

Agenda item:

West Mercia Joint Audit and Standards Committee Report Summary

Meeting Date: 22 November 2021

Subject: Internal Audit Progress Report

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Purpose of the Report:

This report summarises progress against the agreed Internal Audit plan to the end of September 2021.

Recommendation:

The Committee is requested to

- a. note the report.**

Internal Audit Progress Report

Report by the Head of Internal Audit

Introduction

1. This report summarises the audit work finalising 2020-21 audits and against the Audit Plan 2021-22 agreed by the Joint Audit and Standards Committee on 30 March 2021.
2. 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.

Audit Plan Review and Amendment

3. 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.
4. The Audit Plan is 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. Appendix A provides information on each audit completed since the previous update report. Appendix B shows the progress as at the end of September against the plan agreed at the Committee's meeting on 30 March 2021 and shows all coverage including both the Force and OPCC. Despite the challenges faced by COVID 19, we have continued to undertake audits which provide assurance to both clients.

Work Progress

5. Since the last report to Committee in July 2021, priority has been given to delivering the outstanding work to complete the 2020/21 plan, whilst starting work on the 2021/22 plan.

2020/21 Audits

6. The audit team has made progress finalising work against the 2020/21 plan.
7. The following final reports have been issued:
 - Leadership Development (Substantial)
 - Payroll (Substantial)
 - PCC Commissioning – Grants (Substantial)
 - Seized Property (Substantial)
 - Victim Support Grant (Substantial)

2021/22 Audits

8. A number of audits are in progress and an analysis of the time spent during 2021/22 to date is shown in Appendix B. To the end of September a total of 125 audit days have been delivered, compared with the annual plan of 232 days and we are on track to deliver the budgeted days by the end of the financial year. However, the impact of COVID in 2020/21 has meant that the time on carried forward audits has been greater than usual, and some flexibility will have to be considered.
9. The following final reports have been issued:
 - PCC Risk Management (Moderate)
 - Procurement (Moderate)

Progress with Agreed Actions

10. 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 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 14 recommendations overdue. Whilst none of these are classed as fundamental, there are 6 “Significant” Medium (M) priority recommendations which are more than 6 months overdue.

Appendix A: 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
2020/2021					
Leadership Development	<p>A People Strategy Board has been established to oversee the programme through delivery groups: Health Safety and Wellbeing Group, Fairness Standards and Policy Group and Workforce, Diversity, Inclusivity and Planning Group. The Strategy aims to address the areas for improvement identified in the PEEL Police Effectiveness, Efficiency and Legitimacy 2018/19 report.</p> <p>Delivery plans have been drawn up for each of the groups setting out the actions required to achieve the objectives set out in the People Strategy.</p> <p>The plans for each of the delivery groups were obtained and reviewed. The review looked at the arrangements in place covering leadership development including:</p> <ul style="list-style-type: none">• Policies and procedures• Knowledge of current leadership capabilities• Future leadership requirements• Learning and Development• Processes for monitoring of performance <p>Where available supporting documentation was examined.</p> <p>A position statement was produced, reflecting on the work to date and the need for progress to continue to meet existing deadlines. Therefore, no recommendations were made.</p>	Substantial	0	0	0

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
Payroll	<p>The scope of the audit includes, but is not limited to, the following areas:</p> <ul style="list-style-type: none"> • The contract for Payroll services and performance monitoring arrangements between West Mercia Police and Liberata. • System access and security of electronic and physical data. • Controls over input and authorisation of payroll transactions including the authorisation of overtime claims. • Reconciliation of the payroll system to the Finance System and management reporting. • Calculation of third-party deductions and timely statutory reporting. • Procedure manuals, guidance, and training for system users. • Data protection and information management arrangements. <p>The audit found that:</p> <ul style="list-style-type: none"> • Due to staff changes and restructures within the Finance team the Salary Control accounts were not reconciled on a regular basis during 2020/21. The accounts have now been balanced at period 11 but there is still work required to journal any coding errors identified. This issue was raised in the previous audit report undertaken during the Alliance with Warwickshire (issued in August 2019) however, it appears that some amounts relating to previous financial years remain outstanding. • There is no formal monitoring of the payroll service provider's (Liberata's) performance against the contract. <p>An action plan has been agreed to address these issues.</p>	Substantial	0	2	4

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
Seized property	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> • Policies and Procedures • Security of and Access to Property Stores • Movements to and from Property Stores • Maintenance and Monitoring of held Property <p>There were no Significant findings</p>	Substantial	0	0	1
2021/2022					
Procurement	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> • Procurement policies and procedures are in place which are in line with relevant legislation and these are complied with; • The identification and tracking of contract related benefits and savings; • Use of regional and national frameworks; and • Processes for approving exemptions from Contract Standing Orders. <p>The audit found that:</p> <ul style="list-style-type: none"> • From a review of a sample of contracts awarded, it is apparent that the procurement route is not consistently in accordance with Joint Financial & Contract Regulations (JCFR). In addition, where there is a rationale to deviate from JFCR requirements, the exemptions process is not always followed to ensure the rationale is documented and the decision not to follow laid down processes is approved in accordance with existing limits of delegated authority. • Instances were identified where the savings levels identified and reported in the Procurement Evaluation Report and recorded on Keyedin were inaccurate. The same is true of other contract information reported within Keyedin. It is important that such 	Moderate	0	5	2

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<p>information is accurately captured to support management decision making and ensure management information is also accurately reported.</p> <ul style="list-style-type: none"> An instance was identified where tenders were not evaluated in accordance with the published methodology. There is also a need to ensure that tender evaluation methodologies are approved in accordance with the requirements of JCFR. 				
Risk Management (OPCC)	<p>The scope of the audit included, but was not limited to, the following areas:</p> <ul style="list-style-type: none"> Policies and procedures which govern the risk management processes; Adequacy of training and support to risk managers and responsible officers; The identification and evaluation of risks; The management of risks through controls and mitigating actions; Governance and reporting arrangements; and Links to Annual Governance Statement and PCC Management Statement. <p>The audit found that:</p> <ul style="list-style-type: none"> The Risk Management Strategy has not been reviewed or updated since June 2016. There is the opportunity to ensure oversight and reporting arrangements for operational and strategic risks are made clearer within the Strategy. <p>An action plan has been agreed to address these issues.</p>	Moderate	0	3	2

Appendix B: Status of Internal Audit Workplan 2021/2022 as at 1/10/2021

Original Plan Topic	Plan agreed at JASC on 30.03.2021	Actual Days to 01.10.21	Revised Indicative days full year	Current Status	Assurance level	Notes
Bank Reconciliation	10	0	10			
Contract Management	20	2.0	20	Planning		
Debtors – Accounts Receivable	15	0	15			
Establishment Control	20	3.4	20	In Progress		
Estates Function	25	0	25			
Fleet Services	20	4	20	In Progress		
Information Management – Data Protection	15	2	15	Planning		
IT Audit – Transformation Programme	15	0	0	External assurance partner in place. We will review progress and aim to gain assurance from this work rather than create duplication		

Original Plan Topic	Plan agreed at JASC on 30.03.2021	Actual Days to 01.10.21	Revised Indicative days full year	Current Status	Assurance level	Notes
IT Audit Access Controls	12	0	12			
Procurement	20	20.6	20	Final Report Issued	Moderate	
Treasury Management	10	0.6	10	Planning		
Risk Management PCC	0	13.7	13.7	Final Report Issued	Moderate	This audit was deferred from 2021/22
Use of Consultants (Light Touch) PCC	10	0	10			
Use of Consultants (Light Touch) Force	10	0	10			
Management and planning	30	10.3	30			
Previous years:						
Absence Management		1.4		Final Report Issued	Substantial	
PCC Commissioning – Grants		19.1		Final Report Issued	Substantial	
PCC Victim Support		16.6		Final Report Issued	Substantial	
Leadership Development within the Force		12.3		Final Report Issued	Substantial	
Seized Property		7.6		Final Report Issued	Substantial	
Payroll		5.8		Final Report Issued	Substantial	
Budget Management		4.9		Final Report Issued	Substantial	
TOTAL	232	124.3	230.7			

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 Constable									
Police MASH	10	0	0	8	0	0	0	2 (2L)	Y
ICT Active Directory	7	0	0	5	0	0	0	2 (2M)	Y
ICT Database Admin and security	9	0	0	8	0	0	0	1 (1M)	Y
HR Recruitment, pre employment checks	1	0	0	0	0	0	0	1 (1L)	Y
Corporate Governance: Gifts & Hospitality and Declarations of Interests	5	0	0	4	0	0	0	1 (1L)	Y
Accounts Payable (2020/2021)	2	0	0	1	0	0	1 (1M)	0	Y
Business Continuity	7	0	0	5	0	0	0	2 (2M)	Y
Use of Consultants	6	0	0	5	0	0	0	1 (1M)	Y

	Number of Recommendations								
Audit	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	
Medium Term Financial Plan	4	0	0	1	0	3 (2M1L)	0	0	Y
Budget Management	4	0	0	3	1	0	0	0	Y
	55	0	0	40	1	3	1	10	

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