

# Audit Plan 2019 / 2020

(To be considered by AGG on 13<sup>th</sup> March and the Joint Audit Committee on 18<sup>th</sup> March 2019)

“Providing assurance on the management of risks”



# Audit Plan

## “Providing assurance on the management of risks”

This document sets out the internal audit plan for 2019 / 2020 for the Warwickshire Police and Crime Commissioner, West Mercia Police and Crime Commissioner, Warwickshire Police and West Mercia Police. These services are provided by the Internal Audit Service of Warwickshire County Council. This document complements the Audit Charter, the organisation’s Risk Management Policy and the service level agreement. In accordance with current best practice the role of the audit committee is to review and approve the internal audit plan.

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### 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 each 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 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 risk, governance and 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.

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## 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 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 Internal Audit Service of Warwickshire County Council. Warwickshire County Council’s head of audit is the designated Head of Audit for all four policing bodies.

### 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 Joint 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.

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## Vision, purpose and values

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

- Act as a catalyst for improvement and provide insight on governance, control and risk management
- 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.

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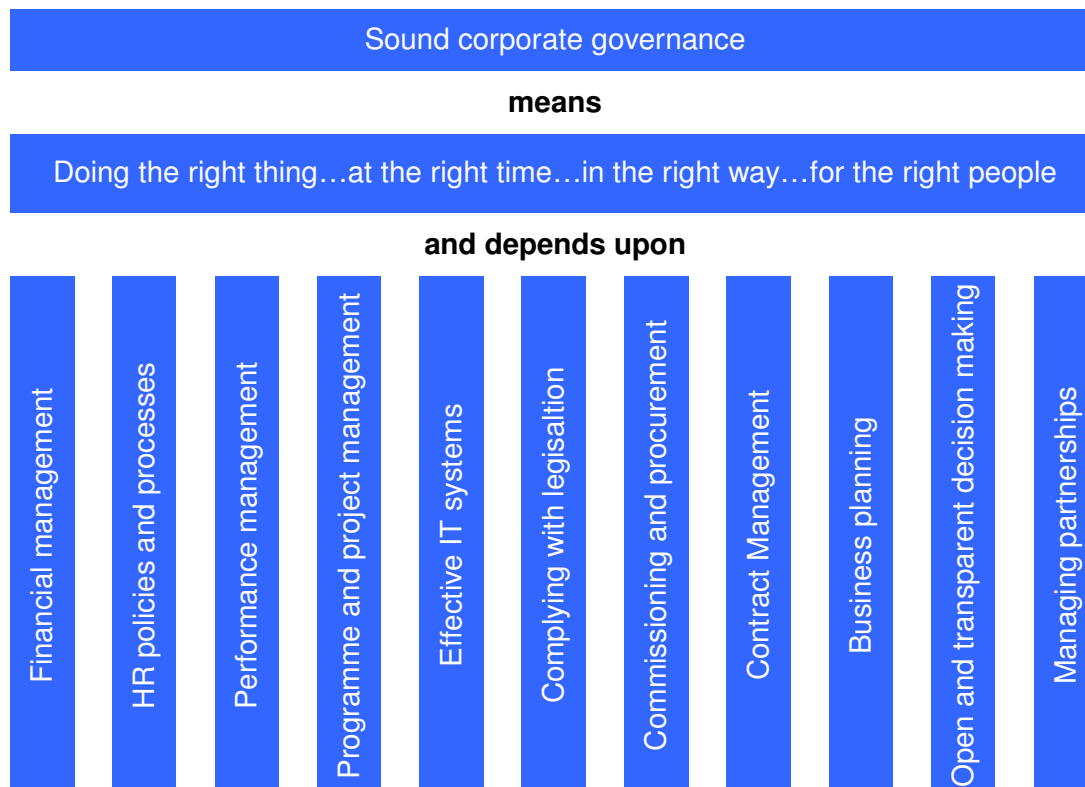
## Workplan 2019/ 2020

### 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**

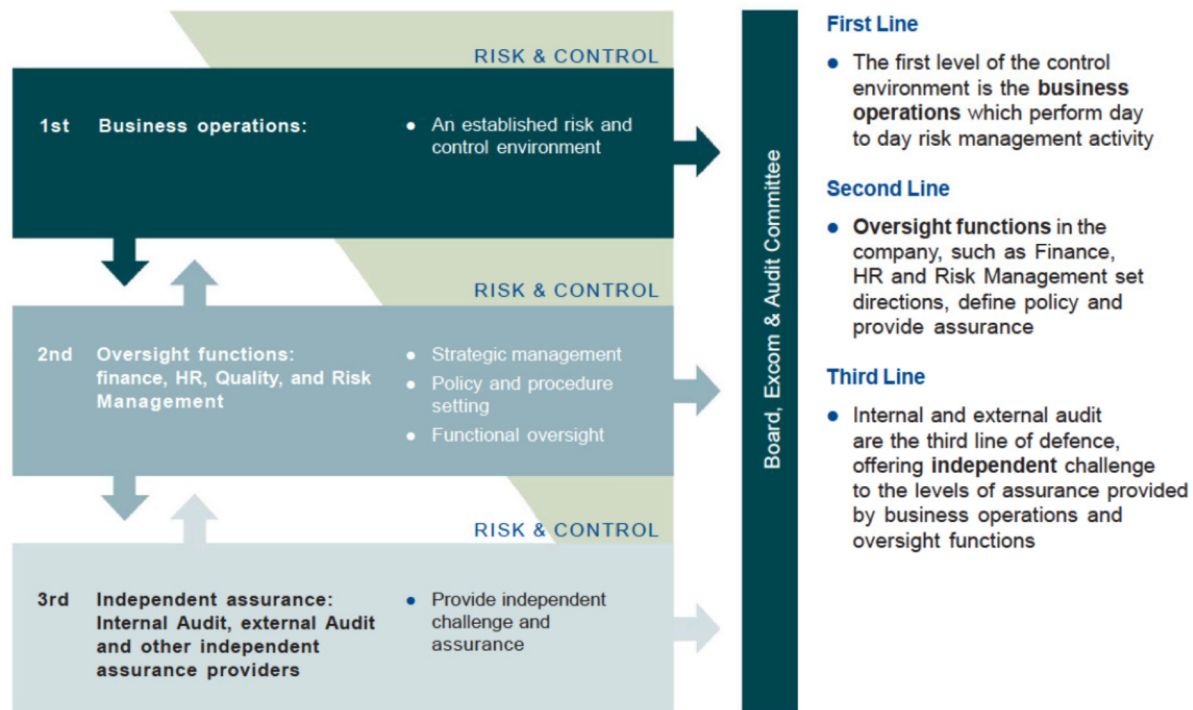


To ensure the best use of limited audit resources audit work needs to be carefully planned. The plan is developed in consultation with senior managers. We liaise extensively with the PCCs, their Chief Executives, the Deputy Chief Constables and senior staff and senior management of the Alliance in assessing priorities for audit work. Prioritisation 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 and compliance checks. The internal audit service therefore builds upon the work of other assurance providers, oversight functions and day to day management controls. The Institute of Internal Auditors uses a "three lines of defence" model to explain internal audit's unique role in providing assurance about the controls in place to manage risk as shown in figure 2.

**Figure 2: Layers of assurance**



Although our roles and responsibilities are different the service liaises closely with the organisation's external auditors and the Alliance's Analysis & Service Improvement and Professional Standards departments. The key difference between internal audit and the work undertaken by ASI is that ASI performs detailed compliance checks for example on data quality and are a second line of defence function which means that the commissioning of ASI work rests with management of the forces.

The majority of the audit plan will be provided by the Internal Audit 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 2019 / 2020

The 2018/19 plan commented that the Alliance continued to face significant change which inevitably gives rise to a high level of risk. Over the last year the level of uncertainty and change facing the four policing bodies has changed significantly following the decision by West Mercia to give notice to end the Alliance from October 2019. Significant issues were highlighted as a result of 2018/19 audit work on projects and general issues on the Alliance's IT infrastructure were also identified which all have to be taken into account when developing the 2019/20 plan. In addition, the outcome of the judicial review of Fire governance in West Mercia is awaited.

As usual, we have had extensive discussions with senior management and have taken into account a range of factors including: when the topic was last audited, complexity of the topic and level of change. We have also been mindful of the unique circumstances facing the four policing bodies in 2019/20 which will have significant impacts on the audit plan:

- The development of future collaborative arrangements and the risks involved, is the most significant factor influencing the proposed 2019/20 internal audit plan. Our understanding is that a number of options are being considered for the future of policing across West Mercia and Warwickshire after October but decisions are not expected until March 2019.
- Depending on what decisions are made on future collaborative arrangements and the timing of changes a significant amount of work will be required to implement any new arrangements and internal audit will need to support this work and provide assurance on key changes
- In a climate of significant change and uncertainty it is important that basic financial, management and governance arrangements are robust. The focus of the plan for 2019/20 is therefore to provide assurance on these key processes. This may necessitate work on some topics both before and after the October termination date.
- A larger than usual contingency is advisable as the scope of audits are likely to change during the year and additional audits may become necessary
- Some topics may necessitate two separate audits / reports as the risks facing each force / PCC may be different and consequently separate opinions for Warwickshire and West Mercia might be necessary. If appropriate we would ensure that auditors working on West Mercia would not also work on a Warwickshire assignment.

The plan has been prepared taking into account the further 5% indicative cut agreed in 2018. The Committee will note that the level of change and hence the risk profile of the organisations is significantly different since that reduction was agreed and the Committee may wish to review whether a reduction is still appropriate.

As in 2018/19 it will not be possible to audit all potential topics especially as the focus for 2019/20 has to be on ensuring that basic governance, risk management processes remain sound in a climate of significant change. The scope of some audits may not be covered as comprehensively as in the past. 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).

Annex 1 summarises the proposed audit and advisory work proposed for 2019/20 and significantly because of the uncertainties around future arrangements the plan is presented in a different format to previous years. Annex 2 gives an indication of those topics that will not feature in the 2019/20 Plan.

An indication is given on timing. Work on some topics will be undertaken both before and after the Alliance termination date half year whilst others will only be scheduled for either before or after the exit date. After a further 5% reduction in the audit budget the annual plan equates to 344 days of which 50 is top sliced for planning and management including



attendance at audit committees. The proposals in Annex 1 assume that these days will be split roughly equally between the two half years but we can be flexible and if necessary this split can be adjusted.

Days for each topic in the first half year have been included but these can only be indicative and may need to change when the scope is refined at the start of each audit. Similarly the list of topics for the second half year will need to be refined once there is more clarity over future arrangements and not all of the topics listed may need an audit or resources may not be sufficient to do some of them. The usual regular reports will update the Committee on progress and will propose updates to the plan.

In summary the plan for 2019/20 has to be even more flexible than it has been in past years but in overall terms the target will be to provide a total of 344 days during the year.

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## **Quality Assurance and Improvement Programme**

The PSIAS require the Internal Audit and Insurance 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. As part of this we have an Audit Manual based on accepted professional practice which as well as being compliant with PSIAS builds quality into every stage of the audit process. A summary of the QAIP is shown in Annex 3.

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**(Head of Internal Audit)**

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**Manager**

**February 2019**

## Workplan 2019/2020

Topic	Indicative days – before Oct	Assurance	Advice	Before Oct	After Oct
<b>Topics potentially requiring audits in both half years</b>					
Alliance termination and future collaboration arrangements	15	✓	✓	✓	✓
Accounts payable	20	✓	✓	✓	✓
Payroll including self service	20	✓	✓	✓	✓
IT	15	✓	✓	✓	✓
<b>Audits required only in first half year</b>					
Corporate Governance – gifts and hospitality, declarations of interests,	15	✓		✓	
Seized property	15	✓		✓	
HR management –recruitment, pre-employment checks, vetting	15	✓		✓	
Risk management	15	✓		✓	
Contingency – including provision to complete 2018/19 audits	20	✓		✓	
<b>Potential audits in second half year</b>					
HR management - workforce development, and absence management		✓			✓
Consultants – IR35 implications, robust process for engaging, performance management		✓			✓
Strategic property asset management		✓			✓
Contract management		✓			✓
Procurement		✓			✓
Treasury management		✓			✓
Projects / project management		✓			✓
Covert funds		✓			✓
<b>Management and planning</b>	25				
	<b>175</b>				

## Illustration of auditable topics not planned for 2019/2020

The PSIAS requires the strategy to be open about those audit areas not covered in 2019-2020. Based upon the planning discussions with senior management, our professional judgement, the results of previous audits and the potential impact of collaborative arrangements the following topics are not planned for 2019/20.

Topic	Priority	Previous Audits
Partnerships	M	Limited 2017/18
Complaints	M	
Bank Reconciliation	M	Substantial 2017/18
General Ledger incl. journals	M	
Firearms and Tasers	M	Moderate 2017/18
Accounts Receivable	M	
Medium Term Financial Planning	M	No opinion given 2018/19
Fixed Penalty	M	
Fleet management	M	Moderate 2018/19
MASH	M	Moderate 2017/18
Learning, development & training	M	
Use of Technology, body worn video etc.	M	
Capital Programme	M	
Forensics	M	
Information Management	M	Moderate 2017/18
Budget Management	M	In progress 2018/19
Grants	L	Substantial 2017/18
Victim Support	L	Moderate 2017/18
Performance management	L	Substantial 2017/18
Place Partnership contract management	L	Substantial 2017/18
Firearms licensing	L	Substantial 2017/18
Travelling and subsistence and allowances	L	
Cashiers / cash handling	L	Substantial 2016/17
Pensions	L	
Safer Roads Partnership	L	Substantial 2016/17
Procurement cards	L	Substantial 2016/17
Insurance	L	
VAT	L	
Youth Offending Service	L	Substantial 2016/17
Legal services	L	Substantial 2016/17
Protecting the most vulnerable - Outcome 16	L	
Compliance with HMI recommendations - SOCU	L	
ROCU	L	Substantial 2018/19
Crime data integrity	L	Moderate 2018/19
Vehicle Recovery Scheme	L	Moderate 2015/16

## QAIP

## Warwickshire County Council – Quality Assurance and Improvement Programme

