

## Warwickshire Joint Audit and Standards Committee Report Summary

**Meeting Date:** 6<sup>th</sup> July 2021

**Subject:** Internal Audit Update Report

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### **Purpose of the report:**

This report summarises progress towards completion of the agreed Internal Audit plan 2020/21 and provides an update on the implementation of agreed recommendations.

### **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 progress of internal audit activity against the audit plan and the level of assurance it can give over corporate governance arrangements.

### **Executive summary:**

Since the March 2021 update, the focus has been on Internal Audit completing the outstanding work from 2020-21. This is now almost complete. The results of audit testing are mainly positive, but it should be noted that the transition of remaining functions from the former Alliance remains an important risk which requires careful management.

A schedule has been agreed for the completion of 2021-22 work over the remainder of the year and this is about to commence.

Analysis of the overdue actions arising from Internal Audit work shows that most outstanding items relate to IT controls. It will be important to ensure that as the new IT provision is put in place robust controls are implemented.

## **Internal Audit Update Report**

### **Report by the Head of Internal Audit**

#### **Introduction**

1. This report summarises the audit work progress since the March 2021 update report. 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.

#### **Work Progress**

##### **2020/21 Audits**

2. Work against the audit plan had a slow start 2020/21, being impacted by Covid. We are, however, now making good progress on audits. Since the last update the audit team has focussed on finalising the work in the revised 2020/21 plan. Work has been finalised on the following:

##### **OPCC:**

- Risk Management (Moderate assurance)
- Commissioned Services – Victim Support Unit (Moderate assurance)

##### **Force:**

- Payroll (Substantial assurance)
- Accounts Payable – Creditors (Substantial assurance)
- Human Resources Management (Substantial assurance)
- Payroll – Overtime (Substantial assurance)

Appendix A provides an overview of the above completed audits, showing the key findings and data on the recommendations.

The final two audits are at draft report and fieldwork stages:

- Use of consultants – Evolve programme (Draft)
- Treasury Management (In progress)

3. Appendix B shows the progress against the agreed plan and shows all coverage including both the PCC and the force. An analysis of the time spent is shown in the Appendix. A total of 174.5 audit days have been delivered to the end of May, towards the annual plan of 175 days.

## **2021/22 Audits**

4. As the work to complete 2020/21 audits concludes we are also proceeding with the planning stages of 2021/22 work, in accordance with the agreed audit plan. A schedule of work has been agreed as follows:

### **Q2 (July – September)**

- PCC – Commissioned Services
- PCC – MoJ sign off
- Force – Budget management
- Force – Business continuity

### **Q3 (October – December)**

- PCC – Complaints
- Force – Key financial systems
- Force – Estates

### **Q4 (January – March)**

- Force – Information governance
- Force – Performance management

In addition we will commence the review of 'Change Programme Governance' in July and will then continue to look at this throughout the year providing real time assurance in a critical friend capacity.

## **Progress with Agreed Actions**

5. Responsibility for implementing agreed recommendations rests with the Chief Executive and Chief Constable who have implemented monitoring arrangements to establish progress on implementing audit recommendations. Analysis and Service Improvement (ASI) regularly ask managers for a status update and provide information for inclusion in this report.
6. Appendix C summarises the results of the latest monitoring exercise. The table shows all those audits that have recommendations which are still to be implemented. Based upon the target date agreed with management there are 9 recommendations overdue. There are 6 recommendations which are more than 6 months overdue, of which 5 relate to IT systems. The process of separating the former Alliance IT systems continues and the responses and updates indicate that a number of actions have been completed and the remaining actions are gradually being addressed.

### Appendix A: Summary of audits completed since previous report.

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
PCC Risk Management	There is a recently introduced risk management strategy and the opinion recognises that the controls that are in place are adequate for the situation at this time. The findings, recommendations and opinions are based on the relative immaturity of the processes and that the controls are yet to be fully embedded.	Moderate	0	4	1
PCC Commissioned Services – Victim Support Unit	<p>The Ministry of Justice (MoJ) allocates an annual grant to the PCC to provide or commission dedicated emotional and practical support services for victims of crime and to help them cope and, as far as possible recover from the effects of crime. The objective of the audit was to review and provide assurance on the largest service provider, the national charity Victim Support.</p> <p>Our key concerns were as follows:</p> <ul style="list-style-type: none"> <li>There is lack of transparency between the MoJ return and the Service Provider's source data which undermines confidence in the submission.</li> <li>Measurable performance indicators and targets are not in place to manage the Victim Support contract</li> </ul>	Moderate	0	3	2
Accounts Payable - Creditors	<p>Our key concerns are as follows:</p> <ul style="list-style-type: none"> <li>A system upgrade has taken place since the Account Payable SOP's were written and, whilst the main principles of the system remain the same, they have not been updated to reflect changes.</li> </ul>	Substantial	0	0	2

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>Whilst the controls around system access are generally sound, system access should be promptly removed for all individuals when they cease employment to ensure that system access is only afforded to appropriate staff.</li> </ul>				
Human Resources Management	<p>The objective of this audit was to provide an opinion on the operating effectiveness of the controls in place over Human Resource management in relation to the agile working arrangements throughout the Force.</p> <p>Our key concerns were as follows:</p> <ul style="list-style-type: none"> <li>There is no second line of defence in place to ensure that guidance and instructions provided have been acted upon by managers locally (management control is the first line of defence in risk management, the various risk control and compliance over- sight functions established by management are the second line of defence, and independent assurance is the third);</li> <li>2 of the 6 staff that took part in the review had not felt sufficiently supported by their manager; and</li> <li>There was not a way that staff could voice concerns anonymously which may have increased the feeling of isolation. Staff taking part in the review felt that the information around identifying and dealing with the wellbeing of staff could have been improved.</li> </ul>	Substantial	0	2	1
Payroll	Current payroll controls were found to be adequate, justifying a Substantial opinion. We did, however, also highlight to management the impact of the	Substantial	0	0	1

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<p>termination of the Strategic Alliance on the delivery of Warwickshire's Payroll Service. We are now within six months of the current agreement ending and there remains a lack of clarity of how the payroll will be delivered post September 2021. Audit were advised that, in principle, the function will move in-house to operate in the way they are currently, however this is still being debated. This uncertainty presents a significant risk to a key service which needs to be addressed.</p>				
Payroll Overtime	<p>- Our key observation is as follows:</p> <ul style="list-style-type: none"> <li>Overtime submissions are not work-flowed to line-managers for approval; but instead are self-approved by Police Officers. This carries the risk that overtime claimed has not been approved by the manager.</li> </ul> <p>The agreed actions will resolve this weakness and in the interim compensating controls are in operation.</p>	Substantial	0	1	2

### Appendix B: Status of Internal Audit Workplan 2020/21 as at 21/6/21

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	
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	
Risk Management (Force)		0	0	Final Report Issued	Substantial	
Accounts Payable		3	3	Final Report Issued	Moderate	
Use of Consultants		12	12	Final Report Issued	Limited	
Covert Funds		0	0.5	Final Report Issued	Substantial	
Management and planning	30	30	25			
<b>TOTAL</b>	<b>175</b>		<b>174.5</b>			



### Appendix C: 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	
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	