

**Agenda item:**

**West Mercia Joint Audit and Standards Committee Report Summary**

**Meeting Date: 26 February 2020**

**Subject: Progress against 2019/20 Internal Audit Plan**

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**Purpose of the Report:**

**This report summarises progress against the agreed Internal Audit plan and proposes changes to the plan to cover the period to 31 March 2020.**

**Recommendation:**

**The Committee is requested to**

- a. note the report;**
- b. approve the revised Audit Plan 2019-20.**

## **Progress against 2019/20 Internal Audit Plan**

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

#### **Introduction**

1. This report summarises the audit work undertaken against the Audit Plan 2019/2020 agreed at the Warwickshire and West Mercia Joint Audit Committee meeting on 18<sup>th</sup> March 2019, since progress was reported in the Internal Audit Annual Report 2018/19 presented to the Committee on 25<sup>th</sup> July 2019.

#### **Audit Plan Review and Amendment**

2. It should be noted that the Internal Audit plan agreed at the start of the year is only an indicative one as it has to be responsive to changes in risk and hence the individual jobs may vary from the original plan and new jobs may be added or jobs deleted or amended.
3. The Audit Plan was intended to deliver a programme of assurance audits which would enable end of year Head of Audit opinions to be delivered for Warwickshire OPCC, Warwickshire Police, West Mercia OPCC and West Mercia Police. The plan agreed on the 18<sup>th</sup> March 2019 only covered the period to October 2019 due to the termination of the Alliance. Appendix A shows the proposed indicative plan to 31<sup>st</sup> March 2020 and shows all coverage including both forces and PCCs. We have continued to undertake audits which provide assurance to all clients. With the expected termination of the alliance arrangements we are adapting our approach to provide separate reports for each client where appropriate. In some cases what would have been a single audit has become two separate audits or possibly four, although we will aim to deliver the work in the most efficient and effective way and where shared services continue some joint testing may still be possible. However, a revision to the planned days for the following audits is proposed due to the additional work required in producing and obtaining agreement to two terms of reference, carrying out two audits and conducting two closedown meetings and finalising separate reports.

- Alliance Termination and future collaboration arrangements - an additional 25 days due to the requirement to do two separate audits using different auditors
- Corporate Governance – an additional 5 days required due the requirement to issue two final reports and hold two closedown meetings with both forces' Head of Professional Standards.
- Risk Management – an additional 21 days due to the requirement to do two separate audits using different auditors

A further amendment to the plan is:

- A reduction of 3 days taken to finalise the Payroll report.
4. To facilitate these changes to the plan it is proposed to defer the Seized Property audit (a reduction of 13 days) and it is envisaged that there will be 10 days of audit work carried over until 2020/21.

## **Work Progress**

5. Since the Internal Audit Annual Report 2018/19 priority has been given to delivering the outstanding work to complete the 2018/19 plan, whilst we have continued to chase responses to finalise older work.
6. Responses have been received for the following reports and as a result the following audits have been finalised:
  - Crime Property
  - Project Health Checks
  - GDPR
  - Budget Management
  - Business Continuity

All these audits were reported in detail at draft stage in the Annual Report 2018/19.

7. A response has been received to the Contract Management audit which is in the process of being agreed with management..

## **2019/20 Audits**

8. The audit team has made progress against the 2019/20 plan. Final reports have been issued in respect of the following audits the results of which are outlined in Appendix B:
  - Payroll – including Self service
  - HR management – recruitment, pre-employment checks and vetting
  - West Mercia - Corporate Governance – gifts and hospitality, declarations of interest's
  - Treasury Management,
9. Also, an audit of the Warwickshire Police Community Fund has been completed to comply with the requirements of the Charity Commission.
10. A number of audits are in progress and an analysis of the time spent during 2019/20 to date is shown in Appendix A. Up to the end of quarter 3 a total of 218 audit days have been delivered, compared with the annual plan of 346 days and we are on track to deliver the budgeted days by the end of the financial year. However, progress to date has been hampered by the focus of managers on the structural changes arising from the alliance termination and delivery of the audit plan is dependent on the cooperation of managers.

11. 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.
12. A key audit to highlight is the audit of the alliance termination and future collaboration arrangements. This has been deferred from earlier in the year due to the ongoing developments around termination. This audit relates to a high risk area and will be a key component underpinning the overall audit opinion for 2019/20 and so it would be a concern if it is not delivered before the year end. The terms of reference for this audit have been updated for current developments and agreement to the revision are awaited and the work is expected to be prioritised for completion.

### **Progress with Agreed Actions**

13. Responsibility for implementing agreed recommendations previously rested with the Chief Executives and Chief Constables of both Forces who 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. Appendix C summarises the results of the latest monitoring exercise. The table shows all those audits which have recommendations which have still to be implemented. Based upon the target date agreed with management there are 31 recommendations overdue. Whilst none of these are classed as fundamental, there are 14 "Significant" Medium (M) priority recommendations which are more than 6 months overdue. Oversight of the plan and progress on implementing audit recommendations will move to Audit, Risk and Compliance.
14. The current recommendations being followed up are all those agreed as an Alliance, all reports currently being finalised will be agreed with West Mercia only, so going forward follow up will be with the West Mercia Chief Executive and West Mercia Chief Constable. We would suggest that the existing alliance recommendations should be reviewed to consider which should be retained under the future arrangements and to identify any which are now redundant or should be taken forward in a different way.

## Appendix A: Status of Internal Audit Workplan 2019/2020 as at 31/12/2019

Original Plan Topic	Original Plan Indicative days to Oct	Actual Days to 31.12.19	Revised Indicative days full year	Current Status	Assurance level  # denotes reported in 2018/19 Annual Audit Report	Notes
Alliance Termination and future collaboration arrangements	15	15	20+20	Warwickshire audit in progress  West Mercia - awaiting agreement of terms of Reference		Two separate audits for each Force.
Payroll including self service	20	17	17	Final Report Issued.	Substantial	
Accounts Payable	20	10	20	In progress		
IT	15	0	15	Planning		TIAA (our IT Audit specialists) have met IT and are working on the scope of this work.
Corporate Governance – gifts and hospitality, declarations of interests.	15	19	20	Final Report Issued for West Mercia  Draft reports issued for Warwickshire	Substantial	Additional time required due the requirement to issue two final reports and hold two closedown meetings with both forces' Head of Professional Standards.

Original Plan Topic	Original Plan Indicative days to Oct	Actual Days to 31.12.19	Revised Indicative days full year	Current Status	Assurance level  # denotes reported in 2018/19 Annual Audit Report	Notes
Seized property	15	2	2	Proposed deferral		Audit of Firearms disposal postponed due to Force staffing issues.  Propose defer until 2020/21.
HR management – recruitment, pre-employment checks, vetting	15	15	15	Final report issued	Substantial	
Risk management	15	15	18 +18	In progress		Two separate audits for each Force. Separate auditor
<b>Contingency – including provision to complete 2018/19 audits B/F audits time in 2019/20:</b>	20					
Budget Management		18	18	Final report issued	Substantial #	
Contract Management		17	17	Draft report issued	Moderate #	
Crime Property		0	0	Final report issued	Substantial #	

Original Plan Topic	Original Plan Indicative days to Oct	Actual Days to 31.12.19	Revised Indicative days full year	Current Status	Assurance level  # denotes reported in 2018/19 Annual Audit Report	Notes
Business Continuity		2	2	Final report issued	Limited #	
GDPR		4	4	Final report issued	Moderate #	
Project Health Checks		5	5	Final report issued	Limited #	
Project KCOM		0	0	Final report issued	Substantial #	
<b>Potential audits in second half year</b>  HR management - absence management		1	20	Planning		
Consultants – IR35 implications, robust process for engaging, performance management		7	15+15	In progress		Separate audits for each Force. Propose three reports, one for each Force and one for West Mercia PCC.

Original Plan Topic	Original Plan Indicative days to Oct	Actual Days to 31.12.19	Revised Indicative days full year	Current Status	Assurance level  # denotes reported in 2018/19 Annual Audit Report	Notes
Strategic property asset management		0	0			Defer.
Contract management		0	0			Defer.
Procurement		0	0			Defer.
Treasury management		20	20	Final report issued	Substantial	.
Projects / project management		0	0			Defer.
Covert funds		7	22	In progress		Separate audits for each Force required
Warwickshire Police Community Fund account		4	4	Complete		Audit requested to meet requirements of the Charity Commission
Carry forward to 2020/21		0	(10)			
<b>Management and planning</b>	25	40	49			
	<b>175</b>	<b>218</b>	<b>346</b>			



## Appendix B: 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
Payroll including Self Service	<ul style="list-style-type: none"> <li>Payroll control account reconciliations were not performed at all during 2018/19. The year-end (March 2019) reconciliation has been performed as part of year end procedures but in-month reconciliations were not completed;</li> </ul> <p>An action plan has been agreed to address this issue.</p>	Substantial	0	1	4
HR management – recruitment, pre-employment checks, vetting	<p>The Alliance Police Staff Recruitment Policy &amp; Procedure has not been subject to review since its implementation in 2008; the policy may not be compliant with relevant legislation or representative of recruitment and selection practices across the two Forces.</p> <p>A response has been received with an action plan to address this finding.</p>	Substantial	0	0	1
Corporate Governance – gifts and hospitality, declarations of interests.	<p>Policies &amp; Procedures</p> <p>All required policies, within scope of the audit, are in place, owned and in date at the time of the audit. Our review of Gift &amp; Hospitality and Business Interest declarations revealed some gaps in procedures and policy areas which need clarification to reduce the risk of non compliance.</p>	Substantial	0	2	3
Treasury Management	<p>Treasury Management Advisors- The Arlingclose contract was reviewed and split between the forces last May for a further year to allow the two PCCs/Forces to each establish their own requirements following the termination of the Alliance.</p>	Substantial	0	2	3

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<p>The contract includes a schedule of services, however, there are a number of elements within the contract which could be utilised to enhance the value from the arrangement.</p> <ul style="list-style-type: none"> <li>• Staff and member training- The Treasury Management staff have not attended any recent treasury training, nor do they have annual appraisals to identify training needs. Given the current economic climate it is important that Treasury Management staff and members understand potential opportunities that could be available to the organisation.</li> <li>• Each year Members receive and approve the Treasury Management Strategy and Monitoring reports. Members of Audit and Standards Committee have not received any formal training for Treasury Management. Arlingclose offer training for both staff and Members.</li> </ul>				

### Appendix C: Audits with recommendations outstanding

Audit	Number of Recommendations								
	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	
Chief Constables									
Police MASH	6	0	0	0	1 (L)	0	1(L)	4 (M)	Y
Procurement	7	0	0	6	0	0	0	1 (L)	Y
Police Financial Systems - Payroll	9	0	0	8	0	0	0	1 (M)	Y
Police Fleet	9	0	0	6	0	0	0	3 (1 M, 2 L)	Y
Partnerships	1	0	0	0	0	0	0	1 (M)	Y
GDPR and Data Protection	1	0	0	0	0	0	0	1 (M)	Y
ICT Active Directory	8	0	0	2	0	0	6 (6 M)	0	Y
ICT Database Admin and security	9	0	0	0	0	0	3 (3 M)	6 (6 M)	Y
Medium Term Financial Plan	4	0	0	0	0	4 (4 M)	0	0	Y
HR Recruitment, pre employment checks	1	0	0	0	1 (L)	0	0	0	Y
	55	0	0	22	2	4	10	17	