

**Agenda item:**

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

**Meeting Date: 5 July 2021**

**Subject: Internal Audit Annual Report 2020/21**

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**Purpose of the Report:**

**This report summarises the results of Internal Audit work during 2020/21 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2020/21 in respect of West Mercia Police and West Mercia Police and Crime Commissioner (PCC).**

**Recommendation:**

**The Committee is requested to**

- a. note the report.**

# Internal Audit Annual Report 2020/21

“Providing assurance on the management of risks”

# Internal Audit Annual Report 2020/21

## “Providing assurance on the management of risks”

This report summarises the results of Internal Audit work during 2020/21 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2020/21 in respect of West Mercia Police and West Mercia Police and Crime Commissioner (PCC).

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### Opinion

Based upon the results of work undertaken during the year my opinion is that the control environments operated by West Mercia Police and West Mercia Police and Crime Commissioner (PCC) provide **Moderate** assurance that the significant risks facing their respective organisations are addressed.

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### Context

This report outlines the work undertaken by the Internal Audit service of Warwickshire County Council for the Police and Crime Commissioner and Chief Constable between 1 April 2020 and 31 March 2021.

Warwickshire Internal Audit section during the year worked to an Audit Plan, Strategy, Service Level Agreement and Audit Charter covering West Mercia OPCC and West Mercia Police, agreed by the Joint Audit and Standards Committee on 7 April 2020. The 2020/2021 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 West Mercia OPCC and West Mercia Police.

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 both policing organisations, managers, 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.

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## **Internal audit work during 2020/2021**

The underlying principle to the 2020/21 plan was risk and accordingly audits were only completed in areas that represented an '*in year risk*'.

The methodology adopted in preparing the 2020/21 audit plan, and the plan itself, were approved by the Joint Audit and Standards Committee on 7 April 2020.

Since the original plan was approved some variations to the plan have proved necessary. 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 subsequently confirmed at the Joint Audit and Standards Committee.

Appendix A provides a summary of the progress made against the revised 2020/21 audit plan. This appendix shows all work completed against the 2020/21 plan including those jobs previously reported to the Committee.

Some difficulty has been experienced in completing the work and finalising audits due to the availability of officers during the Covid 19 pandemic. A small number of audits started during the year were not completed at year end but have been prioritised for completion in 2021/22. The net effect is that although the work undertaken during the year was different to that anticipated when the plan was agreed, 82% (191 days out of 233 days) of the revised planned days were delivered by 31 March 2021. Since 1st April a further 33.9 days have been spent on progressing 2020/21 assignments, which means that (97% 2020/21 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.

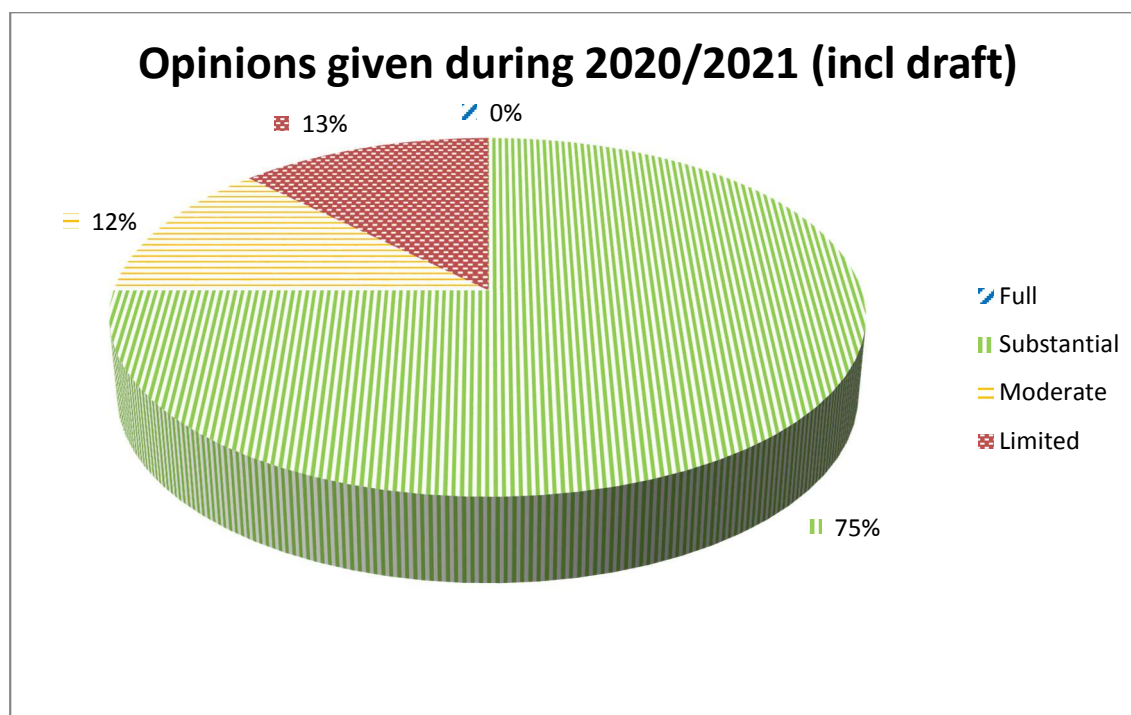
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## **Summary of assurance work**

The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are 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. The individual opinions given during the year are considered along with other sources of assurance and inform the overall annual opinion. The Joint Audit and Standards Committee has received regular reports during the year summarising audits undertaken.

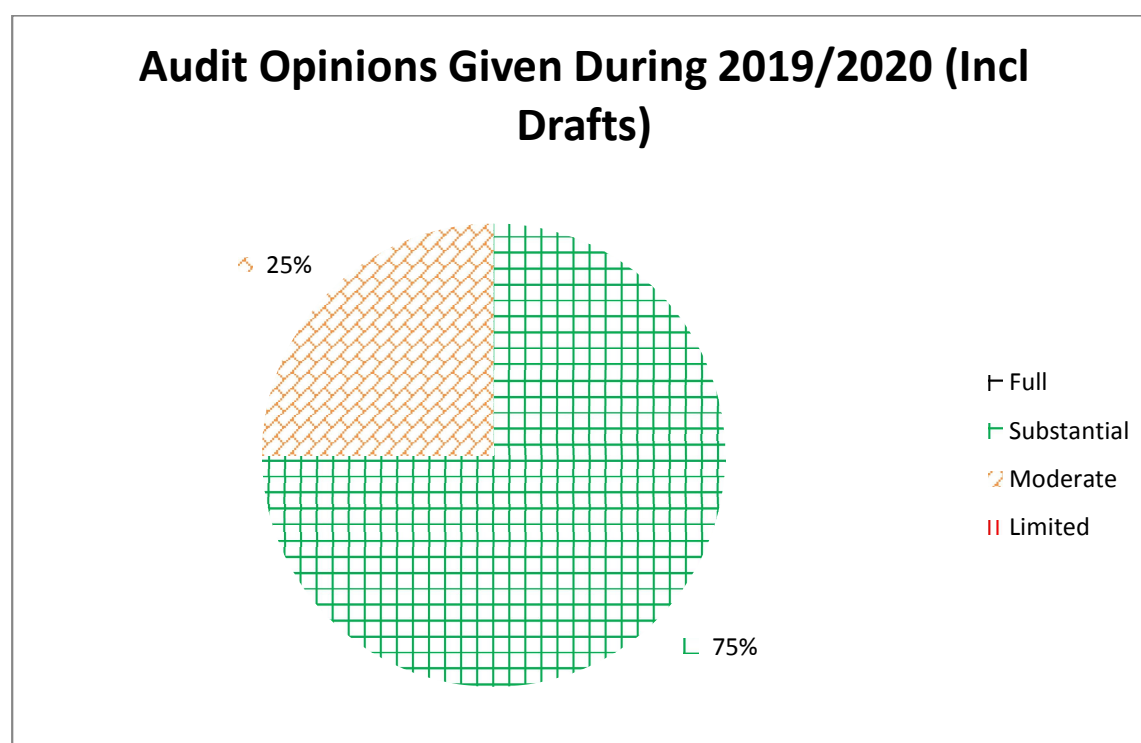
As shown in the following chart, most of this year's audits have resulted in a positive opinion of moderate or substantial, with just one having a limited opinion.

## Audit Opinions 2020-21



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 the proportion of Substantial opinions remained the same and there was a reduction in Moderate opinions but there was an increase in Limited opinions. The outcomes for 2019/20 were as follows:

## Audit Opinions 2019-20

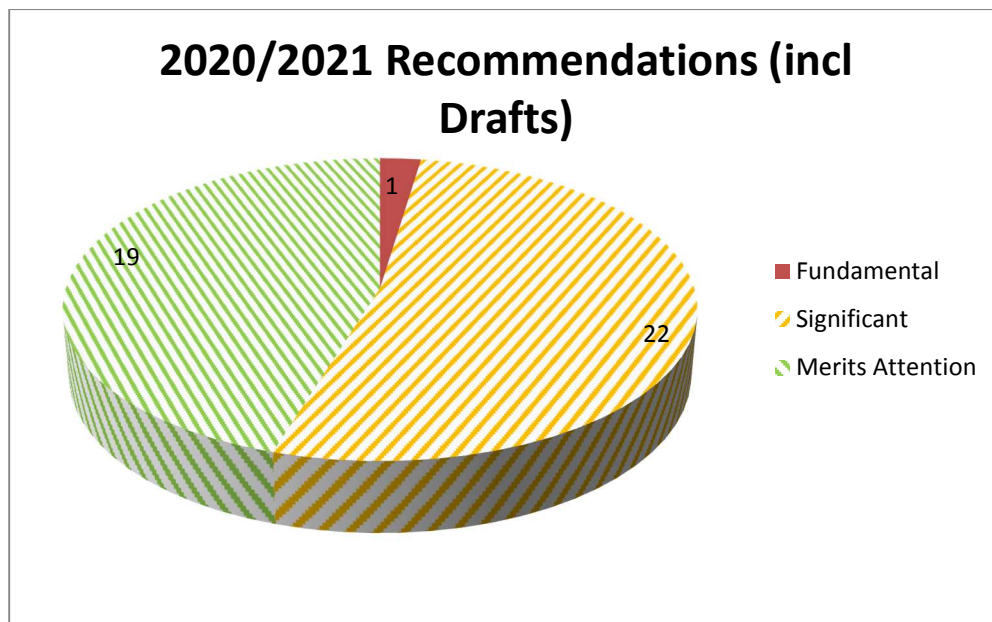


A full list of the assurance work undertaken in respect of West Mercia audits during the year is included in Appendix A.

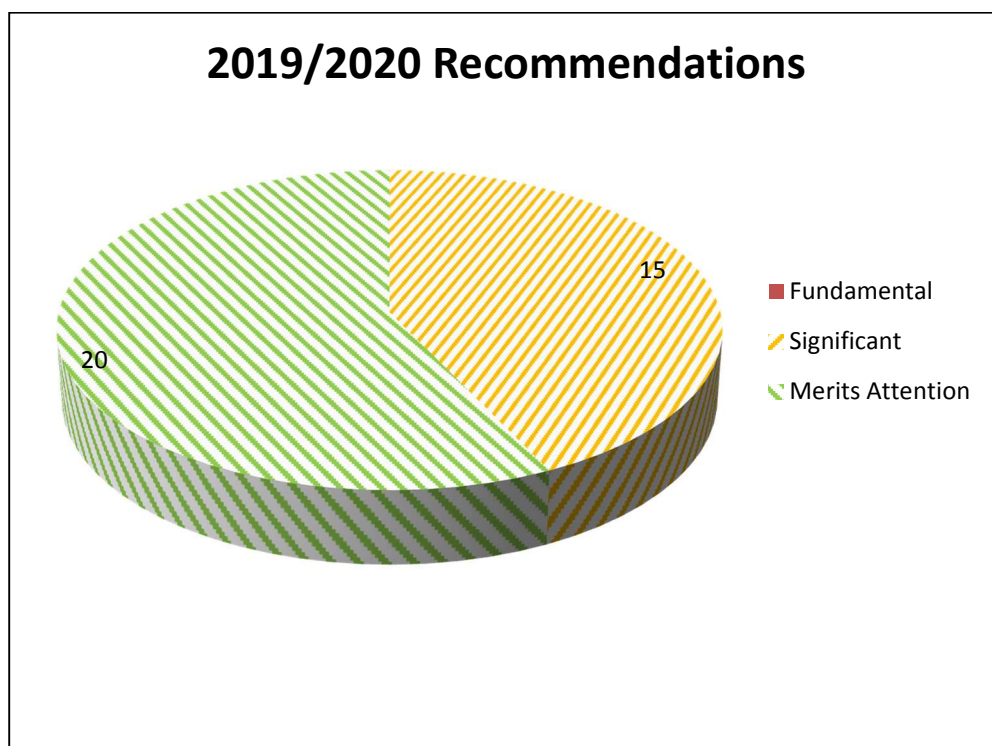
One audit this year has been given a limited opinion, which was from the 2019/20 audit plan.

## Recommendations

Recommendations are categorised according to the risks they are intended to mitigate. Categorising recommendations also assists managers in prioritising improvement actions. The categories used, in increasing order of importance are: Merits Attention, Significant and Fundamental. During the year 42 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:



The proportion of significant findings is slightly higher than in 2019/20:



Responsibility for implementing agreed recommendations rests with the Chief Executive and Chief Constable, who have implemented monitoring arrangements to establish progress on



implementing audit recommendations. Audit, Risk and Compliance are responsible for recommendation follow up and regularly ask managers for a status update and provide information for inclusion in Committee reports.

The information in Appendix B summarises the results of the latest monitoring exercise based on the information provided by Audit, Risk and Compliance. The table shows all those audits which have recommendations, which are still to be implemented. Based upon the target date agreed with management there are some recommendations overdue. Whilst none of these are classed as fundamental, there are 5 “Significant” Medium (M) priority recommendations which are more than 6 months overdue. This is a significant improvement on 2019/20 when there were 21 Medium priority actions in this category.

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## Summary of non-assurance work

### Other sources of assurance

In relation to ICT risks, ICT is recognised as a significant risk area in the force Risk Management system. During the year an independent external assessment was commissioned. This was an IT Health Check security assessment. The assessment, which was undertaken in November/ December 2020, identified important weaknesses which needed to be addressed. I have reviewed the report dated 31/12/20 and the associated remediation work. Whilst progress has since been made in addressing the weaknesses, ICT systems were exposed to important security weakness during 2020-21.

### 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. We have this year only provided ad hoc advice on minor issues.

### 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.

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## 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.

A full externally conducted quality assessment of the service was 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.

The Internal Audit service continued to rate very highly during 2020/21 with an overall average score of 4.79 (out of a maximum of 5). A number of positive comments and compliments about the service provided have been received, including:

- The Auditor “listened to our point of view and feedback and was open minded in examination of the subject matter”
- “Feedback and communication was prompt”
- “Good engagement”

Three completed questionnaires were returned in 2020-21, these comments are consistent with the positive responses 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 national 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 PCC and Force can be confident that a best practice quality Internal Audit service continues to be provided.

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## Opinion

It is the responsibility of the PCC and Chief Constable 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.



I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the governance, control and risk processes.

The assurance opinions on Internal Audit undertaken during 2020-21 were nearly all positive. In addition, there has been a reduction in the number of overdue actions arising from Internal Audit work. There was, however one Limited opinion audit and I am mindful that weaknesses around ICT security have persisted through the year.

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. On the whole, 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 West Mercia Police and Crime Commissioner and West Mercia Police provide **moderate** assurance that the significant risks facing their respective organisations are addressed.

**Paul Clarke CPFA**  
**Internal Audit Manager**  
**(Head of Audit)**

## Appendix A: Summary of progress against the 2020/21 workplan

Topic	Latest Status	Opinion on level of assurance provided by controls.
<b><u>2020/21 Workplan</u></b>		
Absence Management	Complete	Substantial
Accounts Payable	Complete	Substantial
Budget Management	Complete	Substantial
Business Continuity	Complete	Moderate
IT Programme and Project Management	Complete	Substantial
Leadership Development	In progress	
Payroll	Draft #	Substantial #
PCC Commission - Grants	In Progress	
PCC Victim Support	In Progress	
Seized Property	In Progress	
Strategic and Financial Planning - MTFP	Complete	Substantial
<b>Completion of 2019/20 Audits (Not previously included in 2019/20 Annual Audit Report)</b>		
Consultants – IR35	Complete	Limited

# Indicates audit with formal draft issued, but not yet agreed and finalised at time of writing.

## Appendix B: Audits with Recommendations Outstanding Monitored During 2020/21

	Number of Recommendations								
Audit	Made	Risk Accepted	Redundant	Implemented	Not yet due to be implemented	Overdue			Response Rec'd Y/N
						0 to 3	3 to 6	Over 6	
POLICE WEST MERCIA									
Audits completed during 2020/2021									
Absence Management	3	0	0	0	3	0	0	0	
Accounts Payable - Creditors	2	0	0	0	0	2 (2M)	0	0	
Budget Management	4	0	0	0	3	1 (1M)	0	0	
Business Continuity	7	0	0	5	0	2 (2M)	0	0	
IT Programme and Project Management	3	0	0	3	0	0	0	0	
Strategic and Financial Planning - MTFP	4	0	0	0	3	1	0	0	
Consultants – IR35	6	0	0	3	0	2 (2M)	1	0	
Sub Total	29	0	0	11	9	8	1	0	
Audits completed Prior to 2020/2021									
Accounts Payable	8	0	0	4	0	0	4 (1M)	0	
Gifts and Hospitality	5	0	0	4	0	0	0	1	
HR Management Recruitment	1	0	0	0	0	0	0	1	
ICT – Active Directory	7	0	0	4	0	0	0	3 (3M)	

ICT – Data Base Admin and security	9	0	0	7	0	0	0	2 (2M)	
MASH	10	0	0	8	0	0	0	2	
<b>SubTotal</b>	40	0	0	27	0	0	4	9	
<b>Total</b>	69	0	0	38	9	8	5	9	

**Key:** Priority of recommendations, H=High, M= Medium, L=Low