

PUBLIC

AGENDA ITEM NUMBER

Police and Crime
Commissioner
North Yorkshire



JOINT INDEPENDENT AUDIT COMMITTEE

16 December 2014

REPORT OF HEAD OF AUDIT

INTERNAL AUDIT PROGRESS REPORT

1. PURPOSE OF REPORT

- 1.1 The report sets out the progress made to date in achieving the Audit Plan for 2014/15 and also the first draft of the Audit Plan for 2015/16.

2. KEY INFORMATION

- 2.1 This Progress Report monitors delivery of shared Internal Audit services. The service is shared with West Yorkshire Police and Commissioner's Office and Humberside Police and Commissioner's Office.
- 2.2 The 2014/15 Audit Plan is set out in Appendix A. Table 1 summarises the progress against the plan.

Table 1: Summary of Progress

STATUS OF AUDITS	December 2014 2014/15 Plan
Final Reports with Response Received	2
Final Reports – Response awaited	2
Final Reports – No Response Required	0
Draft Reports Stage	3
Work Completed	2
Audits in Progress	7
TOTAL	16

- 2.3 Two audits have been finalised and responded to since the last Committee: Chief Officer Pay and Cash Advances. These reports are included, in full, in Appendix C.

- 2.4 Work on the Stage II Transfer and Special Services Charging has progressed to final stage, with management responses being produced.
- 2.5 Draft reports on Financial Systems, Payroll and Commissioning will be issued by the time of the Committee.
- 2.6 Following discussions with management we have removed the audit considering Data Recording Standards from the plan and added an audit requested by the Organisation to evaluate the systems used in investigations, into mobile phone use. Internal Audit suggested that this audit should replace the Data Recording Standards work as this area has been subject to HMIC scrutiny and the action plans to address these risks can be considered at a later date once they have had chance to become more embedded.

3. DRAFT INTERNAL AUDIT PLAN 2015/16

- 3.1 The Internal Audit plan needs to be aligned to the Organisation's understanding of risk, as set out in the Risk Register. It is proposed that in respect of the Risk Register, Internal Audit will have two audit approaches
- 3.2 **Proactive Audit.** Where Internal Audit undertakes an audit of a known or suspected risk area in the Organisation. The purpose is to confirm the extent of the risks and to make recommendations for improvement. This is often how we have operated in the past. It is suggested as well as undertaking these audits at the request of senior management, the Joint Corporate Risk Group (JCRG) may task Internal Audit throughout the year.
- 3.3 In addition when a risk is first identified and escalated to the Organisational Risk Register, the risk owner could ask for such a piece of work to be undertaken. Internal Audit would then work with the risk owner and their team to determine a way forward. Such audit work would be intended to be supportive and collaborative in its approach. The assessment of internal control would still be made, but in the context that this is a known weakness that management is working to address.
- 3.4 **Assurance Audit.** Where Internal Audit reviews the risks on the register, on a six monthly basis, and looks for those that have been closed or re-graded on the basis that management action has been effective in addressing the risk. By selecting important risks to the Organisation Internal Audit can conduct an audit once the plans have been put in place, in order to confirm that the actions have become embedded and the risk is continuing to be effectively managed.
- 3.5 Internal Audit would liaise with management over a suitable period after management action has been implemented, in order to allow it to

show signs of change. Such an audit could be a detailed risk based assessment or consider compliance against the relevant mandated standards, depending on the nature of the risk and the risk management action.

- 3.6 In addition to those audits relating to the risk register, Internal Audit would undertake:
- Financial Systems Audit – of key financial systems each year;
 - Follow Up Audit – of previously agreed Internal Audit recommendations;
 - Governance Audit – of the decision making approach, arrangements for accountability and risk management; and
 - Consultancy Support – providing advice on the design and implementation of new systems.
- 3.7 It is intended that audit planning will be undertaken on a six monthly basis to allow the plan to be more readily updated to the risks of the Organisation at that time and that the plan would come to the JCRG, before being presented to the Audit Committee. However, in the meantime changes can be accommodated in the Audit Plan by substituting proactive and assurance audits on the audit plan with alternates more beneficial to the Organisation. This would take place in consultation with the Chief Finance Officers.

4 RECOMMENDATIONS

- 4.1 That members monitor the progress made and to comment on the Draft Audit Plan for 2015/16.

Neil Rickwood
Head of Audit

Supporting documentation

Appendix A - Internal Audit Plan 2014/15
Appendix B – Draft Internal Audit Plan 2015/16
Appendix C – Internal Audit Reports

Appendix A: Internal Audit Plan 2014/15

<i>Audit Status</i>	<i>Audit Rating</i>	<i>Audit Name</i>	<i>Description</i>
Removed: To be considered for 2015/16 plan. Draft Report	-	Decision Making Processes	To consider the decision making process for both the Organisation the Commissioner and NYP. How it ensures that decisions are made on timely basis with sufficient information.
Final Report, with Management Responses Work Completed	2	Financial Systems Assurance Chief Officer Pay	Undertake financial systems testing of transactions relating to 2013/14, of those systems that have not been subject to evaluation during the year. To confirm that appropriate file management arrangements are in place and all elements of chief officer pay are appropriately documented.
Final Report, with Management Responses Work Completed	-	Annual Governance Statement Support	To assist the Head of Risk and Assurance in putting together the Annual Governance Statement for 2013/14. This would involve research into the practice of the wider public sector, in particular how the public are engaged and communication barriers are overcome.
Final Report, with Management Responses Work Completed	1	Cash Advances	To review the process for the allocation and accounting for cash advances for travel and subsistence.
Draft Report	-	Follow Up Audit, First Six Months	To follow up recommendations, reported as being implemented, and provide assurance that they have been implemented.
Draft Report		Payroll	To undertake a risk based review of the payroll system from new starter to leaver as well as permanent and temporary changes to pay.
Draft Report		Commissioning	To continue to provide support to the Commissioners Office around proportionate controls for commissioning.
In Progress		Risk Management Review	To review the Organisations risk management arrangements and practice.
In Progress		Expenses Claim Simplification	To assist NYP as they work through the risks and controls associated with the implementation of a self-service system for expenses claims, in order to develop alternatives which can achieve adequate control at a lower administrative cost.
In Progress		Administration of the Commissioners Office	To consider the compliance with Organisational administrative procedures of the Office of the Commissioner. This would include: HR, Payroll, Vetting, IT Support, Data Sharing and Procurement procedures.
Final Report		Special Services Charging -Income	To consider whether NYP makes the most of its opportunities to charge for special services and whether its methodology for doing so maximises income. This will be accomplished by

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		Generation	making comparisons with the practice of other police forces.
Final Report		Stage II Transfer	To review the approach taken to prioritising, developing and revising policies as part of the Stage II Transfer process.
		Follow Up Audit, Second Six Months	To follow up recommendations, reported as being implemented, and provide assurance that they have been implemented.
Removed: HMIC scrutiny of this area.	-	Data Recording Standards	To review the action plans in place to address this strategic risk and consider evidence that the risk is being satisfactorily managed. This risk appears on the risk register directly(5400) a review of it would also be relevant to the strategic risk regarding inadequate recording of warning signals (reference 5810)
In Progress		Organisational Fraud Risk Assessment	To assess the Organisations controls to deter, detect and prevent fraud in respect of the chief risks of fraud that it faces. The audit would bring together information from across the Organisation about the risk of fraud and determine the organisations vulnerability. The audit would offer an opinion whether the Organisation is over controlling its risk or whether there are important gaps.
In Progress		Victim Care	Compliance with the Victims Code. The audit would review how victims are kept informed by North Yorkshire Police. Supporting the achievement of the Policing Plan to put the best support possible in place for victims, the audit would consider the role of the Force's response to the Victims Code.
In Progress		Appropriate Use of Place of Safety	S.136 of the Mental Health Act allows a constable to remove a mentally disordered person from a public place to a place of safety. Rather than use a custody suite the NHS has recently established other places of safety that NYP can use. With places of safety in place in Scarborough and York, the review would look at how these are being used by Custody and whether this risk is being managed as planned (risk register reference 5510)
In Progress		Exhibit Handling	Review compliance with controls in place for the handling of exhibits across the Force. Based on perceived weaknesses identified in handling cash in particular, there is a need to give assurance that new arrangements address the risks in this area.
Added: Management Request		Local Mobile Phone Investigation	To consider the investigation of mobile phones and determine whether local practice manages the risks associated with the proper retrieval and safe storage of retrieved information.

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Appendix B: Draft Internal Audit Plan 2015/16

<i>Ref</i>	<i>Days</i>	<i>Type of Audit</i>	<i>Audit Name</i>	<i>Description</i>	<i>Rationale</i>
1	22	Governance	Decision Making Processes	To consider the decision making process for both the Organisation the Commissioner and NYP. How it ensures that decisions are made on a timely basis with sufficient information.	Reliable and responsive decision making at the top of the organisation is vital to meeting its objectives. New arrangements are being put in place for joint decision making of the Commissioner and Chief Constable. The audit was postponed from 2014/15, to allow for the new arrangements to be put into place.
2	12	Financial Systems	Financial Systems Testing	Develop and apply indicators to assess financial systems performance rather than the range of testing that we typically undertake.	To provide assurance over the main Organisational financial systems for activity within 2014/15 and also to support the Internal Audit Annual Opinion.
3	22	Assurance	Collaboration with Cleveland	A provision within the audit plan to consider the management of the risks/ opportunities to the Organisation of collaboration with Cleveland.	Risk Register ref 6337. Potential collaboration with other Force areas represents a major opportunity/risk facing the Organisation.
4	6	Proactive	Delegated Authority - Procurement	Review the changes in the delegated authority levels designed to minimise bureaucracy and to empower people.	Changes are being made to the organisations internal controls to allow more empowerment whilst maintaining a sufficient level of control. Internal Audit will provide an opinion on the success of the changes.
5	8	Follow Up	Follow Up	To follow up recommendations, reported as being implemented, and provide assurance that they have.	In order that the Organisation can gain assurance that identified risks are being managed.
6	6	Proactive	Delegated Authority – Budgetary Control	To review how the changes in delegated authority levels impact on the ability to manage budgets.	Changes are being made to the organisations internal controls to allow

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<i>Ref</i>	<i>Days</i>	<i>Type of Audit</i>	<i>Audit Name</i>	<i>Description</i>	<i>Rationale</i>
					more empowerment whilst maintaining a sufficient level of control. Internal Audit will provide an opinion on the success of the changes.
7	16	Assurance	Exhibits Handling (Completing Audit)	Review compliance with controls in place for the handling of exhibits across the Force. Based on perceived weaknesses identified in handling cash in particular, there is a need to give assurance that new arrangements address the risks in this area.	Risk Register ref: 6331. The audit is in the 2014/15 audit plan but is not likely to start until next year.
8	12	Proactive	Creditor Processes	To undertake a risk based system audit of the creditors process with a particular focus of the efficiency of procedures. In particular the processes for the minimising of the Organisations supplier base, handling of payments to suppliers to whom an order has not been raised and the means by which the transactional load is minimised.	The Organisation is looking to simplify its creditor payment processes. Internal Audit will consider the approach and offer suggestions on improvement.
9	16	-	Audit Management	Provision of advice, audit planning, committee reporting, progress meetings, external audit liaison, internal control evaluation and annual opinion drafting.	-

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