

Internal Audit Annual Report 2018/19

“Providing assurance on the management of risks”

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This document summarises the results of Internal Audit work during 2018/19 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2018/19 in respect of the Warwickshire and West Mercia Police and Crime Commissioners (PCCs) and the Strategic Alliance.

Opinion

Based upon the results of work undertaken during the year my opinion is that the control environments operated by Warwickshire and West Mercia Police and Crime Commissioners and the Strategic Alliance 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 two Police and Crime Commissioners and Chief Constables between 1 April 2018 and 31 March 2019.

Warwickshire Internal Audit section worked to a joint plan, strategy, service level agreement and audit charter covering all four police bodies previously agreed by the Joint Audit and Standards Committee. The original plan was kept under constant review and a number of amendments were agreed by the Joint Audit and Standards Committee during the year.

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 each of the four policing organisations (managers and the 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 which feeds into the annual governance statements.

Internal audit work during 2018 / 2019

The underlying principle to the 2018/19 plan was risk and accordingly audits were only completed in areas that represented an *'in year risk'*.

The methodology adopted in preparing the 2018/19 audit plan, and the plan itself, were approved by the Joint Audit and Standards Committee on 30 July 2018.

Since the original plan was approved a number of variations to the plan have proved necessary. The most significant change was that Internal Audit undertook a substantial independent review of the Vehicle Telematics project which had encountered difficulties. 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 agreed initially with the Chair and then subsequently confirmed at the Joint Audit and Standards Committee.

Appendix A provides a summary of those jobs completed since the last update report to the Committee on 18 March 2019. A summary of the progress made against the revised 2018/19 audit plan is attached at Appendix B. This appendix shows **all** work completed against the 2018/19 plan including those jobs previously reported to the Committee. A small number of audits started during the year were not completed at year end but have been prioritised for completion in 2019/20. The net effect is that although the work undertaken during the year was different to that anticipated when the plan was agreed, 95% (348.5 days) of the revised planned days were delivered by 31 March 2019. Since 1st April a further 16.25 days have been spent on progressing 2018/19 assignments which means that 99% of the 2018/19 plan has now been completed.

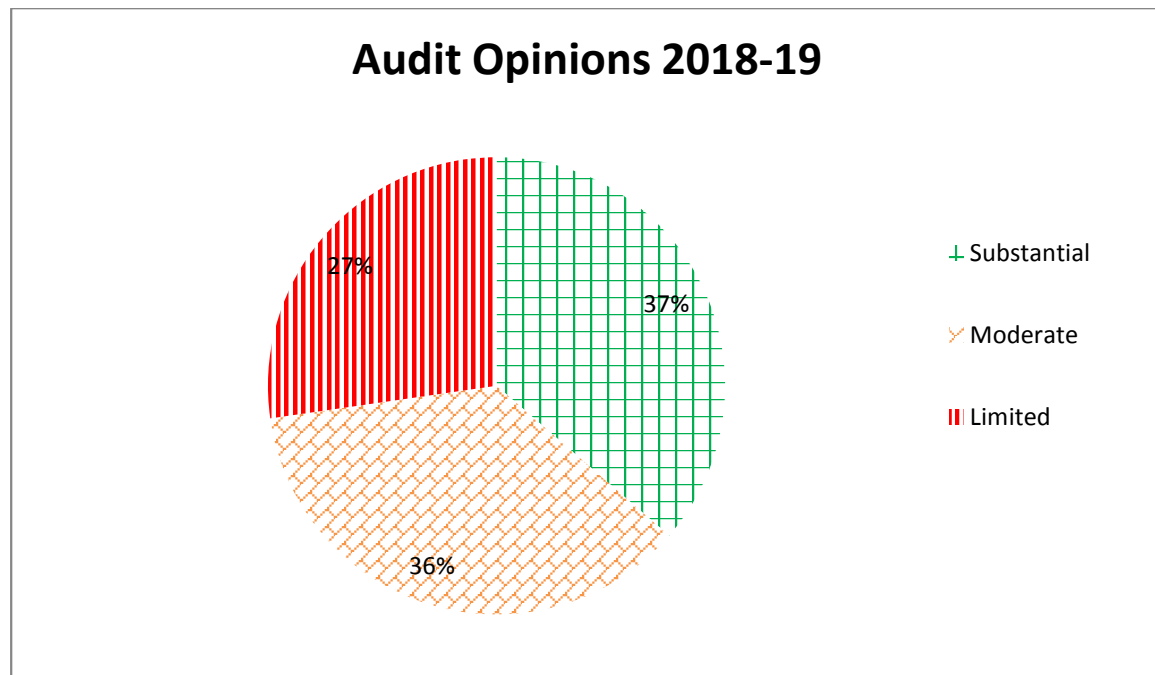
Each final report includes a detailed action plan that has been agreed with the relevant manager. These plans specify the manager responsible for implementing each action and a target implementation date. Where a manager has not agreed a recommendation and is therefore accepting the risks involved this 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 will be 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. A small number of "Limited" opinions are to be expected each year especially as the audit planning processes and resources means that increasingly only those areas with a high degree of change or risk are included in the plan. 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.

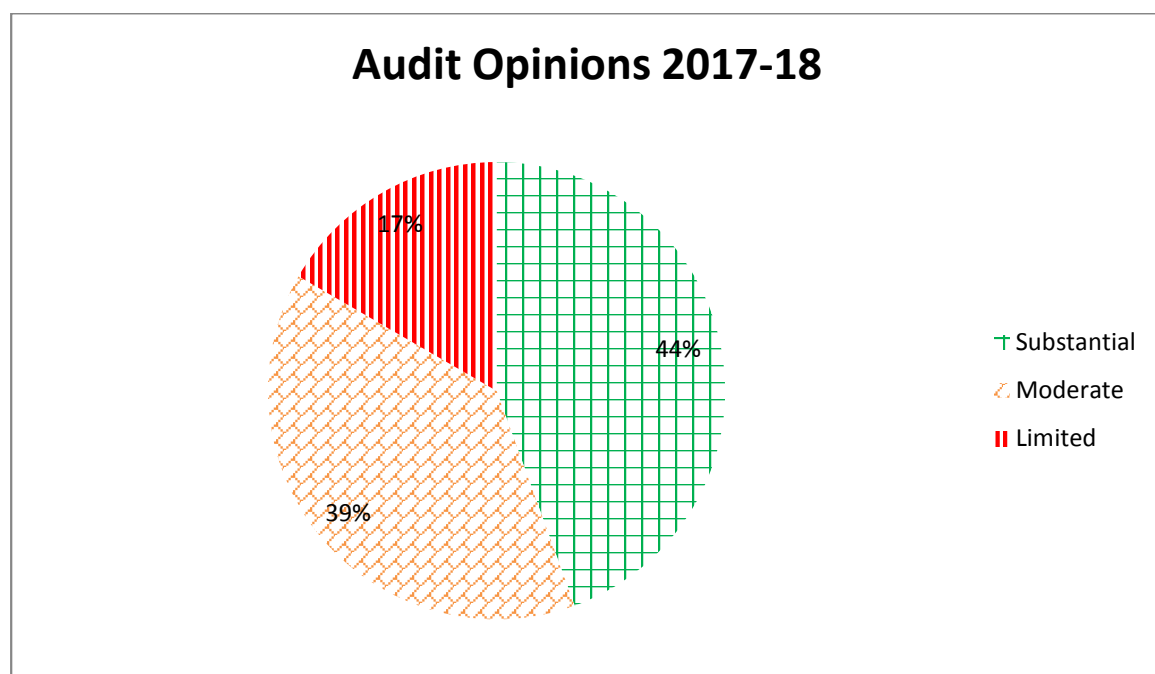
As shown in the following chart the majority of this year's audits have resulted in a positive opinion with 73% having a moderate or substantial opinion.

Audit Opinions 2018-19



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 a small decrease in the proportion of Substantial opinions and increase in Limited opinions. The outcomes for 2017/18 which were as follows:

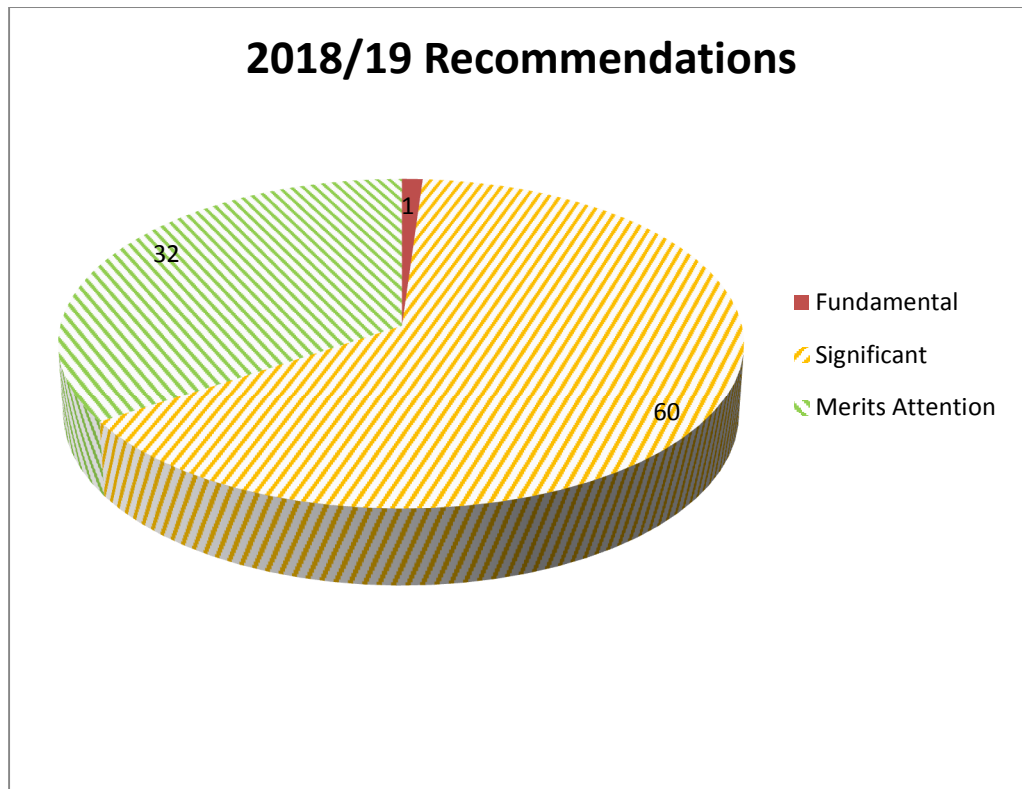
Audit Opinions 2017-18



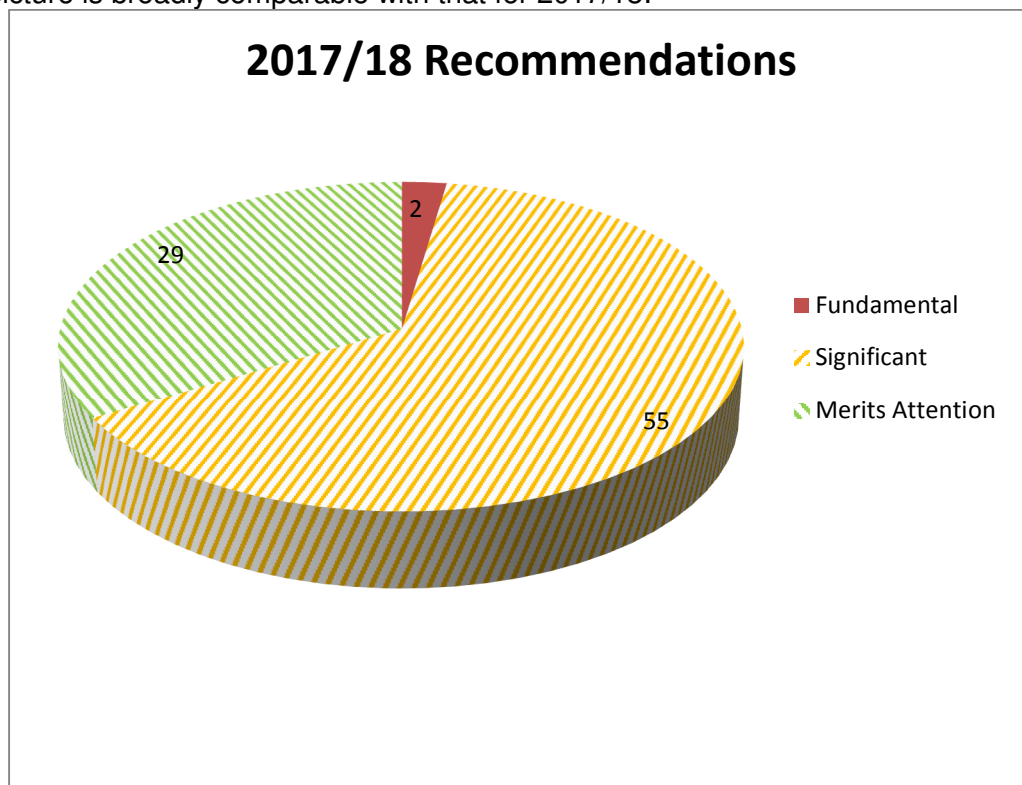
A full list of the assurance work undertaken during the year is included in Appendix B. A summary of those audits finalised since the last audit committee meeting or which are currently in draft is included in Appendix A. Two audits currently at draft stage, Project Management health check of DCD and Business Continuity have been given a Limited opinion in 2018/19 in addition to the finalised audit of Fleet Management (two Limited opinions were given in 2017/18 and one in 2016/17).

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 93 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:



This picture is broadly comparable with that for 2017/18:



Responsibility for implementing agreed recommendations rests with the Chief Executives and Chief Constables who have implemented monitoring arrangements to establish progress on implementing audit recommendations. The information in the pie charts above and in the appendices is based on the monitoring information provided by them.

Appendix C provides a summary of the status of the 93 recommendations that have been formally issued as final reports during 2018/19. The overall picture is positive with most actions being implemented on time and 5 more than 5 months overdue.

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. During the year therefore the service provided consultancy input into the following area:

- Medium Term Financial Plan – Advice was given on the development of financial plans in the context of the uncertainty arising from the ending of the Alliance.

Independent Review

We undertook an independent review of the Vehicle Telematics project. This unplanned work raised significant issues around projects and contract management and made recommendations for future projects which have been accepted by management. The management responses set out the steps taken or being taken to strengthen controls around projects, which address the issues identified.

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.

When the standards were first introduced a number of actions were identified to improve compliance and periodic self-assessments completed to identify any further areas for improvement. A full externally conducted quality assessment of the service 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 2018/19 with an overall average score of 4.3 (out of a maximum of 5). A number of positive comments and compliments about the service provided have been received, including:

- A very open and transparent process
- Supportive and not pre-judging
- Regular contact with relevant questions being asked
- Audit completed to tight deadline

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 PCCs and Forces 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, it is clearly important that issues identified during the year are addressed.

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

Paul Clarke
Internal Audit Manager

Appendix A: Summary of audits either completed since previous report or currently issued in draft.

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
Budget monitoring/management	<p>The objective of this audit was to provide an opinion on the arrangements in place for budget management across the Warwickshire and West Mercia Police Alliance.</p> <p>Our key concerns include the impact of Alliance termination preparations on the capacity to manage budgets to achieve savings.</p>	Substantial #		2	1
Contract Management	<p>The objective of the audit was to provide an opinion on the current Contract Management arrangements in place to ensure all alliance contracts deliver the right outcomes and offer value for money.</p> <p>The previous audit in 2017 resulted in a Limited opinion. The testing has noted improved consistency in managing contract performance and contract governance, though not yet consistently applied.</p>	Moderate ##			
Crime Property	<p>The objective of this audit was to provide assurance on the arrangements for the recording, secure storage and disposal of Crime Property within property and evidence stores.</p> <p>Controls were generally adequate, though testing identified some instances of non-compliance with procedures.</p>	Substantial #		3	

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
Project Health check - DCD	<p>The DCD Project is to provide, and enable, a new single data network across West Mercia and Warwickshire forces, with a new telephony platform integrating communications across mobile and desktop devices.</p> <p>The project will provide the infrastructure, platform and end user devices to enable mobile working practices, reduce inbound telephony demand on the OCC and deliver a digitally enabled customer journey for members of the public's interactions with the two forces.</p> <p>The objective of this audit was to review the following areas:</p> <ol style="list-style-type: none"> 1. The adequacy of the project business case and funding request; 2. Project management and responsibilities; 3. Governance and reporting arrangements; 4. Monitoring of project financial performance against budget. <p>Our key concerns include:</p> <ul style="list-style-type: none"> • The contingency value built into the project costing may not be a realistic estimate of project costs, in light of the uncertainty and complexity of the project; • Approval by the project team, and governing body, for the project to proceed between 	Limited #		4	

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
	<p>defined gateways has not been formally documented. Standard documentation has not been completed in line with the requirements of the project management framework;</p> <ul style="list-style-type: none"> • The audit trail of authorisation and approval which govern whether the project can proceed to the next stage in its lifecycle is incomplete; formal evidence of approval has not been documented. • Total costs to deliver the DCD project to the potentially diverging needs of the two forces cannot be reliably estimated due to the uncertainty of the available options and the future of an alliance working arrangement. 				
Business Continuity	<p>Business Continuity Management (BCM) is the management process that provides the framework to ensure the resilience of an organisation to any eventuality and to help ensure continuity of service. Successful business continuity arrangements help to minimise disruption from, and reduce the time needed to recover following, an incident.</p> <p>The scope of the audit included the procedures, controls and supporting documentation in relation to the following key risk areas:</p> <ul style="list-style-type: none"> • Governance arrangements for business continuity planning; Business Continuity Plans; 	Limited #	3		

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
	<ul style="list-style-type: none"> • Arrangements to update, test and validate plans; • The process by which lessons are learnt when plans require implementation. <p>Our key concerns include:</p> <p>A review of the Police Business Continuity Management (BCM) Progress table maintained by the Emergency Planning Officers showed that there are 68 different portfolios and that only 14 had fully completed all the required documents for Business Continuity. Due to the changes in the Management of ICT they have not been involved in setting a Business Continuity Plan. The “Alliance of West Mercia & Warwickshire Business Continuity Strategy” states the importance of the need for each portfolio completing a Business Continuity Plan and the implications of there being no contingency plans.</p> <p>There is a lack of documentary evidence to show that staff have carried out testing of their own Business Continuity Plans and Impact Assessments to ensure that the plans are able to be carried out and implemented within the agreed recovery time.</p>				
GDPR	General Data Protection Regulation (EU) 2016/679 came in effect on 25 May 2018. In addition to this legislation, Part 3 of the Data Protection Act 2018 (DPA 2018) implements an EU Directive (Directive 2016/680), separate from	Moderate			

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
	<p>the GDPR regime, which applied to authorities when processing personal data for law enforcement purposes.</p> <p>The objective of the audit was to provide an opinion on the operating effectiveness of the controls in place to ensure compliance with GDPR and DPA legislation.</p> <p>Our key concerns include:</p> <ul style="list-style-type: none"> • There is still significant action required before the Alliance is fully GDPR compliant and progress is linked to wider activity across the Alliance ICT Programme of work. • Whilst policies and procedures have been prepared and implemented, there remain a large number outstanding, particularly those with responsibility assigned to the Head of ICT, which have no start date or planned date for completion. • Monitoring of GDPR and DPA training is not currently performed as part of routine processes; completion rates for required training, where monitored, are poor and not in line with Alliance policies; 				
Project health check - KCOM	KCom Decommissioning (KComD) is a project to facilitate the creation of a segregated network that legacy systems can be transferred to prior to being replaced, re-platformed or retired. By separating legacy systems, the two forces will allow the KCom network to be finally decommissioned and proceed in achieving PSN	Substantial		1	

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Funda-mental	Significant	Merits Attention
	<p>accreditation and the ability to connect to new national systems in the future.</p> <p>The objective of the audit was to provide an opinion on the operating effectiveness of the controls in place over the KComD project.</p> <p>Our review of the arrangements in place to ensure effective project management and governance of the KComD project have not highlighted any weaknesses in arrangements for the project at its current stage of completion; There is a significant amount of uncertainty around the activities required to deliver the project and its interdependencies, the viability of the available options and the corresponding project costs and the financial contribution of each Force; the outcome of which are dependent upon an agreement between the two forces around the future working arrangements.</p>				

indicates audits with formal draft issued, but not yet agreed and finalised at time of writing.

indicates opinion based on completed fieldwork prior to formal draft report

Appendix B: Summary of progress against the 2018/19 workplan

Topic	Latest Status	Opinion on level of assurance provided by controls.
2018/19 Workplan		
Budget monitoring/ management	Draft	Substantial #
Business Continuity	Draft report issued	Limited #
Contract Management	Draft	Moderate ##
Crime Date Integrity	Complete	Moderate
Crime Property	Draft	Substantial #
GDPR	Complete	Moderate
Medium Term Financial Plan (Advisory)	Not required	N/A
Police Community Fund (Certification)	Complete	N/A
Project Health check - DCD	Draft	Limited #
Project health check - KCOM	Complete	Substantial
Regional Organised Crime Unit	Complete	Substantial
Telematics (Independent review)	Complete	N/A
Transformation Programme (Advisory)	Not required	N/A
Completion of 2017/18 Audits		
Victim support	Complete	Moderate
Fleet management	Complete	Limited

indicates audits with formal draft issued, but not yet agreed and finalised at time of writing.

indicates opinion based on completed fieldwork prior to formal draft report

Appendix C: Status of Recommendations Monitored During 2018/19

Audit	Number of Recommendations								
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Outstanding (Months)			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
Chief Constables									
Police MASH	10	0	0	4	2	1	3	1	N
Information Management	3	0	0	3	0	0	0	0	Y
Firearms	11	0	0	11	0	0	0	0	Y
Procurement	7	0	0	6	0	0	0	1	Y
Financial Systems – Payroll	9	0	0	8	0	1	0	0	N
Police Fleet	9	0	0	6	0	3	0	0	Y
Crime Data Integrity	8	0	0	8	0	0	0	0	Y
Crime Property	1	0	0	1	0	0	0	0	Y
Partnerships	7	0	0	6	0	1	0	0	Y
Medium Term Financial Plan	4	0	0	0	4	0	0	0	Not due
ICT Active Directory	7	0	0	0	3	4	0	0	Y
ICT Database Administration and Security	9	0	0	0	1	8	0	0	Y

Audit	Number of Recommendations								
	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Outstanding (Months)			Response Rec'd Y/N
GDPR	3	0	0	2	1	0	0	0	Not due
KCOM	1	0	0	0	1	0	0	0	Not due
PCCs									
Victim Support	4	0	0	4	0	0	0	0	Y