

PUBLIC

AGENDA ITEM NUMBER 10

JOINT INDEPENDENT AUDIT COMMITTEE

DATE 8 AUGUST 2014

REPORT OF THE CHIEF EXECUTIVE OFFICER

**UPDATE ON INTERNAL AUDIT RECOMMENDATIONS CONDUCTED FOR
THE OFFICE OF THE POLICE AND CRIME COMMISSIONER AND THE
CHIEF CONSTABLE OF NORTH YORKSHIRE POLICE**

1. To present to the Joint Independent Audit Committee the updated Internal Audit recommendations conducted by the appointed Internal Auditors to the Office of the Police and Crime Commissioner (OPCC) and the Chief Constable (CC) of North Yorkshire Police (NYP).
2. The OPCC/CC Internal Auditors produce an annual plan of audits for North Yorkshire Police's PCC and CC. The annual plan for 2014/15 was reported by the OPCC/CC to the Joint Independent Audit Committee at the beginning of this financial year.
3. Since the last reporting of audits at the Joint Independent Audit Committee on 13 January 2014, there have been six new audits, two audits remain ongoing and three audits have been closed. Appendix A describes the status of audits and recommendations. Appendix B provides a narrative on the work required to complete the recommendation, lists those audit recommendations which require an extension to their target date and the appropriateness of the extension and debates any risk posed to the organisation to extending the deadline.
4. Details of exceptions are listed as below:-
 - i). **Financial Systems Testing of the PCC and CC.** Internal Audit undertook compliance testing of the OPCC and CC's core financial systems for the year 2012/13. Internal Audit provided reasonable assurances that key controls in relation to financial systems testing undertaken are operating satisfactorily. Seven recommendations were made, six have been closed, one remains open and a request is made to extend the target deadline date to December 2014.

The recommendation was to "ensure that a system of exception reporting from the payroll system is put in place once the current Payroll system has been replaced". The delay in commencing this recommendation was due to the supplier cancelling the initial proposed meeting date of 17 March

2014. There has also been resourcing gaps within the Payroll Team due to staff retiring.

The extension to deadline poses no risk to the organisation as there are manual workarounds.

ii). **Niche Exhibits.** NYP invited Internal Audit to offer an opinion on the adequacy and efficiency of the pilot on the use of the Niche system for the management of seized property at Northallerton and Selby. Internal Audit provided reasonable assurances that the risks associated with the handling of property using the Niche System are being effectively managed. Nine recommendations were made, six have been closed and three remain open. It is requested that one of the three has an extension to its target deadline date to December 2014.

The recommendation was to “review the levels of approval required to dispose of specific categories of property, allowing general property items to be disposed of with the approval of the OIC”. The Exhibit Steering Group agreed to a trial taking place at Northallerton for the disposal of general property items to be authorised by the OIC. The delay for this recommendation and the other two that remain open is due to the requirement for approval of the decision notice for exhibit recording onto Niche to be rolled out forcewide. This has now been approved and NYP would like to see the successful rollout of the project and officer training completion before these three recommendations are closed.

The extension to deadline poses no risk to the organisation as the current approval hierarchy remains at Sergeant and Inspector level, which ensures there is no risk to exhibits being incorrectly disposed of.

iii). **Follow Up of 2013/14 Exercise One.** Internal Audit undertook a follow up audit into all recommendations that were categorised as either fundamental or significant and have been closed by the relevant action manager on Active Risk Manager (ARM). Internal Audit provided limited assurance due to finding recommendations that have been closed on ARM that did not have sufficient evidence to mitigate the original risk or have inappropriate responses to the recommendations. Five further recommendations were made, four have been closed, one remains open and a request is made to extend the target deadline date to September 2014.

The recommendation was to “complete a formal review of the retention, market supplement and Essential Car User payments paid, involving the relevant Heads of Department, to ascertain whether these payments still need to be made”. The Executive Board has approved the start of the above review. A timetable has been drafted which includes consultation with managers, staff and Unison, consultation time has been built into the review which has extended the deadline date.

The extension to deadline poses no risk to the organisation as the issue only effects a small number of staff.

vi). **Cash Handling Audit.** The audit assessed the adequacy of NYP's approach to cash and cheque handling in three specific areas: Firearms Licensing applications, Overseas Visitors Registrations and fleet vehicles disposed of by auction. Internal Audit provided limited assurances that the risks associated with cash handling are being effectively managed. Ten recommendations were made, nine are closed, one remains open and a request is made to extend the target deadline date to June 2014.

The recommendation was to "reconcile income received in relation to Firearms Licensing and Overseas Visitors Registrations against the actual number of certificates issued". The Head of Firearms Licensing Department (FLD) raised the above at the Regional Managers meeting on the 2 April 2014. Further work is to be undertaken by the Head of FLD of Cleveland and this information will not be available until 30 June 2014.

The extension to deadline poses no risk to the organisation as manual records are kept in NYP FLD as they maintain a detailed spreadsheet that is updated on a daily basis with details of all the licenses issued by the department.

v). **Property Handling Drugs.** This audit was undertaken as a result of issues relating to drugs management, highlighted in the Property Compliance Review undertaken by Internal Audit in 2012. Internal Audit provided limited assurances primarily based upon the inability to readily locate items, due to property records not being accurately maintained. In addition, Internal Audit were unable to evidence that items transferred from Whitby and Malton had been reconciled. Five recommendations were made, two have been closed, three remain open. It is requested that one of the three has an extension to its target deadline date to September 2014.

The recommendation was to "account for all of the drugs exhibits transferred from Whitby and Malton in 2012, to evidence the location of the items within stores or disposal". Investigations are still ongoing to identify exhibit/movement books from Whitby/Malton for 2012. Due to the extent of the investigations required an end of May completion date was optimistic therefore it is recommended that the completion date for this recommendation is now moved to 30 September 2014.

Current process and checks confirm the accuracy and robustness of the present system of drug exhibits transfers and most cases prior to 2012 have now been concluded. The Crime Management Unit are closely monitoring the issues to ensure that there are no risks to the organisation.

Following this report the Deputy Chief Constable has set up and chairs a Gold Group “Operation Holst” to deal with issues regarding all aspects of property including Exhibits, Cash and Drugs. The Risk and Assurance Unit are conducting quarterly dip samples of closed audit recommendations and any irregularities will be reported to the Joint Corporate Risk Group (JCRG).

5. The Risk and Assurance Unit within the Organisation and Development Department input audit recommendations onto ARM which is the Force Risk Register and monitor compliance and progress with action owners. Any failure to progress an audit recommendation is reported to the relevant Command Team portfolio lead. The Risk and Assurance Unit's, Service Review Manager conducts an assessment on the outstanding audit recommendations, obtains details on progress and reasons for deadline extension. This process has currently been enhanced with a quarterly dip sample of closed audit recommendations.
6. This report aims to assist members of the Joint Independent Audit Committee in carrying out their assurance role for the OPCC and the CC and the public, by providing reassurance on the internal overview of recommendations.
7. Initial acceptance of audit recommendations and the management responses are critically assessed. The effect of work with audit action owner's over time has led to deadlines being more realistic and achievable. Work will continue with action owners to address the issues of recommendations that have been incorrectly closed on ARM and any irregularities will be reported to JCRG.

RECOMMENDATIONS

8. This report is provided to members of the Joint Independent Audit Committee to set out the information on the latest position with regard to audit recommendations. The report is intended to provide a clear summary in order to provide reassurance on both the level of understanding and proposed activity across a range of internal audit issues. The Joint Corporate Risk Group are provided with the information and actively oversee and manage audit recommendations in the wider corporate risk context.