

Audit Strategy 2017 / 2018

“Providing assurance on the management of risks”



Audit Strategy

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This document sets out the Audit Strategy 2017/2018 for the Warwickshire Police and Crime Commissioner, West Mercia Police and Crime Commissioner, Warwickshire Police and West Mercia Police.¹ These services are provided by the Risk and Assurance Service of Warwickshire County Council. This document complements the Audit Charter, the organisation’s Risk Management Policy and the service level agreement.

Services

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation’s reputation.

The key to the organisation’s success is to manage these risks effectively. The role of the internal audit provider is to help the organisation to do this by providing a high quality, comprehensive and cost effective service that complies fully with all relevant professional and regulatory requirements.

Risk management is the continuous process of planning, organising, leading and overseeing the activities of the Organisation to effectively manage the potential opportunities and threats that flow from uncertainty. It is an integral part of good management and is therefore at the heart of what all managers do. It is essential to the organisation’s ability to deliver good quality, cost effective services. The management of risks is the responsibility of every manager – the role of the internal audit service is to support managers by providing the following services:



Assurance

We develop and then deliver a programme of internal audits to provide independent risk based and objective **assurance** to the respective Commissioners, Chief Constables, senior management, the audit committee and ultimately the taxpayers of the area that significant risks are being addressed. To do this, the service will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management and the Joint Audit Committee. In accordance with regulatory requirements

¹ The term organisation is used throughout this document to refer to the four policing bodies: the Warwickshire and West Mercia PCCs and Chief Constables.

most individual assurance assignments are undertaken using the risk based systems audit approach and are not usually designed to identify potential frauds.

We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.

A report, incorporating an agreed action plan, will usually be issued for every audit. The results of audits are also reported to the organisation's Audit Committee. To assist managers in addressing areas for improvement, recommendations are ranked in order of importance.



Advice

The organisation will face major changes in systems and procedures over the coming years and we are able to provide advice on the control implications of these changes. The audit service will act as a critical friend, challenging the design of processes to reduce the risk of project failure.

Our knowledge of the management of risk enables us to **challenge** current practice, **champion** best practice and be a **catalyst** for improvement, and provide objective **insight** so that the PCCs and Forces achieve their strategic objectives.

Challenge

Champion

Catalyst for improvement

Insight

So, for example if a manager is concerned about a particular area of his/her responsibility, working with us could help to identify improvements. Or perhaps a major new project is being undertaken - we can help to ensure that controls are put in place to manage them.

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference - timely advice adds more value than untimely criticism.

Irregularities

As they are publicly funded the organisations must be able to demonstrate the proper use of public funds. They have the responsibility to have systems in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers will need professional support to investigate the matter. Normally the Professional Standards Department will lead on investigations with support where necessary from internal audit. Close liaison is maintained between the two services and internal audit will make recommendations as appropriate to minimise the risk of a similar irregularity arising in the future.

Context

Police and Crime Commissioners and Chief Constables have a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 require each PCC and Chief Constable to have a sound system of internal control which:

- facilitates the effective exercise of their functions and the achievement of its aims and objectives
- ensures that the financial and operational management of the authority is effective; and
- includes effective arrangements for the management of risk.

The Regulations require accounting systems to include measures to ensure that risk is appropriately managed. Furthermore, the CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government” outlines the need for risk management to be embedded into the culture of the organisation, with members and officers recognising that risk management is part of their jobs.

The requirement for an internal audit function is also contained in the Regulations which require each Police and Crime Commissioner and Chief Constable to:

“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

The Commissioners and Chief Constables have delegated their responsibilities for internal audit to the Treasurer to the PCCs and Director of Finance respectively.

The Financial Management Code of Practice published by the Home Office recommends that PCCs and Chief Constables have a shared internal audit service covering both bodies. In view of the strategic alliance between Warwickshire and West Mercia a shared audit service has been agreed covering all four policing bodies. This service is provided by staff from the Risk and Assurance Service of Warwickshire County Council. Warwickshire County Council’s head of audit is the designated Head of Audit.

Definition of Internal Auditing

“Internal auditing is 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 key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities it is to primarily provide reasonable assurance to the organisation (managers, directors and the Audit Committee) and ultimately the taxpayers that the

organisation maintains an effective control environment that enables it to manage its significant business risks. We do this by providing risk based and objective assurance, advice and insight. The assurance work culminates in an annual opinion on the adequacy of the organisation's control environment which feeds into the Annual Governance Statement.

Vision, purpose and values

As a modern effective internal audit service our aspirations are to:

- Act as a catalyst for improvement at the heart of the organisation
- Influence and promote the ethics, behaviour and standards of the organisation
- Provide an independent and objective opinion on the adequacy of each customers' arrangements to manage risk
- Develop a risk aware culture that enables customers to make informed decisions
- Be forward thinking
- Continually improve the quality of our services

A key driver of this strategy is the need to meet all our customers' needs. Our customers will continue to be affected by a variety of local and national issues:

- Increased growth in partnerships;
- Ever increasing use of technology to deliver services;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services; and
- Pressure to reduce costs while improving quality / effectiveness.

To deliver on our vision we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our customer's demands.
- Continue to invest in modern technology to improve efficiency and effectiveness.
- Add value and make best use of our resources by focussing on key risks facing our customers.
- Increasingly work in partnership with clients to improve controls and performance generally. We must add value and help deliver innovations in service delivery.
- Continue to buy in specialist help where necessary.

By embracing these challenges we will be a vital component of the organisation's success.

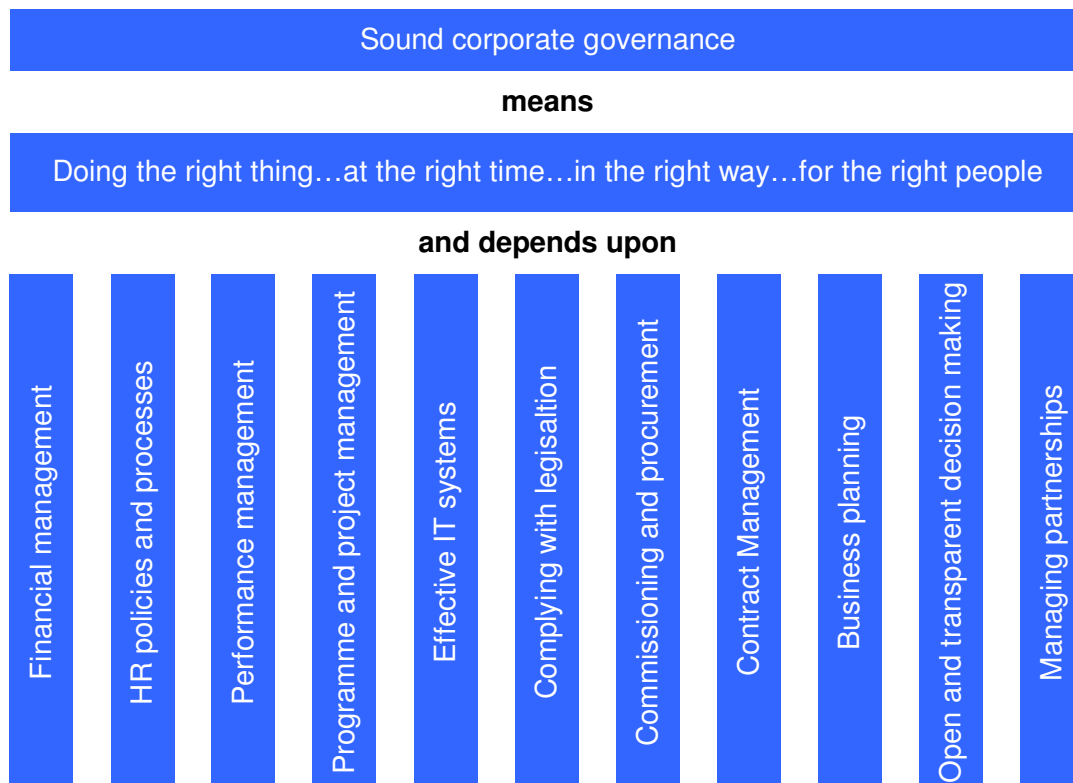
Workplan 2017/2018

General approach

The focus of our work is primarily on the high risk areas as contained in the PCC's and Alliance strategic risk registers and key corporate processes underpinning the control and

governance of the four policing bodies. Corporate audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the organisation.

Figure 1: Key corporate processes

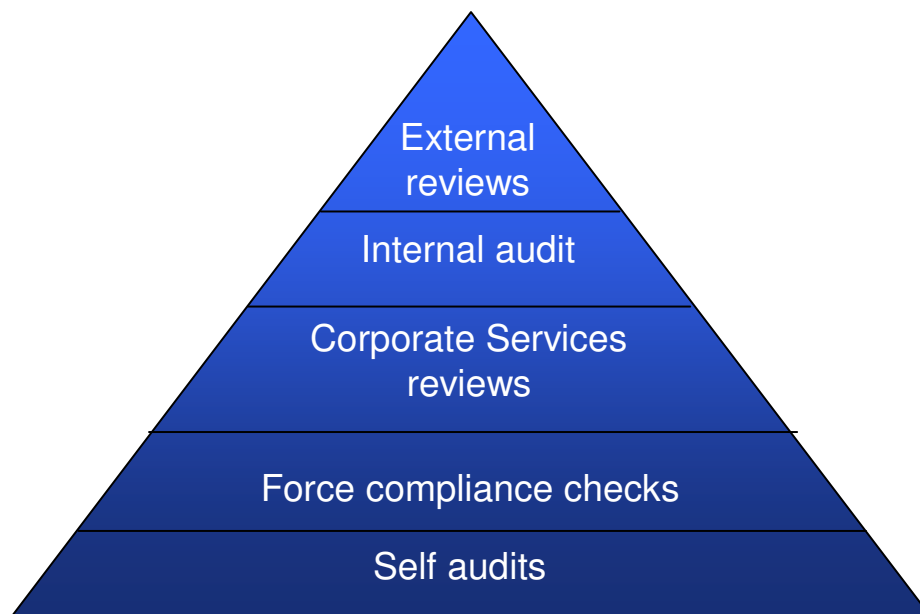


To ensure the best use of limited audit resources audit work needs to be carefully planned. The plan is developed in consultation with senior managers and takes account of the organisation's aims, strategies, key objectives, associated risks, and risk management processes. It also takes into account those topics which have not recently been audited or which feature in the PCC / Alliance risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight wider the issues affecting public sector internal audit which need to be reflected in the programme of work.

In line with the organisation's objectives auditors will pay particular attention to identifying opportunities to reduce over-control, and streamline processes.

To minimise duplication and make the best use of limited resources we aim to rely on work undertaken by other assurance providers rather than undertake our own detailed checks. This is particularly relevant for operational areas where the Forces have a significant range of internal reviews - if these arrangements are sound then future audit work on the topics covered can be limited. The internal audit service therefore builds upon the work of other assurance providers as shown in figure 2.

Figure 2: Layers of assurance



This is a variation of the three lines of defence model promoted by the Chartered Institute of Internal Auditors.

Although our roles and responsibilities are different the service liaises closely with the organisation's external auditors and the Alliance's Strategic Service Improvement and Professional Standards departments.

The majority of the audit plan will be provided by the Risk and Assurance Service of Warwickshire County Council but external parties may be employed to provide support in specialist areas, for example IT Audit, and to cope with peaks in demand.

Our approach for 2017 / 2018

This plan continues the practice of preparing a joint audit plan, for both Commissioners and Chief Constables, and of only producing a one year plan. A one year plan is now accepted best professional practice and is appropriate because of the continuing level of change across the Alliance. We have liaised extensively with the PCCs, their senior staff, senior management of the Alliance and HMIC.

The plan has an emphasis on core financial systems to ensure they remain sound whilst under a greater level of stress from the change process and provision has been included to provide pro-active advice on the Change Programme.

Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. This takes into account a range of factors including: when the topic was last audited, complexity of the topic and level of change. The PCC and Alliance strategic risks and the key planned

work to provide assurance on these risks are shown in Annex 1. Annex 2 shows those topics that we are planning to audit together with an illustrative list of topics that we are not planning to audit based upon existing level of resources. Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards. We have always undertaken a risk assessment exercise each year but changes to standards require plans to be more explicit on these matters. In developing the list of planned topics we have taken into account existing management processes and oversight by support functions such as Finance, HR, Legal, the Alliance's Assurance Team / SSI and HMIC. This approach will be further refined in future plans.

The plan has to be responsive to changes in risks during the year and will therefore be continually reviewed throughout the year to ensure it remains relevant and changes reported to the Joint Audit Committee and discussed at the regular liaison meetings with the Treasurer and Director of Finance. In particular, the indicative days will be refined once detailed terms of reference have been agreed with relevant managers. Should the number of days required for planned work be lower than expected or if planned jobs need to be deleted the next highest priority jobs will be brought into the plan. In year changes to the plan are accepted as best practice.

Quality Assurance and Improvement Programme

The PSIAS require the Chief Risk and Assurance Manager to develop and maintain a quality assurance and improvement programme (QAIP) covering all aspects of the internal audit activity.

The QAIP includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the PSIAS and an evaluation of whether internal auditors apply the Code of Ethics. The Service operates a quality management system compliant with the internationally accepted ISO 9001 standard. As part of this we have an Audit Manual based on accepted professional practice which as well being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 3.

Garry Rollason
Head of Audit

Jackie Sparkes
Engagement Manager

February 2017

Strategic Risks

Risk	Net Risk Score	Summary of past internal audit coverage	Proposed internal audit role / planned assignments
PCCs			
The PCC is not meeting their statutory responsibilities	2		
The Strategic Alliance fails	4 (West Mercia) 6 (Warks)		
Failing to manage finances effectively	6		
PCC not holding the chief constable to account	4		
Inadequate commissioning of victims services	8		Full coverage audit
Not managing partnerships effectively	9	Partnerships full scope audit undertaken in 2016/17. Limited opinion.	Follow up audit (with Alliance)
Failure in performance by external partners including the Force	4 (West Mercia) 2 (Warwickshire)		Full coverage audit of grants plus advisory work on move to commissioning approach at Warwickshire
PCC fails to engage with the community	6	Grants audit completed in 2015/16. Moderate opinion	Partially covered by planned grants audit
Alliance			
Information management not providing high quality information upon which decisions and actions can be based to enable us to achieve the alliance vision and conform with mandatory requirements	16		Full coverage audit
AFO recruitment and retention – the risk that	16		Firearms & Tasers audit.

Risk	Net Risk Score	Summary of past internal audit coverage	Proposed internal audit role / planned assignments
there will be an insufficient number of armed police officers in order to meet armed criminality within the alliance			
The risk that the key assumptions in the medium term finance plan, are materially different to the current / future indicators.	15		
Health and Well being	12	2016/17 Substantial	
The risks presented by delays in Athena BRC	12	Programme & Project Management 2015/16 Substantial	
In line with Control Strategy priorities and Vision 2020 the ability to be 'great' at protecting the most vulnerable.	12		
Ability to meet our vision of Protecting people from harm – the risk that we meet our financial challenge but fail to deliver our service or deliver our service but fail to meet our financial challenge.	8		

Workplan 2017/2018

1. Planned Work

Topic	Priority
PCCs	
Victim Support	H
Grants (audit)	H
Grants (advisory)	H
Alliance	
Information Management (audit)	H
Information Management (advisory)	H
Disclosure Service / Vetting (advisory)	H
Seized Property	H
Change Programme (Governance, advisory, benefits realisation)	H
Place Partnership	H
Financial Systems (payroll, debtors, creditors, GL)	H
Financial Systems (self service – overtime, travel etc)	H
Fleet Management	H
Business Planning (advisory)	H
Performance Management	H
MASH	H
Firearms & Tasers	H
IT audit	H
Risk Management	M
Firearms Licensing	M
Procurement	M

2. Illustration of auditable topics not planned for 2017/2018

In addition to the coverage of key risks areas discussed at Annex 1 and above, the PSIAS requires the strategy to be open about those audit areas not covered in 2017-2018. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2017/18.

Topic	Priority	Last audited
Budget Monitoring	M	2015/16 Substantial
Forensics	M	
Business Continuity	M	
Contract Management	M	2016/17 In progress
Fixed Penalty	M	
Partnerships	M	2016/17 In progress
Corporate Governance /Decision making/AGS	M	
Learning & Development /Training	M	
Business Planning (audit)	L	
Demand Management	L	2014/15 (Duties) Substantial
HR (incl Health & Wellbeing)	L	2016/17 (H&W) Substantial
Travelling & Subsistence	L	
Complaints	L	
Gifts & Hospitality	L	
Cashiers /cash handling	L	2016/17 Substantial
Pensions	L	
Use of Mobiles	L	
Consultants (IR35 implications) (advisory)	L	
Estates	L	
Programme & Project Management	L	2015/16 Moderate
Safer Roads Partnership	L	2016/17 In progress
Covert Funds	L	2016/17 In progress
Insurance	L	2014/15 Substantial
VAT	L	
Treasury Management	L	2016/17 In progress
Procurement Cards	L	2016/17 In progress
Youth Offending Services	L	2016/17 In progress
Legal Services	L	2015/16 In progress
Vulnerability	L	

Topic	Priority	Last audited
Vehicle Recovery Scheme	L	2015/16 Moderate
Consultants	L	
PCCs Corporate governance / decision making / AGS / complaints	L	

QAIP

Warwickshire County Council – Quality Assurance and Improvement Programme

