



west midlands
police and crime
commissioner



Internal Audit

Annual Audit Report 2018/19

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Purpose of Report

This report outlines the work undertaken by the Internal Audit during 2018/19 and as required by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards, gives an overall opinion of the control environment of the West Midlands Police and Crime Commissioner and West Midlands Police Force.

Background

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.

Internal audit is required by professional standards to deliver an annual internal audit opinion and report to those charged with governance timed to support 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.

The primary role of audit is to provide assurance to the PCC, Chief Constable, Senior Managers, Managers and the Joint Audit Committee that the organisation maintains an effective control environment that enables it to manage its significant business risks. The service helps the PCC and Force 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 the Police and Crime Commissioner and West Midlands Police control environment which feeds into the Annual Governance Statements.

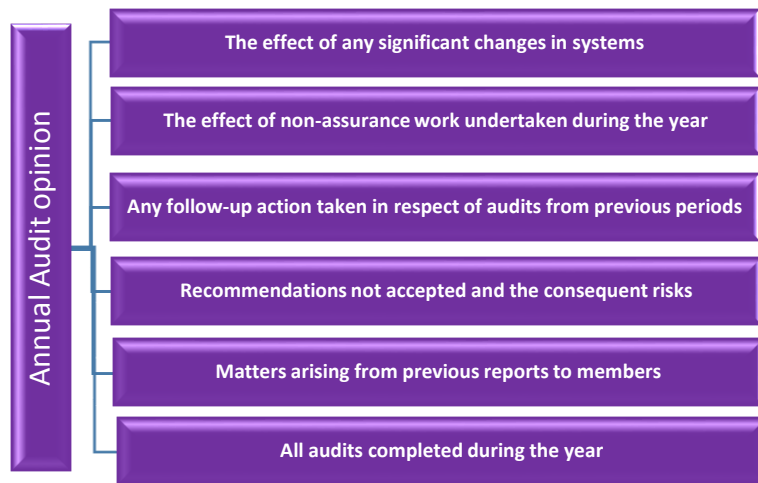
Recommendation

The Committee is asked to consider and note the contents of the report and the Head of Internal Audit annual opinion.

Head of Internal Audit Opinion

In undertaking its work, internal audit has a responsibility under the Public Sector Internal Audit Standards (PSIAS) to provide an annual internal audit opinion on the overall adequacy and effectiveness of the PCC's and Forces governance, risk and control framework and a summary of the audit work from which the opinion is derived.

In assessing the level of assurance to be given to each organisation, the following aspects are taken into account:



No system of control can provide absolute assurance and the work of internal audit is intended only to provide reasonable assurance to the organisation that there are no major weaknesses in the organisations governance, risk management and control arrangements.

Head of Internal Audit Opinion

Whilst the majority of audits undertaken during 2018/19 received a substantial or reasonable audit opinion, there have been the proportion of audits where limited or minimal assurance was assigned. The weaknesses arising have tended to relate to specific systems or parts of the PCC or Force rather than an across the board breakdown in the framework of governance, risk and control.

Only one recommendation was categorised as 'High,' however, it is clearly important that all issues identified during the year are addressed and management have continued to demonstrate their commitment to resolving the weaknesses identified. The level of recommendations implemented continues to be positive, with 88% of those followed up during 2018/19 being fully or partly implemented.

Taking these factors into account, the opinion given to both the West Midlands Police and Crime Commissioner and West Midlands Police Force is outlined below.

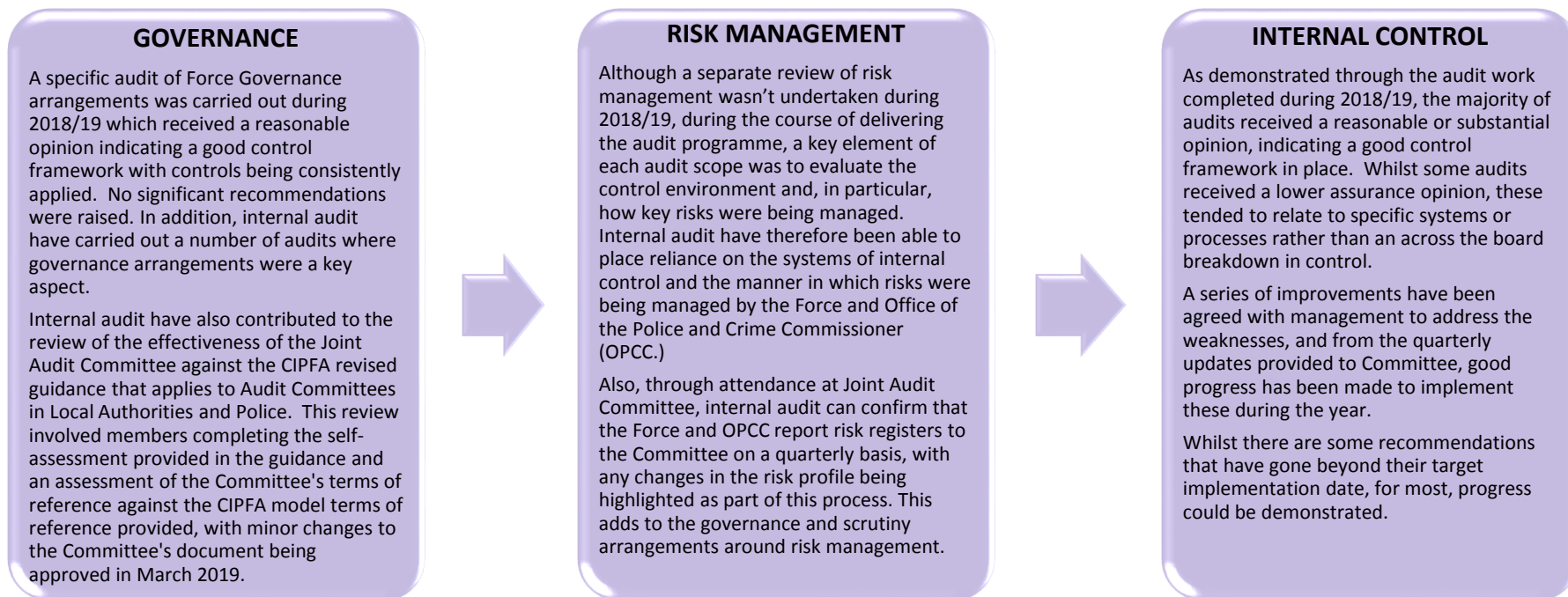
Based upon the results of work undertaken for the 12 months ended 31 March 2019, and the action taken by management to address audit recommendations, the Head of Internal Audit opinion is as follows for the:

- **Police and Crime Commissioner; and**
- **Chief Constable:**

Assurance can be given that the Governance, Risk Management and Control frameworks in place are adequate to support achievement of the organisations objectives, and that controls are generally operating effectively in practice.

Basis for the Opinion

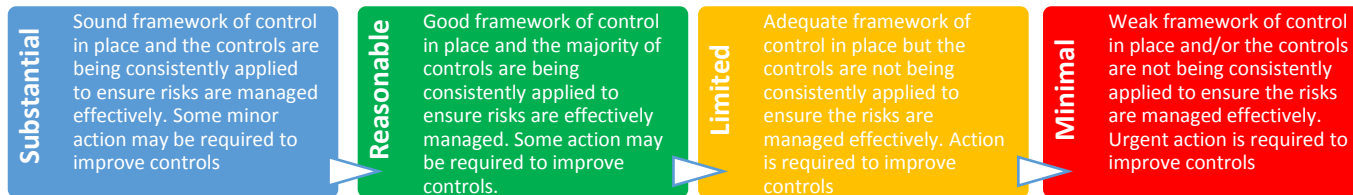
Internal audit applies a risk-based approach and the audits consider the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, assurance can be provided that management have in place an effective control environment and, whilst further remedial actions are needed in some areas, internal audit are assured that management are making progress to implement audit recommendations, which will continue to be reported to and monitored by the Joint Audit Committee.



Internal Audit Work During 2018/19

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 of opinion depending on the strength of controls and the operation of those controls. The four categories used during 2018/19 were:

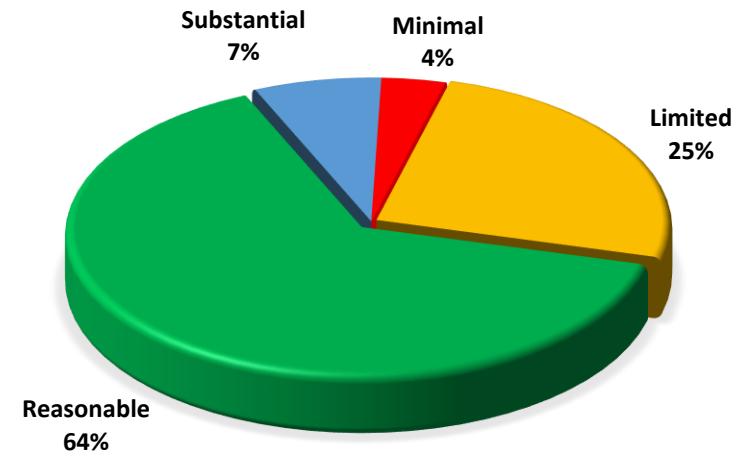


The results of those audits finalised in 2018/19 are positive with the majority (71%) having a Substantial or Reasonable opinion. Only one audit received a Minimal assurance opinion. As the audit plan focusses on areas with significant level of risk or change, and there are increasing pressures facing the Force and PCC, coupled with extensive transformation, some minimal assurance opinions are expected.

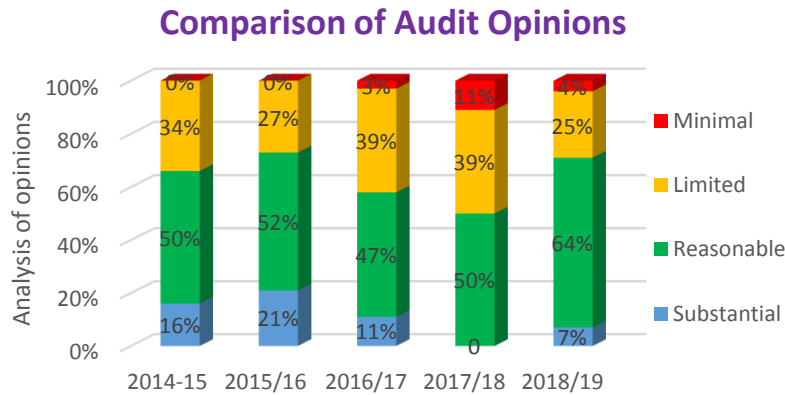
Regular updates on the assurance work completed has been presented to Joint Audit Committee throughout the year. A summary of completed work is given in Appendix A.

A total of 28 assurance activities for which an opinion has been given have been completed covering a wide range of areas of governance, risk and control. One further audit is in draft, awaiting management comments at the time of reporting. In addition, 43 audits from previous periods were followed up during 2018/19 to establish progress made in implementing audit recommendations, which contributes to an improved control environment. Furthermore, 6 advisory activities were undertaken during the year.

ANALYSIS OF AUDIT OPINIONS 2018/19



Comparison of Audits by Year



The outcome of this year's audits compared to previous years shows a reduction in the proportion of audits given the lower levels of opinion. Caution should however be taken when interpreting the chart as the assurance opinions changed in 2017/18 and audits are now more risk focused and the topics covered each year vary.

Whilst some audits received limited or minimal assurance, these do not affect my ability to give a positive conclusion on the overall arrangements for governance, risk management and internal control. Management have responded positively to each of the audits undertaken and have taken prompt action to reduce the most significant risks. Action plans have been agreed to address the weaknesses identified and the Joint Audit Committee has been provided with summaries of the reports, or in some cases, the full reports have been shared.

Of particular note during 2018/19 is the work internal audit have undertaken on General Data Protection Regulations (GDPR,) which was a significant change in data protection legislation implemented in May 2018. During the year, internal audit completed a readiness review across both the OPCC and Force and whilst the results were satisfactory a number of recommendations were made to strengthen compliance. The Force's audit of GDPR was complemented by an inspection by the Information Commissioners Office (ICO). Further work around compliance with GDPR is planned for 2019/20 to determine progress with implementing the actions from both the internal audit review and the ICO inspection.

New financial systems were implemented during 2017, with previous audits being critical of the control environment for some aspects of the system. Significant progress has been made to address the weaknesses identified and a much strengthened control environment now operates. To ensure this momentum is maintained across all aspects of the financial systems, Internal Audit will continue to review financial systems during 2019/20.

A number of force legacy systems continue to present challenges in terms of access and usage controls. Whilst some improvements were demonstrated during the audits undertaken in 2018/19 and some areas of risk were accepted by the Force in the short term, it is anticipated new systems planned for implementation during 2019/20 will address the outstanding residual actions.

Recommendation Analysis

Recommendations are categorised according to the risks they are intended to mitigate. The categories used during 2018/19, were: High, Medium and Low. The number of recommendations made against each of these categories is recorded below.

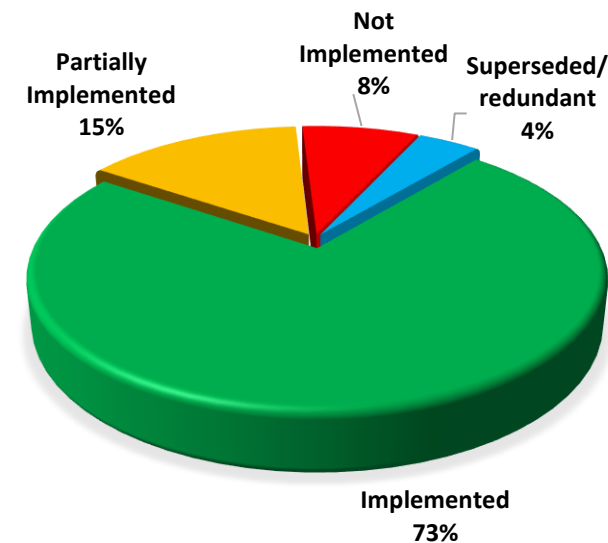


During the year 130 recommendations were agreed to address weaknesses in control, of which only one was categorised as high. None of the recommendations made during the year were rejected by Management.

Internal audit regularly follow-up recommendations to ensure they have been implemented. This is based on reviewing the initial actions agreed by management. In 2018/19, 43 audits were followed up.

Significant progress has been made in implementing recommendations, with 88% of recommendations followed up during the year being fully or partly implemented. A further 4% are considered redundant or superseded. Recommendations for those audits concluded during the year will continue to be progressed during 2018/19.

PROGRESS ON IMPLEMENTING RECOMMENDATIONS



Effectiveness of Internal Audit

This section of the report sets out information on the effectiveness of the internal audit service and focuses on customer feedback and performance against agreed KPIs. This section of the report should be read in conjunction with the Quality Assurance and Improvement Programme (QAIP) report which provides a detailed compliance assessment against the PSIAS and the QAIP agreed for 2018/19. The latest self-assessment against PSIAS indicates that internal audit are 92% compliant.

In accordance with best practice there is a rigorous internal review of all internal audit work. All audits are subject to on-going supervisory input before and during the audit. Once the audit work has been completed, the working paper file is subject to manager review to ensure that the work is to acceptable professional standards.

Key Performance Indicators

As agreed in the annual Quality Assurance Improvement Programme, internal audit performance is measured against a set of Key Performance Indicators, which are regularly reported to and monitored by Joint Audit Committee. The performance indicators for 2018/19 are summarised in the following table:

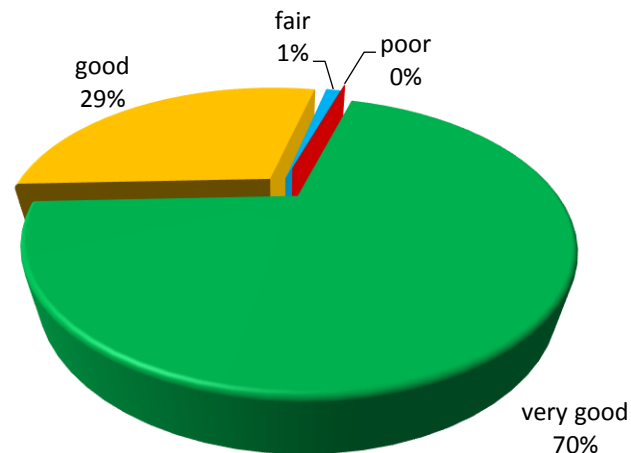
KPI Description	Narrative	Target	Actual
Output Indicators:			
Audit Coverage	% of Audit Plan Delivered.*	90%	91%
Report Production	Completion of Draft Audit Report within 10 working days.	95%	100%
Report Production	Completion of Final Report within 5 days of agreement of the draft.	95%	100%
Audit Recommendations	Recommendations accepted v made.	100%	100%
Quality Indicators:			
Client Satisfaction	% of Post Audit Questionnaires in which management have responded "Very Good" or "Good".	95%	99%
Compliance:			
Public Sector Internal Audit Standards Compliance	Level of Compliance with PSIAS	100%	92%

**Audits completed to draft and final stage*

Post Audit Survey Results

Following planned audits a “post audit survey” is issued to the relevant managers asking for their views on the conduct of the audit. The survey includes a range of questions covering the audit approach, value of findings, professionalism of auditor etc. A key feature of the audit role is the need to sometimes be critical of existing or proposed arrangements. There is therefore sometimes an inherent tension that can make it difficult to interpret surveys. It is however pleasing to report that the post audit survey responses returned continue to be positive with 99% of questions answered being scored ‘good’ or ‘very good.’

Post Audit Survey Analysis



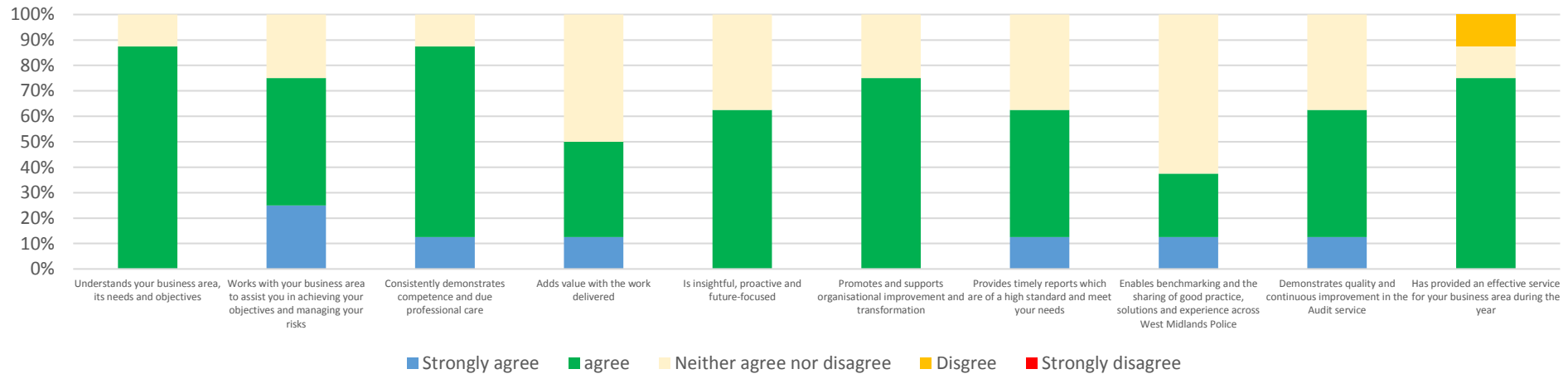
A number of positive comments and compliments about the service have also been received, in response to the question on the post audit survey ‘Was there anything about the audit you especially liked?’ including:

- *The Auditor took the time to demystify the process with all concerned, was professionally intrusive and made providing meaningful advice. A credit to the department.*
- *The audit involved discussions on various days in two to three hour slots. This enabled minimum disruption to the team in respect of their daily work load. These audit discussions also enabled the team to act on recommendations as and when they came to light rather than having to wait until the final audit report was released.*
- *The audit enabled a two-way reflection on our processes and forward thinking and hopefully the outcome has enabled a clearer view from both parties.*
- *This was a useful first audit on a new way of managing the uniform allocation for WMP. It has backed up and clarified a number of issues identified in the process by the project team.*
- *Comprehensive liaison in all areas connected to Disclosure, a very misunderstood subject.*
- *Consultation with the Auditor was very good and she listened and adjusted the reports based upon our conversations so the final report presented a fair picture.*
- *Very thorough audit. Lots of questions asked and time taken to speak to key individuals around the force area to build an accurate picture.*
- *Really consultative and helpful. It really feels like Internal Audit are there to help drive improvements.*
- *Comprehensive engagement with the auditor and continuous feedback.*

All respondents answered ‘Yes’ to the question ‘Will the implementation of any changes recommended lead to improvements in performance in your area?’ This confirms the view that service improvements will result from the work of internal audit.

Senior Management Survey Results

In addition to the post audit surveys, an annual survey is issued to senior managers to gain insight on their view of the internal audit service. The response rate for the 2018/9 annual survey was disappointing, with only 16% of managers responding (8 out of 49 managers.) Whilst the response rate was low, the survey results are consistent with last year, with most responses being 'strongly agree' or 'agree.' This is particularly relevant to the questions relating to understanding the business and consistently demonstrating competence and due professional care.



Again, a number of positive comments were included in the survey responses, including:

- *I have found the team to be helpful and professional.*
- *Working in conjunction with Internal Audit has enabled clarification that we are on the right path. We look forward to future collaboration of ideas and processes.*
- *An excellent function with a very helpful team.*

Appendix A: Summary of audits completed during the 2018/19 that contribute to the annual audit opinion

Audit	Comments
Public Protection Unit	Limited
Custody - Money, Property, Healthcare	Reasonable
Application of THRIVE	Limited
Performance Management	Reasonable
Uniform allocation	Limited
General ledger	Reasonable
Budgetary Control/Management	Reasonable
Fleet Telematics	Limited
Access & Usage of Intel Systems	Limited
GDPR PCC Readiness	Limited
GDPR Force Readiness	Reasonable
On-boarding	Reasonable
Governance Review	Reasonable
Shared Services Systems Access Administration	Reasonable
Sex Offender Management	Minimal
Digital Experience for Citizens	Reasonable
Disclosure	Reasonable
Protected Persons UKPPS covert accounts:	Reasonable
Expense Payments	Limited
Creditors	Reasonable
Dedicated Source Unit Covert Fund	Reasonable
Counter Terrorism Unit Covert Fund	Substantial
Cooperating Offenders Unit	Substantial
Custody Visiting Scheme	Reasonable
Treasury Management	Reasonable
Bail Management	Reasonable
Pensions Administration	Reasonable
WMP2020 Benefits Realisation	Reasonable