

**Warwickshire and West Mercia Police and Crime Commissioners
Warwickshire and West Mercia Chief Constables**

**Joint Audit Committee
19 March 2018**

Internal Audit Plan 2018/19

Report by the Head of Audit

Summary

This report summarises the proposed audit strategy for 2018/19.

Recommendation

The Committee is requested to:

1. approve the proposed strategy and the roll-forward of the existing service level agreement, and
2. note that no changes are currently required to the audit charter.

- 1 Police and Crime Commissioners (PCCs) and Chief Constables have a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.
- 2 The role of internal audit is primarily to provide reasonable assurance to the organisation (including managers, Chief Constables, PCCs and the Joint Audit Committee) and ultimately the taxpayers that the four policing bodies maintain an effective control environment that enables them to manage its significant business risks. Internal Audit does this **by providing risk-based and objective assurance, advice and insight**. In addition to providing assurance the audit service also undertakes consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.
- 3 To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice the audit committee's role is to review and approve the annual internal audit work plan. 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 (as required by the Public Sector Internal Audit Standards). 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. This year consultation has continued to be extensive and care has been taken to more explicitly link the internal audit plan with critical risks.

- 4 Based upon the discussions to date and our professional judgement an indicative priority and an estimated number of days has 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 the level of change. This year we have been asked to highlight the impact of potential reductions of 10% and 20% of the current audit plan of 430 days. The list of potential topics arising from the planning process, which was considered by the Alliance Governance Group on 14 March, is included in the attached audit strategy document **(Appendix 1)** together with the implications of the potential reductions, detailing those topics we will be unable to cover during the year should any reduction be agreed. A verbal update of AGG's views will be provided at the meeting.
- 5 The aim is to give a high-level overview of audit areas. The Committee will note that if budget remains unchanged we are able to cover key aspects of a number of high risk areas but if the budget is reduced, some high risk topics will not be covered or not covered comprehensively. The Committee is able to accept a plan on this basis, provided this matches its "risk appetite" for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).
- 6 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and will therefore be reviewed at intervals throughout the year to ensure it remains relevant. Any significant proposed changes to audit coverage will be reported to the Joint Audit Committee and discussed at the regular liaison meetings with the Treasurer and Section 151 Officer.
- 7 Linked to the above point, a small provision has been made for providing advice this allows audit to input to live issues and new situations and effectively "head off" possible risks or audit findings in the future. Acting as a critical friend on significant change projects is a cost effective use of audit resources since it is possible to use less resource to identify key points than in a standard audit.
- 8 However, currently our audit plan does not explicitly allow for additional audit assignments that might be required during the year. Where unplanned work arises, a revised plan will be proposed to the Joint Audit Committee.
- 9 As explained at previous meetings an Audit Charter is a requirement of the Public Sector Internal Audit Standards and sets out the purpose, authority and responsibility of internal audit. It has to be formally agreed and approved by the organisation and periodically reviewed. The Charter establishes the internal audit activity's position within the organisation, including the nature of the service's functional reporting relationship; authorises access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. In accordance with best practice the existing Audit Charter, which was considered by the Committee in March 2017, has been reviewed to ensure it remains appropriate and no changes are proposed at this time. However, internal audit sections in the public sector are required to have an External Quality Assessment (EQA) before 31 March 2018, this review is currently underway. If any changes are recommended following the Assessment these will be reported to a future meeting of the Joint Audit Committee along with the results of the EQA.

- 10 At its July 2015 meeting the Committee agreed the proposed service level agreement with Warwickshire County Council for the internal audit service. At its March 2016 and March 2017 meetings the Committee subsequently agreed to extend the SLA to cover 2016/17 and 2017/18. The Committee is now asked to extend the SLA to cover 2018/19. The existing document with minor amendments to reflect this (**Appendix 2**) is attached but this may need amending further if the internal audit budget is reduced.

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19 February 2018