

Agenda item:

West Mercia Joint Audit and Standards Committee Report Summary

Meeting Date: 21 June 2022

Subject: Internal Audit Annual Report 2021/22

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Purpose of the Report:

This report summarises the results of Internal Audit work during 2021/22 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2021/22 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 2021/22

“Providing assurance on the management of risks”



Internal Audit Annual Report 2021/22

“Providing assurance on the management of risks”

This document summarises the results of Internal Audit work during 2021/22 and as required by the Accounts and Audit Regulations 2015 gives an overall opinion of the control environment that operated during 2021/22 in respect of West Mercia Police and West Mercia Police and Crime Commissioner (PCC).

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) continue to provide **Moderate** assurance that the significant risks facing their respective organisations are addressed. This is unchanged from the opinion in 2020-21.

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 2021 and 31 March 2022.

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 30 March 2021. The 2021/2022 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.

Internal audit work during 2021/2022

The underlying principle to the 2021/22 plan was risk and accordingly audits were only completed in areas that represented an *'in year risk'*.

The methodology adopted in preparing the 2021/22 audit plan, and the plan itself, were approved by the Joint Audit and Standards Committee on 30 March 2021.

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.

A summary of the progress made against the revised 2021/22 audit plan is attached at Appendix A. This appendix shows all work completed against the 2021/22 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 2022/23. The net effect is that although the work undertaken during the year was different to that anticipated when the plan was agreed, 112% (260 days out of 232 days) of the revised planned days were delivered by 31 March 2022. Since 1st April 2022 a further 11.7 days have been spent on finalising 2021/22 assignments, which means that the 2021/22 plan has now been completed.

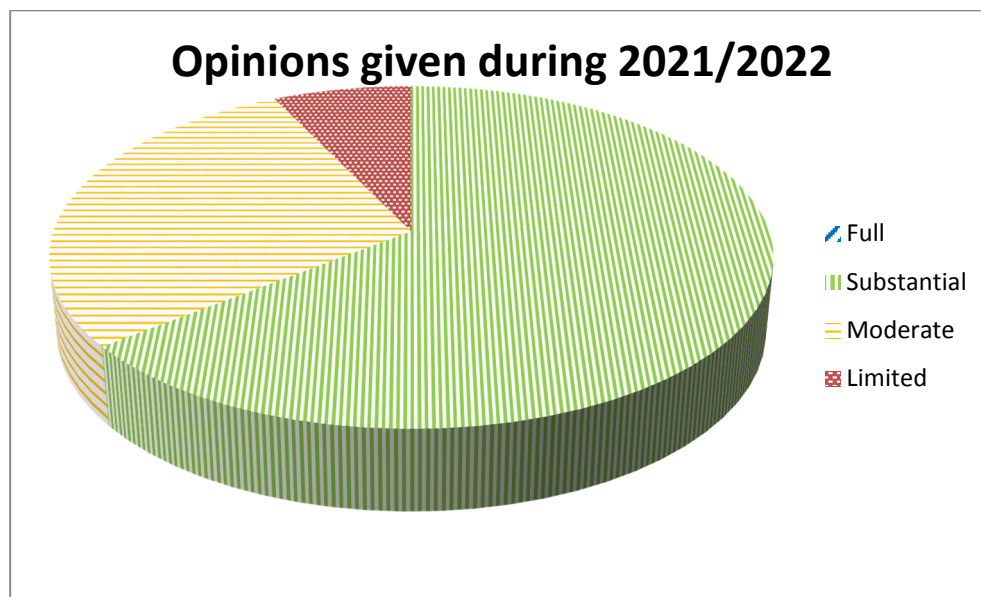
Each final report includes a detailed action plan that has been agreed with the relevant manager. These plans specify the manager responsible for implementing each action and a target implementation date. Where a manager has not agreed a recommendation and is therefore accepting the risks involved this 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. 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.

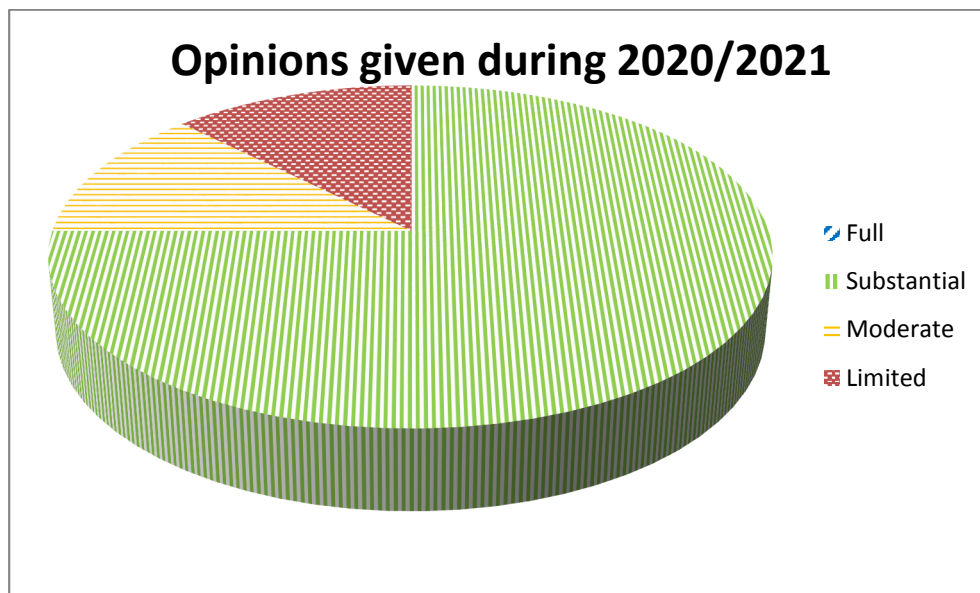
As shown in the following chart, most of this year's audits have resulted in a positive opinion of moderate or substantial, with just one having a limited opinion.

Audit Opinions 2021-22



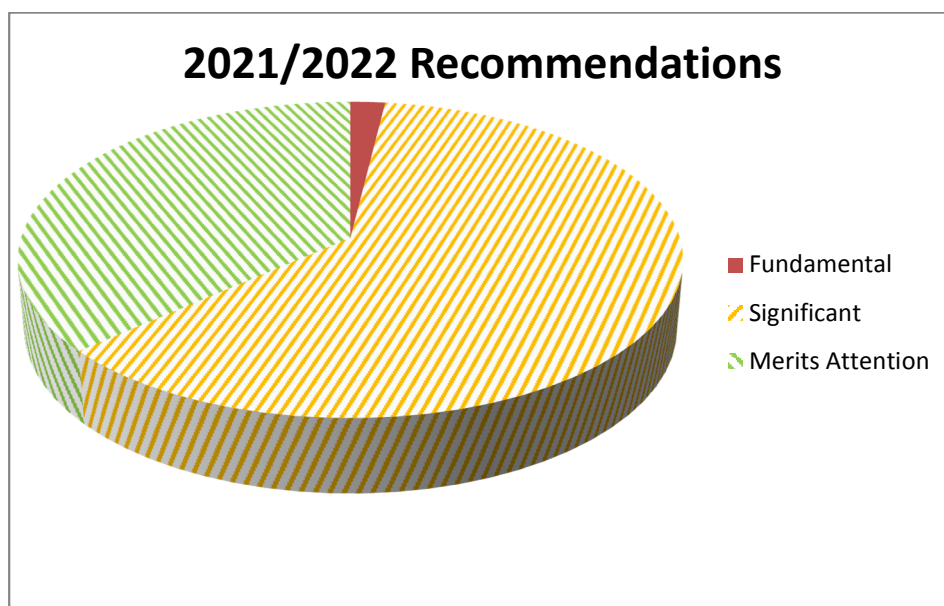
Direct comparison between years is not possible because the content of audit plans varies from year to year and the number of audits is relatively small. Nevertheless, it is helpful to monitor for significant changes. This year the proportion of Substantial opinions reduced and there was an increase in Moderate opinions but the number of Limited opinions remained the same. The outcomes for 2020/21 were as follows:

Audit Opinions 2020-21

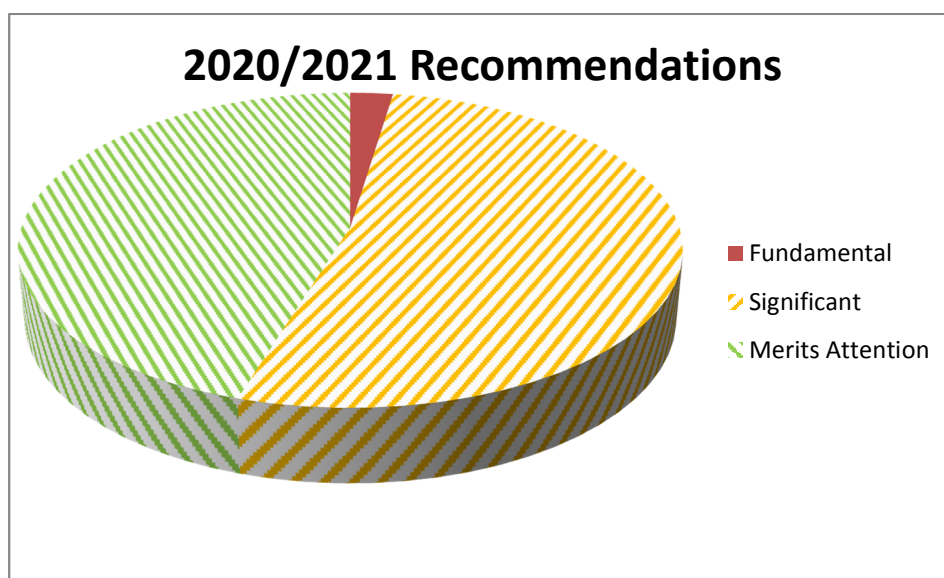


Recommendations

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 52 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 higher than in 2020/21:



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 as at 11th May 2022. Based upon the target date agreed with management there are some 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.

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. A significant transformation programme is underway and this was supported by specialist external advice. There was also an independent external assessment relating to IT security. This was an IT Health Check security assessment. The assessment identified important weaknesses which needed to be addressed, although it was pleasing to note that the number of identified weaknesses was lower than in the previous year. I have reviewed the report and the associated remediation work. Whilst progress has been made in addressing the weaknesses, ICT systems were exposed to important security weakness during 2021-22.

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.

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 2021/22 with an overall average score of 4.52 (out of a maximum of 5). A number of positive comments and compliments about the service provided have been received, including:

- The Auditor was helpful and I was able to discuss issues freely with them, I had confidence that our discussions were confidential.
- The Auditor came back to us very quickly and was understanding with regard to the workload we were carrying
- Flexibility was demonstrated with regards to the way data was collected with the team still working remotely, whilst at the same time ensuring adequate evidence was obtained.

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 PCC and Force can be confident that a best practice quality Internal Audit service continues to be provided.

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.

Whilst the assurance opinions on Internal Audit undertaken during 2021-22 were nearly all positive, I am mindful that during 2021-22 there have been a higher proportion of Moderate assurances and the number of long overdue actions from audits has increased. In addition, whilst there has been positive movement in tackling weaknesses around ICT security, the risks have persisted through 2021-22.

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 Internal Audit)

Appendix A: Summary of progress against the 2021/22 workplan

Topic	Latest Status	Opinion on level of assurance provided by controls.
Bank reconciliation	Complete	Substantial Assurance
Contract Management	Complete	Moderate Assurance
Establishment Control	Complete	Substantial Assurance
Estates Function - Place Partnership replacement	Deferred to 2022/2023	Not Applicable
Fleet Management	Complete	Substantial Assurance
Information Management - Data Protection Compliance	Complete	Substantial Assurance
IT Audit - Access Controls	In progress	Not yet available. This audit has been delayed
PCC Risk Management	Complete	Moderate Assurance
Procurement	Complete	Moderate Assurance
Programme and Project Management SOP - Advice	Complete	Not Applicable
Debtors	Complete	Moderate Assurance
Treasury Management	Complete	Substantial Assurance
Use of Consultants FORCE	Complete	Limited Assurance
Use of Consultants OPCC	Complete	Not Applicable
Completion of 2020/21 Audits (Not previously included in 2020/21 Annual Audit Report)		
Leadership Development	Complete	Substantial Assurance
PCC Commission - Grants	Complete	Substantial Assurance
PCC Victim Support	Complete	Substantial Assurance
Seized Property	Complete	Substantial Assurance

Appendix B: Audits with Recommendations Outstanding, Monitored During 2021/22

	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 2021/2022									
Fleet Management	2	0	0	0	2	0	0	0	Y
Consultants	5	0	0	0	5	0	0	0	Y
Data Protection Compliance	3	0	0	1	2	0	0	0	Y
Establishment Control	4	0	0	0	4	0	0	0	Y
Bank Reconciliation	3	0	0	0	3	0	0	0	Y
Audits completed Prior to 2021/2022									
Strategic and Financial Planning - MTFP	4	0	0	2	0	0	0	2 (1M 1L)	Y
Consultants – IR35	6	0	0	5	0	0	0	1 (1M)	Y
Payroll	6	0	0	5	0	0	0	1 (1L)	Y
Seized Property	1	0	0	0	0	0	1 (1L)	0	Y
HR Management Recruitment	1	0	0	0	0	0	0	1 (1L)	Y
ICT – Active Directory	7	0	0	5	0	0	0	2 (2M)	Y
ICT – Data Base Admin and security	9	0	0	8	0	0	0	1 (1M)	Y
MASH	10	0	0	8	0	0	0	2 (2L)	Y
Total	61	0	0	34	16	0	1	10	