colleagues both within the Midlands and nationally. The service has a group membership to the Institute of Internal Auditors providing its staff with technical and professional support. At a regional level there are networking opportunities for auditors specialising in Police audit. As well as good opportunities for sharing best practice these activities provide advance information on new developments which are then considered for inclusion in the audit plan.

The PCC and Force can be confident that a best practice quality Internal Audit service continues to be provided.

Opinion

It is the responsibility of both PCCs and Chief Constables to develop and maintain their internal control framework. In undertaking its work, Internal Audit has a responsibility under PSIAS to provide an annual Internal Audit opinion on the overall adequacy and effectiveness of the respective organisation's governance, risk and control framework (i.e. the control environment) and a summary of the audit work from which the opinion is derived.

No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance. The work of Internal Audit is intended only to provide reasonable assurance on controls. In assessing the level of assurance to be given, I have taken into account:

- all audits completed during the year;
- any follow-up action taken in respect of audits from previous periods;
- any fundamental recommendations not accepted by management and the consequent risks;
- anticipated outcome from audits currently in draft;
- work in progress;
- the effect of non-assurance work undertaken during the year;
- the effect of any significant changes in the Organisation's systems; and
- matters arising from previous reports to the Audit and Standards Committee.

Some significant issues have arisen during the year but action plans have been agreed with the relevant managers to address the weaknesses identified. Where weaknesses have been identified they have tended to relate to specific parts of the organisation rather than an across the board breakdown in controls. Those audits involving major control weaknesses are in the minority and in general terms, controls are sufficient to prevent or detect serious breakdowns in systems and procedures. However, Warwickshire Police will continue to face significant challenges in the coming year. In particular there are key transactional and ICT

services which are due to transition from the former Alliance and it is clearly important that issues identified are addressed and that these risks continue to be managed effectively.

Based upon the results of work undertaken during the year my opinion is that the control environments operated by Warwickshire Police and Crime Commissioners and Warwickshire Police provide **Moderate** assurance that the significant risks facing their respective organisations are addressed.

Paul Clarke CPFA
Internal Audit Manager
(Head of Audit)

Appendix A: Summary of audits contributing to the 2020/21 Annual Audit Opinion.

Original Plan Topic	Original Planned days	Revised Planned days	Actual Days to 31/5/21	Current Status	Assurance level	Notes
OPCC AUDITS						
Risk Management	10	10	12	Final Report Issued	Moderate	
Crime Safety Partnership	15	0		Cancelled		
Commissioned Services – Victim Support Unit		15	15	Final Report Issued	Moderate	
FORCE AUDITS						
Procurement	15	19	19	Final Report Issued	Moderate	
Payroll	15	7.5	6	Final Report Issued	Substantial	
Accounts Payable - Creditors	15	7.5	11	Final Report Issued	Substantial	
Human Resources Management	15	15	15	Final Report Issued	Substantial	
Vetting Unit	15	0		Deferred		
Payroll - Overtime	15	15	17	Final Report Issued	Substantial	

Original Plan Topic	Original Planned days	Revised Planned days	Actual Days to 31/5/21	Current Status	Assurance level	Notes
Fleet	15	19	19	Final Report Issued	Advisory - Not applicable	
Business Continuity	15	0.5	0.5	Deferred		
Use of consultants – Evolve programme		14.5	11	Draft report	Moderate	
Treasury Management		15	5	In progress		
2019/20 Audits Finalised						
Alliance Termination		3.5	3.5	Final Report Issued	Substantial	Included in 2019/20 Opinion
Risk Management (Force)		0	0	Final Report Issued	Substantial	Included in 2019/20 Opinion
Accounts Payable		3	3	Final Report Issued	Moderate	Included in 2019/20 Opinion
Use of Consultants		12	12	Final Report Issued	Limited	
Covert Funds		0	0.5	Final Report Issued	Substantial	Included in 2019/20 Opinion
Management and planning	30	30	25			
TOTAL	175		174.5			

Appendix B: Audits with recommendations outstanding.

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Warwickshire Police									
Police Fleet (2018)	9			8				1M	Y
ICT Active Directory	8			5				3M	Y
ICT Database admin and security	9			7				2M	Y
Accounts Payable 2019/20	7			6			1M		Y
Accounts payable 2020/21	2					2L			Y
	35	0	0	26	0	2	1	6	