



west midlands
police and crime
commissioner



Internal Audit

Annual Audit Report 2019/20

Date: 2nd July 2020

Lynn Joyce: Head of Internal Audit

Email: lynn.joyce@west-midlands.pnn.police.uk

Purpose of Report

This report outlines the work undertaken by Internal Audit during 2019/20 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.

Background

Management is responsible for establishing and maintaining appropriate risk management processes, control systems 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.

The Head of 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.

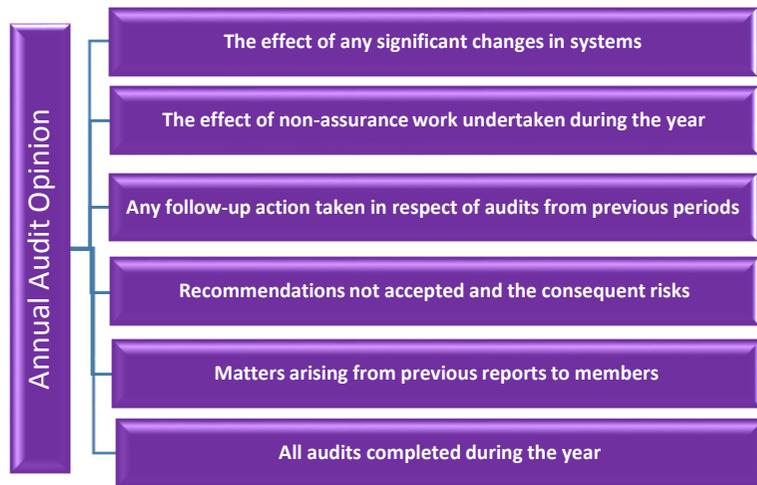
The assurance work culminates in an annual opinion on the adequacy of the Police and Crime Commissioner and West Midlands Police control environment which feeds into the Annual Governance Statements.

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. The plan was disrupted towards year end due to the Covid-19 outbreak and as a result only 84% of the plan was delivered during the year. I am however satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment.

Head of Internal Audit Opinion

Whilst the majority of audits undertaken during 2019/20 received a reasonable opinion, there have been a proportion of audits where limited or minimal assurance was assigned. Although governance was a consistent theme prevalent in the audits conducted during the year, some audit areas demonstrated robust governance, particularly at a strategic level, and no high level governance related recommendations were made. Adequate assurance is therefore maintained this year in respect of the risk, governance and control frameworks in place.

6 recommendations were categorised as 'High,' however, these were in specific areas rather than representing an across the board breakdown in control. 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 87% of those followed up during 2019/20 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 2020, and the action taken by management to address audit recommendations, the Head of Internal Audit opinion is as follows for both 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.

GOVERNANCE

To supplement the specific audit of Force Governance arrangements undertaken last year, 2019/20 focussed on reviewing how embedded the new governance arrangements were during business as usual audits, this particularly focussed on arrangements where Strategic Portfolio Boards delegated responsibilities to sub groups.

Governance arrangements at the strategic level are clear and defined with Strategic Boards operating as expected. However, Governance at lower levels has been a consistent theme throughout audit reviews of specific areas this year.

Whilst some areas continue to demonstrate robust governance, others showed weaker arrangements including aspects such as lack of policy/strategy to aid direction, lack of reporting, ill-defined terms of reference for various sub Boards and Groups set up to direct activity etc.

Recommendations have been made to address weaknesses in governance arrangements, non of which were high level.

RISK MANAGEMENT

During the course of delivering the audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. Internal audit have therefore been able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and Office of the Police and Crime Commissioner (OPCC.)

Also, through attendance at Joint Audit Committee, internal audit can confirm that the Force and OPCC report risk registers to the Committee on a quarterly basis, with any changes in the risk profile being highlighted as part of this process. This adds to the governance and scrutiny arrangements around risk management.

Risk training was provided to members of the Joint Audit Committee during 2019 to strengthen independent governance and scrutiny around risk management.

Whilst the Force have been without a dedicated Risk Manager since December 2019, oversight of risk has been maintain through the Organisational Risk Board chaired by the Deputy Chief Constable and reporting to Committee has been maintained.

INTERNAL CONTROL

As demonstrated through the audit work completed during 2019/20, the majority of audits received a reasonable opinion, indicating a good control framework in place. Whilst some audits received a lower assurance opinion, these tended to relate to specific systems or processes rather than an across the board breakdown in control. Examples of control themes identified include insufficient training and guidance, documented procedures and management reporting.

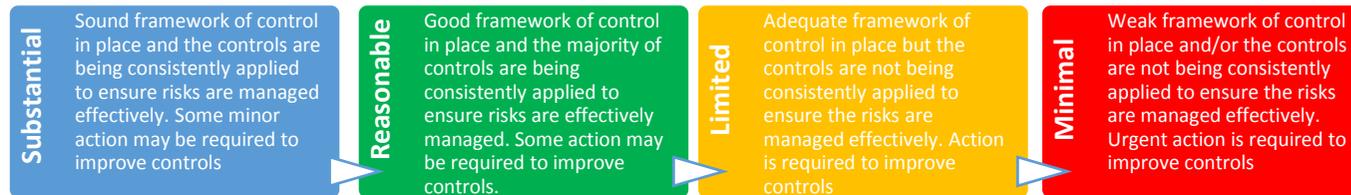
A series of improvement actions have been agreed with management to address the weaknesses, and from the quarterly updates provided to Committee, good progress has been made to implement these to date. Monitoring of progress will continue throughout the next year.

Whilst there are some recommendations that have gone beyond their target implementation date, for most, progress could be demonstrated and regular updates on progress have been provided to the Joint Audit Committee.

Internal Audit Work During 2019/20

Assurance Work

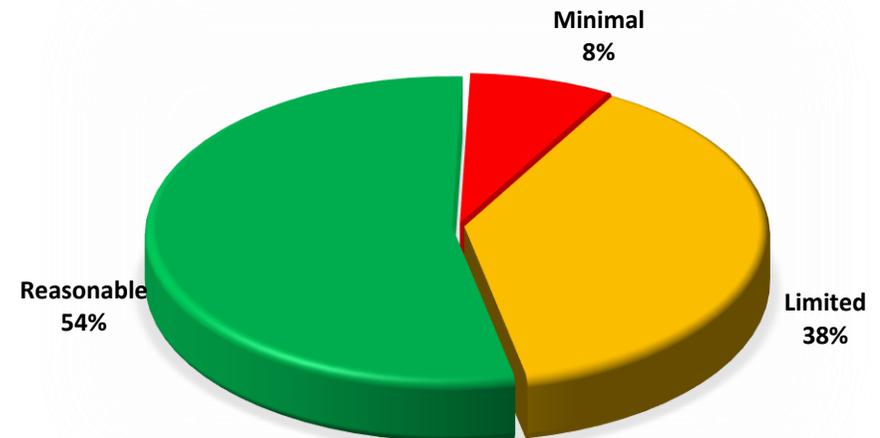
The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits are given one of four levels of opinion depending on the strength and the operation of those controls. The four categories used during 2019/20 were:



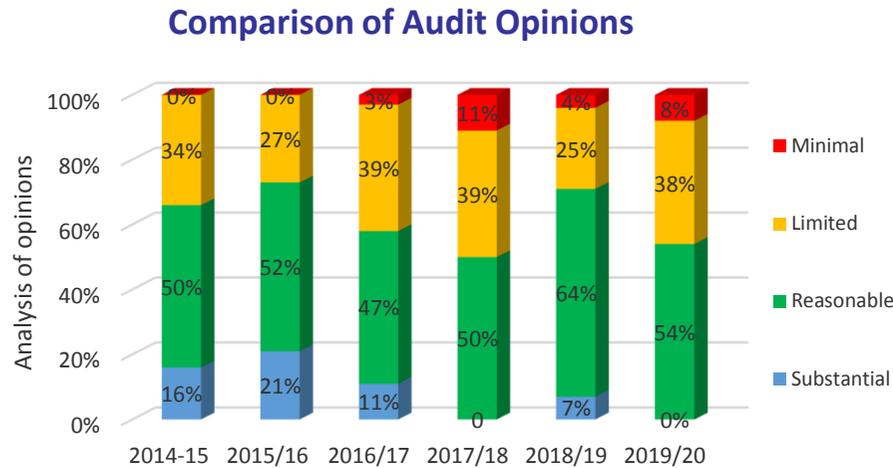
The results of those audits finalised in 2019/20 are generally positive with most delivering opinions that show a good or adequate framework of control, although for some the controls may not be applied consistently. Two audits (8%) received a Minimal assurance opinion, demonstrating a weak control framework. As the audit plan focusses on areas with significant level of risk or extensive transformation, and there are increasing pressures facing the Force and OPCC, 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 26 assurance activities have been completed to final report stage covering a wide range of areas of governance, risk and control. Due to the impact of Covid-19 towards year end, we were unable to bring the entire 2019/20 audit plan to a conclusion and consequently five audits were in progress or draft, awaiting management comments, at the time of reporting. In addition, 35 audits from previous periods were followed up during 2019/20 to establish progress made in implementing the 178 audit recommendations attributed to those audits. 87% of the recommendations were fully or partly implemented, thereby contributing to an improved control environment.

ANALYSIS OF AUDIT OPINIONS 2019/20



Comparison of Audits by Year



The outcome of this year’s audits compared to the previous year shows an increase 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 focussed and the topics covered each year vary, so inevitably there will be fluctuations.

Naturally, the risk based approach to audit planning focusses on areas where weaknesses identified result in higher level recommendations and lower opinions. I therefore consider other factors when forming my opinion, including results from follow up reviews, the National Fraud Initiative and any advisory work undertaken. Management have responded positively to the audits 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 2019/20 is the work internal audit have undertaken on Missing Persons and IT System Database Access and Administration. Both audits received a Minimal assurance opinion due to weakness identified.

The opinion on Missing Persons is largely attributed to high level risks identified in the missing person working practices. These related largely to the risk assessment arrangements for individual cases and a lack of safe and well checks for logs being regraded for children and vulnerable adults, including when a child has returned prior to the log has been resourced. Delays experienced in resourcing some missing logs, gaps in relation to training, handover arrangements between teams and performance monitoring also contributed to the opinion. Immediate action was taken by the Force to address the weaknesses in the missing person’s process with revised processes being determined before the policy is updated. A full follow-up audit is underway at the Force’s request to assess the application of the revised processes.

This opinion on IT System/Database Access and Administration is largely due to the weakness in the controls regarding management of user credentials and in physical security arrangements. Management have agreed a robust action plan to address the weaknesses, which will be followed up in due course.

Recommendation Analysis

Recommendations are categorised according to the risks they are intended to mitigate. The categories used during 2019/20, were: High, Medium and Low. The number of recommendations made against each of these categories is recorded below.

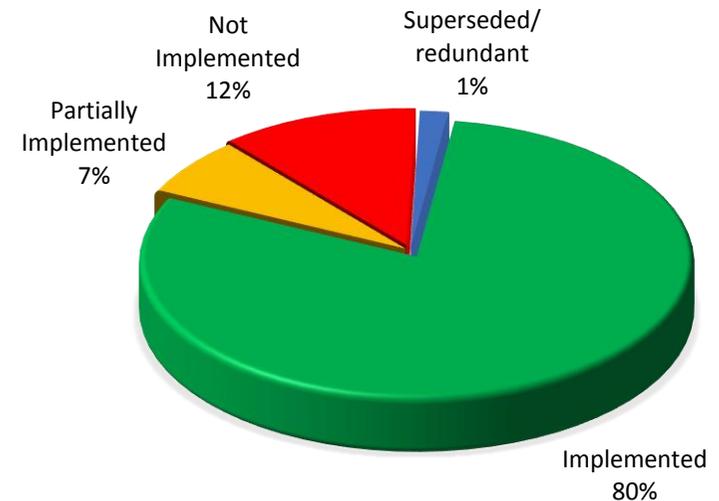


During the year 128 recommendations were agreed to address weaknesses in control, of which only six were categorised as high. None of the recommendations made during the year were rejected by Management.

Internal audit regularly follow-up recommendations to ensure they have been implemented. This is based on reviewing the initial actions agreed by management. In 2019/20, 35 audits were followed up.

Significant progress has been made in implementing recommendations, with 87% of recommendations followed up during the year being fully or partly implemented. A further 1% are considered redundant or superseded. Recommendations for those audits concluded during the year will continue to be progressed during 2019/20.

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 2019/20. The latest self-assessment against PSIAS indicates that internal audit are fully 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 2019/20 are summarised in the following table:

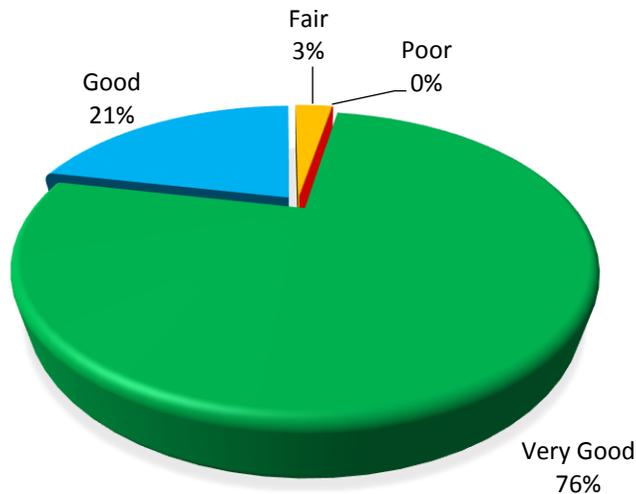
| KPI Description | Narrative | Target | Actual |
|---|--|--------|--------|
| Output Indicators: | | | |
| Audit Coverage | % of Audit Plan Delivered.* | 90% | 84% |
| Report Production | Completion of Draft Audit Report within 10 working days. | 95% | 100% |
| Report Production | Completion of Final 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% | 97% |
| Compliance: | | | |
| Public Sector Internal Audit Standards Compliance | Level of Compliance with PSIAS | 100% | 100% |

**Audits completed to draft and final stage. Towards the end of the year, the completion of the plan was impacted by Covid-19 response.*

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 97% 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:

- *Clarity of recommendations and issues, and acceptance of multi-departmental input*
- *Timing was brilliant to prepare for the external audit*
- *That it was proactive and consultative. This added value to our own process, rather than critiquing at the end of the process and not having the opportunity to improve our approach. The auditor was really helpful and professional*
- *The audit was conducted in a supportive way in order to improve our service to our communities*
- *Engagement from the auditor and how they spent time really understanding barriers and levers within the business area*
- *Thank you for keeping me abreast of the issues as you went along*
- *Service and Communication offered by the auditor is always EXCELLENT! The auditor a pleasure to work with, especially as some of the IT areas are complex*
- *The flexibility to adapt around the challenging timescales. This was especially true during testing when schedules were fluid and the auditor was able to accommodate these changes. We appreciated that*
- *Clearly presented and broken down into relevant areas*

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.

Appendix A: Summary of audits completed during the 2019/20 that contribute to the annual audit opinion

| Audit | Opinion / Comments |
|---|--------------------|
| Debtors | Reasonable |
| Mental Health | Limited |
| Force Response | Reasonable |
| Asset Management / Mobility | Limited |
| PPU – Child Protection Conferencing | Reasonable |
| CTU - Business Support | Reasonable |
| Controlworks (Command and Control System) Pre implementation review | Reasonable |
| IT&D System-database access and administration | Minimal |
| ICT Strategy | Reasonable |
| Drones | Limited |
| National Police Air Service | Reasonable |
| Occupational Health | Limited |
| Diversity & Inclusion | Reasonable |
| Duty Management System - pre implementation review | Reasonable |
| PSD Case Management (Complaints - Investigations) | Reasonable |
| Supplier and Contract Management | Reasonable |
| VAT | Limited |
| Credit Cards | Limited |
| Disclosure | Reasonable |
| Data Driven Insight | Limited |
| Centre for Applied Automation | Reasonable |
| Missing Persons Process | Minimal |
| Crime Data Integrity | Limited |
| Management of Repeats (Victims and Offenders) | Limited |
| Appropriate Adult Scheme | Limited |
| Fixed Asset Register | Reasonable |