

**Agenda item:**

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

**Meeting Date: 21 June 2022**

**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 May 2022.**

**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 against the remainder of the 2021/2022 Audit Plan and the start of the 2022-23 Audit Plan, agreed by the Joint Audit and Standards Committee on 28 March 2022.
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 May against the plan agreed at the Committee's meeting on 28 March 2022 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 March 2022, work has continued in finalising the 2021/22 plan and starting the 2022/23 plan.
6. A number of audits are in progress and an analysis of the time spent during 2022/23 to date is shown in Appendix B. To the end of May a total of 37.1 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.
7. The following final reports have been issued since the last Committee meeting:
  - Bank Reconciliation
  - Contract Management
  - Debtors
  - Establishment Control
  - Information Management - Data Protection Compliance
  - Treasury Management

### **Progress with Agreed Actions**

8. 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 at the end of April. The table shows all those audits, which have recommendations still to be implemented. Based upon the target date agreed with management there are 11 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
2021/2022					
Bank Reconciliation	<p>The scope of this audit included:</p> <ul style="list-style-type: none"><li>• Roles and responsibilities, including segregation of duties;</li><li>• Timeliness, consistency and completeness of the reconciliations, including contingency arrangements and managerial review.</li></ul> <p>The audit found:</p> <ul style="list-style-type: none"><li>• Monthly bank reconciliations are completed by one member of staff and subject to independent review. Although the name of the person completing the review is entered on the spreadsheet there was no evidence of when the review was undertaken meaning it is not possible to confirm that the reconciliation had been approved in a timely manner.</li></ul>	Substantial	0	1	2
Contract Management	<p>The scope of this audit included:</p> <ul style="list-style-type: none"><li>• Governance, Policies, Procedures and Training</li><li>• Establishment and Monitoring of Individual Contracts; including KPI's*</li><li>• Budget Management; including identification and achievement of Savings and Benefits*</li><li>• Organisation Performance Information and Reporting</li></ul> <p>The audit found:</p>	Moderate	0	4	2

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>Strategic documentation and associated guidance need to be agreed and promoted to all relevant staff, along with any necessary training</li> <li>Contract Registers are currently under development and do not capture all relevant contract monitoring details</li> <li>Contract monitoring routines both for individual contracts and business areas globally, have not yet been fully implemented, agreed or rolled out</li> </ul>				
Debtors	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> <li>Policies and procedures</li> <li>Debtor maintenance</li> <li>The processing of invoices, credit notes and refunds</li> <li>Debt recovery process and write off procedures</li> <li>Debt management and reporting</li> </ul> <p>The audit found:</p> <ul style="list-style-type: none"> <li>At the time of the audit an up-to-date Debt Management Policy was not in place setting out the correct processes to be followed. It is understood that an updated policy has been issued as a draft for comment and the revised policy includes additional information relating to the debt recovery process.</li> <li>Although the debtors system produces customer statements there is no automated reminder facility. Invoices outstanding passed their due date are identified and followed up by email or telephone call. However, it is not possible to contact all customers with an outstanding debt each month.</li> <li>No formal process is in place to enable debts to be sent for legal action once the initial recovery process has been exhausted.</li> </ul>	Moderate	0	5	1
Establishment Control	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> <li>Policies and Procedures</li> </ul>	Substantial	0	2	2

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>• Production and Maintenance of Establishment Lists</li> <li>• Changes to Establishment Lists</li> <li>• Management Information</li> </ul> <p>The audit found:</p> <ul style="list-style-type: none"> <li>• Procedural guidance, roles and responsibilities needs to be defined, agreed and documented</li> <li>• Formal process for the approval and processing of in-year changes needs to be introduced</li> </ul>				
Information Management – Data Protection Compliance	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> <li>• Publication of privacy notices</li> <li>• Data Protection Impact Assessments (DPIAs)</li> <li>• Procedures for identifying and reporting personal data breaches</li> <li>• Processes and procedures covering the right to rectification or erasure</li> <li>• The processes in place for the redaction of records.</li> </ul> <p>The audit found:</p> <ul style="list-style-type: none"> <li>• No evidence was found to confirm that appropriate privacy information is made available where individuals are required to provide personal data face to face. The Chief Inspector responsible for the Force's Custody Suites was not aware what privacy information should be made available and could not confirm that relevant Privacy Notices were displayed in all locations.</li> </ul>	Substantial	0	1	2
Treasury Management	<p>The scope of this audit included:</p> <ul style="list-style-type: none"> <li>• Governance arrangements are adequate in providing appropriate oversight of the Treasury Management function;</li> <li>• Appropriate policies and procedures in place for borrowing and investment of funds;</li> </ul>	Substantial	0	2	4

Audit	Key findings	Opinion on level of assurance provided by controls	Number of recommendations		
			Fundamental	Significant	Merits Attention
	<ul style="list-style-type: none"> <li>• There is adequate, prompt, and timely management information and reporting on Treasury Activities;</li> <li>• Cash flow management is appropriate and in line with management's expectations;</li> <li>• Borrowing and investment activities are well documented and controlled;</li> <li>• Regular independent reviews of bank reconciliations are performed and evidenced;</li> <li>• Banking arrangements in place safeguard the Authority's assets;</li> <li>• Arrangements with external service providers are documented and their performance monitored effectively;</li> <li>• The Treasury Management function is protected against fraud.</li> </ul> <p>The audit found:</p> <ul style="list-style-type: none"> <li>• It is not possible to establish which user was responsible for authorising each of the investment transactions. While the HSBC system requires all priority payments to be set up by one user and authorised by another the confirmation of the priority payment produced from the HSBC system does not show which member of staff authorised the payment.</li> <li>• There is a contract in place with Arlingclose to provide Treasury Management advisory services. However, it is not clear that value for money is being achieved from the contract as there are several areas detailed in the schedule of services that are not being fully utilised.</li> </ul>				

## Appendix B: Status of Internal Audit Workplan 2022/2023 as at 27/05/2022

Original Plan Topic	Plan agreed at JASC on 28.03.2022	Actual Days to 27.05.22	Revised Indicative days full year	Current Status	Assurance level	Notes
Cashiers/Cash Handling	10	1.3	10	In Progress		
Consultants (Force)	15	0	15			Limited Opinion in 2021/22
Corporate Governance - Trust and Confidence	20	2	20	In Progress		
Covert Funds	10	0	10			
Custody	20	0.7	20			
Estates	25	4.1	25	In Progress		This audit was deferred from 2021/22
Firearms Licensing	15	1.9	15	In Progress		
Firearms and Tasers	15	1.8	15	In Progress		
Gifts and Hospitality	10	9	10	In Progress		
HR Management	15	0.7	15	In Progress		



Original Plan Topic	Plan agreed at JASC on 28.03.2022	Actual Days to 27.05.22	Revised Indicative days full year	Current Status	Assurance level	Notes
ICT - Service desk operation	15	0	15			
Information governance	12	0	12			
Major Projects - Business Operations	20	0	20			
<b>Management and planning</b>	30	3.9	30			
<b>Previous years:</b>						
Bank reconciliation		0.5	0.5			
Contract Management		4.9	4.9			
Debtors		2.9	2.9			
Establishment Control		1.9	1.9			
Information Management - Data Protection Compliance		0.8	0.8			
Treasury Management		0.7	0.7			
<b>TOTAL</b>	<b>232</b>	<b>37.1</b>	<b>243.7</b>			

### Appendix C: Audits with recommendations outstanding

	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 (2M)	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 (1M)	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
<b>Total</b>	<b>61</b>	<b>0</b>	<b>0</b>	<b>34</b>	<b>16</b>	<b>0</b>	<b>1</b>	<b>10</b>	

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