

**Police and Crime
Commissioner
North Yorkshire**



JOINT INDEPENDENT AUDIT COMMITTEE

15 June 2015

REPORT OF HEAD OF AUDIT

INTERNAL AUDIT ANNUAL OPINION

1. PURPOSE OF REPORT

- 1.1 To set out Internal Audit's Annual Opinion on the internal control environment and Outturn Report for 2014/15.

2. KEY INFORMATION

- 2.1 This report represents the Internal Audit Annual Opinion and Outturn Report 2014/15 for the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire Police, based on the Joint Service arrangement with the Police and Crime Commissioner for West Yorkshire.
- 2.2 The Accounts and Audit (England) Regulations 2011 require that the Commissioner and Chief Constable maintain an adequate and effective internal audit. The Financial Regulations require that the Chief Financial Officer of the Commissioner and Chief Constable must be satisfied as to the system of financial controls in place and the effectiveness of the financial administration system.
- 2.3 Internal Audit is an independent assurance service, which provides an objective opinion to the Chief Financial Officer of each body on the control environment comprising risk management, value for money, internal control and governance. In discharging these responsibilities the Internal Audit function operate in accordance to recognised internal audit practices as defined in the Public Sector Internal Audit Standards.
- 2.4 This report also provides commentary and assurances on internal control that contribute to the Annual Governance Statement of the Commissioner and the Chief Constable.
- 2.5 The opinion provided is based upon the audit programme undertaken during 2014/15. 13 audits have been undertaken, 9 were assessed as providing reasonable assurance and 3 as reasonable assurance, with elements of best practice, only one audit was assessed as providing limited assurance and the overall reliability of systems and quality of practice across the Force was creditable.

- 2.6 Risk management is of fundamental importance to the internal control environment and a review of the arrangements in place found that embedded practices are in place, overseen by an active and high profile, strategic Joint Corporate Risk Group.
- 2.7 The Audit Committee has not been quorate on two of four occasions and work is needed to ensure that sufficient members with a suitable range of skills are available to undertake their scrutiny of the Organisation.
- 2.8 Overall based on its audit work, Internal Audit considers that risk is continuing to be satisfactorily managed, and that **reasonable assurance** can be derived from the systems in place.
- 2.9 This continues our opinion from 2013/14 where Internal Audit's overall opinion was also that reasonable assurance could be reported.

3 DETAIL SUPPORTING THE ANNUAL OPINION

- 3.1 The annual audit opinion is determined using information and conclusions drawn from a number of sources during the course of the annual audit programme. These include:
- A categorisation of individual audit opinions;
 - Specific findings relating to the main financial systems;
 - An analysis of any significant areas of concern relating to other key systems;
 - Findings relating to investigative/ irregularity work undertaken during the year; and
 - Implementation of previous recommendations in areas of significant weakness.

Summary of Audit Opinions 2014/15

Audit	1	2	3	4
	Reasonable Assurance and Good Practice	Reasonable Assurance	Limited Assurance	Inadequate Assurance
Financial Systems Assurance		●		
Chief Officer Pay		●		
Cash Advances	●			
Payroll		●		
Commissioning	●			
Risk Management Review	●			
Administration of the Commissioner's Office		●		
Special Services Charging -Income Generation		●		
Stage II Transfer		●		
Follow Up Audit, Second Six Months		○		
Organisational Fraud Risk Assessment		○		
Victim Care		●		
Appropriate Use of Place of Safety			●	

- - Assessment made in the audit report
- - Assessment for the purpose of this report.

- 3.2 Equating the four levels of audit assessment of internal control to a numerical scale, a score of 1.9 is achieved.

Comparison with Previous Internal Control Scores

Year	2014/15	2013/14	2012/13	2011/12
Internal Control Score	1.9	2.3	2.1	2.5

- 3.3 The 2014/15 performance represents a significant improvement over 2013/14. Overall our opinion, based on this, is one of reasonable assurance.

Main Financial Systems

- 3.4 Internal Audit has audited the main financial systems common to the Chief Constable and Commissioner. Detailed work was undertaken considering payroll, cash advances and special services charging. In addition work was undertaken assessing the fraud

risks to the Organisation and overall we found a level of control in place that we assess would provide reasonable assurance, with some difficult to control issues around evidential property and procurement. Plans are in place to address these matters which should improve control in the future.

- 3.5 Our audit work found that the fundamental financial systems continue to be well controlled, with reasonable assurance being derived from their operation. Payroll processes were operating effectively and suggestions were made as to how to focus checks on the accuracy of processing where they were most critical rather than on every transaction. Cash advances had been markedly reduced and were being properly recovered. We considered the methodology used to charge out for special policing services and found that in all material ways it followed the guidance from ACPO. Some refinements were suggested. Evidence was identified of events that had mistakenly not been charged for. This is something that there has been evidence of previously and warrants increased management attention.

Significant Concerns

- 3.6 Arrangements reviewed in the Appropriate Use of Place of Safety Audit provided limited assurance in 2014/15. North Yorkshire has only recently had places of safety provided by the NHS and arrangements on their use are still developing. Issues are encountered when the nearest place of safety is not available and NYP need to send detained people to a different safety location run by a different NHS trust. In addition, given the relevance of an understanding of mental health matters to the exercise of police powers in this area and also more widely, the provision of mental health awareness training for officers should be considered.

Investigations/ Irregularity Work

- 3.7 During the course of the year Internal Audit has had no involvement in investigative or irregularity work. Should the need arise to become involved in 2015/16 the Audit Plan will be adjusted accordingly.

Follow Up Work

- 3.8 Internal Audit have continued to seek evidence that recommendations rated as fundamental or significant, which are classed as being closed had in fact been implemented.
- 3.9 In 2013/14 we reported that recommendations were being closed without having actually been addressed. The situation has improved in 2014/15 with only 12% still needing management action. The reports from the Risk and Assurance Unit can be relied upon to set out an accurate picture and the Audit Committee can be assured that risks that are raised by Internal Audit are being addressed.

Important Recommendation Implementation 2014/15

Closed Recommendations Reviewed	Recommendations Which Should Be Closed.	Implementation Rate
17	15	88%

4. AUDIT DELIVERY

- 4.1 Internal Audit prepares performance indicators to enable ongoing monitoring and to allow comparisons to be made. A year end summary is provided below:

Summary of Performance Indicators 2014/15

Output Indicators	2012/13	2013/14	2014/15
<i>Audit Days Charged</i>	225	231	240
<i>Number of Audits</i>	14	16	16
Timeliness Indicators			
<i>% of Final Reports issued within 5 working days of Draft discussion</i>	100%	93%	92%
<i>% of Audits finished within timescale indicated in Audit Brief</i>	63%	47%	36%
Quality Indicators			
Recommendations (Fundamental/ Significant) where Management Action does NOT fully address risk	0%	0%	0%
<i>Client Surveys - % Excellent / Good</i>	78%	82%	87%
<i>Client Surveys - % below Fair</i>	4%	8%	6%

- 4.2 Internal Audit has striven to minimise the increase in costs, keeping the increase in the cost per day down to 0.8%.
- 4.3 Internal Audit delivered the full contracted number of days whilst undertaking 16 pieces of work. We continued to issue final reports promptly following discussions over the draft report.
- 4.4 Performance on the number of audit reports issued within the timescales in the audit brief, has dipped. Whilst some of the delays were due to matters outside our control, such as sickness absence of a key contact, or difficulties in getting responses from management, a realistic target for completing work on time is 60% which we fell short of, therefore improvement on our part is required. The matter is now reviewed in auditor's PDRs and monitored regularly to ensure that performance does not slip again.
- 4.5 No recommendations of a fundamental or significant nature were made and not adequately responded to.
- 4.6 After each audit we survey those we audited and these responses continue to be positive, again showing an improvement this year. One area we have particularly tried to improve is the level of communication between the auditor and the auditee,

throughout the audit, which given the delays sometimes experienced, has clearly had a positive impact.

5 VALUE ADDED

- 5.1 Whilst delivering the audit plan the Committee's attention is drawn to a number of activities also undertaken by Internal Audit, which have enhanced the value derived by the Force and Commissioner.
- 5.2 Internal Audit identified £5,100 that was owed to NYP but had not been charged. As a result the debtor has been asked to pay the outstanding amount.
- 5.3 In addition to work at Headquarters at Newby Wiske, Internal Audit have undertaken visits to: Thirsk, Harrogate, Fulford Road York, Athena House York, Scarborough and Northallerton.
- 5.4 Timely assistance was provided to the Head of Risk Management on the content and layout of the Annual Governance Statement. Comparisons and good practice encountered in other Police Forces was provided as part of an internal review of the controls around expenses.

6 EQUALITY AND DIVERSITY ISSUES

- 6.1 There are no equality and diversity issues within the context of this report.

7 RECOMMENDATION

- 7.1 Members are asked to note the report.

Neil Rickwood
Head of Audit