

Agenda item:

Warwickshire Joint Audit and Standards Committee Report Summary

Meeting Date: 22nd January 2025

Subject: Internal Audit Update Report

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Purpose of the report:

This report summarises progress of the agreed Internal Audit plan for 2024-25, provides an update on the implementation of agreed recommendations and briefs the committee on revised internal audit standards.

Recommendation:

The Committee is requested to note the report.

Background:

Paragraphs 13-20 of the JASC Terms of Reference, set out the Committee's responsibilities in relation to Internal Audit. In particular this includes consideration of the progress of internal audit activity against the audit plan and the level of assurance it can give over corporate governance arrangements.

Executive summary:

Since the September 2024 update, work has continued to complete delivery against the agreed audit plan for 2024/25, which is progressing well.

Analysis of the actions arising from Internal Audit work shows a generally positive position. The updates show that progress is being made on addressing most actions, although implementation in some cases is slower than anticipated.

CIPFA has worked with other UK public sector standards setters to decide whether and how the Global Internal Audit Standards (GIAS) issued in January 2024 will be required to be applied. Most of the new standards have been accepted but a draft application note has been produced to reflect the UK public sector context and requirements. The document "Consultation draft Application Note: Global Internal Audit Standards in the UK Public Sector" was issued for consultation by the "Relevant Internal Audit Standard Setters" (RIASS). In addition, CIPFA have consulted on a *Code of Practice for the Governance of Internal Audit in UK Local Government*. Once finalised these are expected to be applicable from 1 April 2025. A CIPFA briefing for

Audit Committees is appended to this report. There will be work to be done by Internal Audit to ensure compliance with the new standards and this will also require some changes to documents including the Internal Audit Charter.

Internal Audit Update Report January 2024

Report by the Head of Internal Audit

Introduction

This report summarises the audit work progress since the September 2024 update report. 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 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.

Work Progress 2024-25 Plan

Appendix A provides summaries of the audits completed since the last update in September 2024. The following reviews have been completed against the 2024/25 Internal Audit Plan:

- Overtime and the Expenses audits – moderate assurance
- Key Financial Systems - Treasury management – substantial assurance

Fieldwork is underway for the following reviews:

- Key Financial Systems - Budgetary Control.
- Independent Custody Visitors (*closing meeting scheduled 16th January 2025*)

Discussions have been completed to agree the timings of the remainder of the plan, and are reflected in Appendix B. Overall, we are on track to complete the work in the agreed Internal Audit Plan 2024-25.

Progress with Agreed Actions

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. Analysis and Service Improvement (ASI) regularly ask managers for a status update and provide information for inclusion in this report, along with updates from the OPCC.

Appendix C summarises the results of the latest monitoring exercise for the Force and OPCC. The table shows all those audits that have agreed actions which are still to be implemented. Based upon the target date agreed with management there are 8 recommendations overdue including 4 where a revised target date has been set. Actions related to Business Continuity are now over 6 months beyond target dates, but positive progress is being made.

Revised Internal Audit Standards

Background

The Institute of Internal Auditors issued new global IA standards (GIAS) in January 2024.

https://www.theiia.org/globalassets/site/standards/editable-versions/globalinternalauditstandards_2024january9_editable.pdf

The standards for Internal Audit to be used for UK local authorities are set by CIPFA and CIPFA has worked with other UK public sector standards setters to decide whether and how the GIAS will be required to be applied. Most of the new standards have been accepted but a draft application note has been produced to reflect the UK public sector context and requirements.

The document “Consultation draft Application Note: Global Internal Audit Standards in the UK Public Sector” was issued for consultation by the “Relevant Internal Audit Standard Setters” (RIASS) with a deadline for responses of 31/10/24. Once finalised this is expected to be applicable from 1 April 2025.

<https://www.iasab.org/standards/consultations/consultation-on-uk-public-sector-internal-audit-standards>

Within the Application Note there is a section commenting on the new requirements within Domain III of the GIAS relating to “Governing the Internal Audit Function”. This says that the RIASS for individual sectors may choose to issue specific material for their sector. CIPFA as RIASS for local government has issued the *Code of Practice for the Governance of Internal Audit in UK Local Government* that among other things includes conditions, which, when applied in the local government internal audit context, will achieve the objectives of the GIAS conditions. This document is also a draft for consultation with the expected implementation date 1 April 2025.

<https://www.cipfa.org/policy-and-guidance/consultations/consultation-on-the-code-of-practice-for-the-governance-of-ia-in-local-govt>

The proposed changes in the consultation drafts are technical and operational and no significant changes from the draft are expected. Final documents are expected in January to allow preparation for the implementation from April 2025. When the external assessment was undertaken in 2023 the Internal Audit service was found to be operating in accordance with the Public Sector Internal Audit Standards.

There will be work to be done internally to ensure compliance with the new standards and this will also require some changes to documents including the Internal Audit Charter. When the documents have been finalised a self-assessment will be undertaken and the results reported to Committee.

A CIPFA Audit Committee briefing is provided at Appendix D.



Appendix A: Summary of audits completed since previous report (2024-25).

| Audit | Key findings | Opinion on level of assurance provided by controls | Number of recommendations | | |
|-----------------------|---|--|---------------------------|-------------|------------------|
| | | | Fundamental | Significant | Merits Attention |
| Overtime and Expenses | <p>The force uses i-Trent payroll system for the purposes of recording time worked by both police officers and police staff. The Force is in the process of transferring the current payroll processing and bureau service contract from Liberata to Midland HR. Overtime and expense claims are submitted by Police officers via mercury i-Trent. The Force continues to embed a system which is fair in the allocation of finances whilst being proactive to balance demand and overtime spend.</p> <p>Based on the current functionality of the system and limited workflows, overtime claims are reviewed retrospectively. Our review has identified issues relating to lack of automated checking to identify duplicate overtime/expense claims; receipts are not always provided to support expense claims and the range of subsistence claims and the approval of overtime claims.</p> | Moderate | 0 | 3 | 3 |
| Treasury Management | <p>The Police and Crime Commissioner for Warwickshire approved the 2024/25 Treasury Management Strategy.</p> <ul style="list-style-type: none"> Previously management had proposed, commencing in 2021/22 introducing a 3–5-year cashflow statement being compiled for inclusion in the annual strategy report to the PCC and members of the Joint Audit and Standards Committee. However, whilst management have acknowledged that this will be considered when preparing the 25/26 Treasury Management Strategy Statement this has not been | Substantial | 0 | 0 | 3 |

| Audit | Key findings | Opinion on level of assurance provided by controls | Number of recommendations | | |
|-------|--|--|---------------------------|-------------|------------------|
| | | | Fundamental | Significant | Merits Attention |
| | <p>implemented and a 'high-level' view of the cashflow/ borrowing position is reported instead.</p> <ul style="list-style-type: none"> • The monthly cashflow spreadsheet is a live document. Review identified that a position statement is not taken at month end as a source of back up documentation. • Monthly reports are received from the external advisor, Link Group, and are used to inform discussions held between the Head of accounting and Financial Control and the PCC Finance Officer rather than forming part of larger discussions around performance and horizon scanning. | | | | |

Appendix B - 2024/25 as at 31/12/2024

| Original Plan Topic | Original Planned days | Actual Days to 07/01/2025 | Current Status | Assurance level | Notes |
|--|-----------------------|---------------------------|-----------------------|-----------------|----------------------------|
| | | | | | |
| OPCC AUDITS | | | | | |
| | | | | | |
| Independent Custody Visitors | 12 | 10 | Draft report | | Closing meeting 09/01/25) |
| Ministry of Justice - independent sign off of return | 2 | 2 | Complete | N/A | Completed |
| FORCE AUDITS | | | | | |
| | | | | | |
| Key financial systems (Total 25 days) <ul style="list-style-type: none"> Budgetary Control Treasury Management | 10 15 | 6 15 | Fieldwork Complete | Substantial | Planned Qtr 2 Completed |
| Overtime and expenses | 20 | 20 | Complete | Moderate | Completed |
| Seized property | 20 | 5 | ToR agreed | | Commencing January 2025 |
| Fixed penalty | 20 | 5 | ToR agreed | | ToR agreed |
| Collaborations | 20 | 4 | Fieldwork | | January 2025 |
| Information Governance | 20 | 5 | Planning | | Planned Qtr 4 (Jan 2025) |
| Police Community Fund | 1 | 1 | Complete | N/A | Completed |
| | | | | | |
| Management, committee reporting etc. | 25 | 15 | | | |
| TOTAL | 165 | 88 | | | |

Appendix C: Audits with recommendations outstanding

| | 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 | |
| FORCE | | | | | | | | | |
| Police Fleet (2018) | 9 | | | 8 | | 1* | | | Y |
| Fleet Management (2023/24) | 5 | | | 2 | 3 | | | | Y |
| Estates | 6 | | | 5 | | | 1** | | Y |
| Firearms Licensing | 2 | | | | | 2*** | | | Y |
| Business Continuity (Force and OPCC) | 8 | | | 5 | | | | 3 | Y |
| | 30 | 0 | 0 | 20 | 3 | 3 | 1 | 3 | |
| PCC Office | | | | | | | | | |
| Information Governance | 4 | | | 3 | | | 1 | | N |
| | 4 | 0 | 0 | 3 | 0 | 0 | 1 | 0 | |
| * | New Target date: Dec 2024 - Replacement program as part of 24/25 budget and is underway. | | | | | | | | |
| ** | New Target Date June 2024 - An Estates strategy is being formulated in line with the review of 2024/2025 budget planning program. | | | | | | | | |
| *** | New Target Date Nov 2024 - Waiting for deep dive to be completed prior to being able to complete recommendation. Update indicates work to start June 25. | | | | | | | | |