



**POLICE AND CRIME COMMISSIONER FOR
NORTH YORKSHIRE AND CHIEF CONSTABLE
OF NORTH YORKSHIRE**

Annual Internal Audit Report 2016/2017

May 2017

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Management actions for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit Standards, the head of internal audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance statements.

1.1 The opinion

Police and Crime Commissioner

For 12 months ended 31 March 2017, the head of internal audit opinion for Police and Crime Commissioner for North Yorkshire is as follows:

Head of internal audit opinion 2016/2017

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Chief Constable

For 12 months ended 31 March 2017, the head of internal audit opinion for Chief Constable of North Yorkshire is as follows:

Head of internal audit opinion 2016/2017

The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope of our work

The formation of our opinions are achieved through a risk-based plan of work, agreed with management and approved by the Joint Independent Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinions do not imply that internal audit has reviewed all risks and assurances relating to the organisations. The opinions are substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the PCC and Chief Constable takes into account in preparing the Annual Governance Statements.

1.3 Factors and findings which have informed our opinion

We have updated management and the Joint Independent Audit Committee on the implications of the reports presented during the year on the systems of internal control, governance and risk management across the organisations. During this process, we have not flagged any significant control weakness.

Governance

To inform our governance opinions for 2016/17, we have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2016/17 Internal Audit Plan. In particular, our reviews of Data Quality (including Governance), Management of Police Information MMI Project and Complaints included an assessment of the reporting governance structure in place.

Although we did not perform a specific governance review at the OPCC, we confirmed sufficient reporting had been undertaken in the following areas: Commissioning, Complaints and Collaborations. It was evident that established governance arrangements were in place and performance had been regularly reviewed and reported.

In accordance with the requirements of the Financial Management Code of Practice a Joint Independent Audit Committee is in place. We have attended and observed the Joint Independent Audit Committee and confirmed they receive and challenge reports from internal audit, external audit and internal performance reports. However, during 2016/2017 the Joint Independent Audit Committee had not been quorate on three occasions.

Risk Management

Our risk management opinions were informed by the assessment of the risk mitigation procedures undertaken in the areas covered by our risk-based reviews, and covered four strategic risks facing the organisations.

Our review of IT Network Security and Disaster Recovery (Risk 6508), Overtime, Bonus and Honorarium Payments (Risk 6790) and Collaborations - Regional Scientific Support Services and Regional Procurement (Risk 6665) received positive assurance opinions that the controls in place to manage the risk were appropriately designed and applied consistently.

Our review of the Force's Data Quality (Risk 9400) arrangements provided partial assurance and we raised one high category management action to ensure duplicate records / data entry errors were being merged / corrected in a timely manner by the business areas.

We attended the organisation's Joint Corporate Risk Group when emerging and closed risks were discussed. We also attended the Joint Independent Audit Committee where we confirmed the organisation's risk management arrangements were reported and scrutinised by the committee.

Control

We undertook 12 audits of the control environment that resulted in formal assurance opinions. Ten of which resulted in positive assurance opinions (four substantial assurance and six reasonable assurance report). We also issued one partial assurance opinion and we also we split our opinion for collaborative arrangements to reflect the performance of each arrangement (one partial and one reasonable).

We also completed one advisory audit, relating to commissioning; this audit identified a number of areas for improvement, including a number of medium priority actions.

Furthermore, the implementation of agreed management actions raised during the course of the year are an important contributing factor when assessing the overall opinion on control. We have performed two follow up reviews during the year which concluded **good** and **reasonable** progress respectively.

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

The organisations should consider the partial assurance opinion given for the Data Quality (including Governance) and Collaborations - Odyssey, when completing their annual governance statements, and also document any assurances over improvements in the highlighted areas of weakness since the audit reports were issued.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

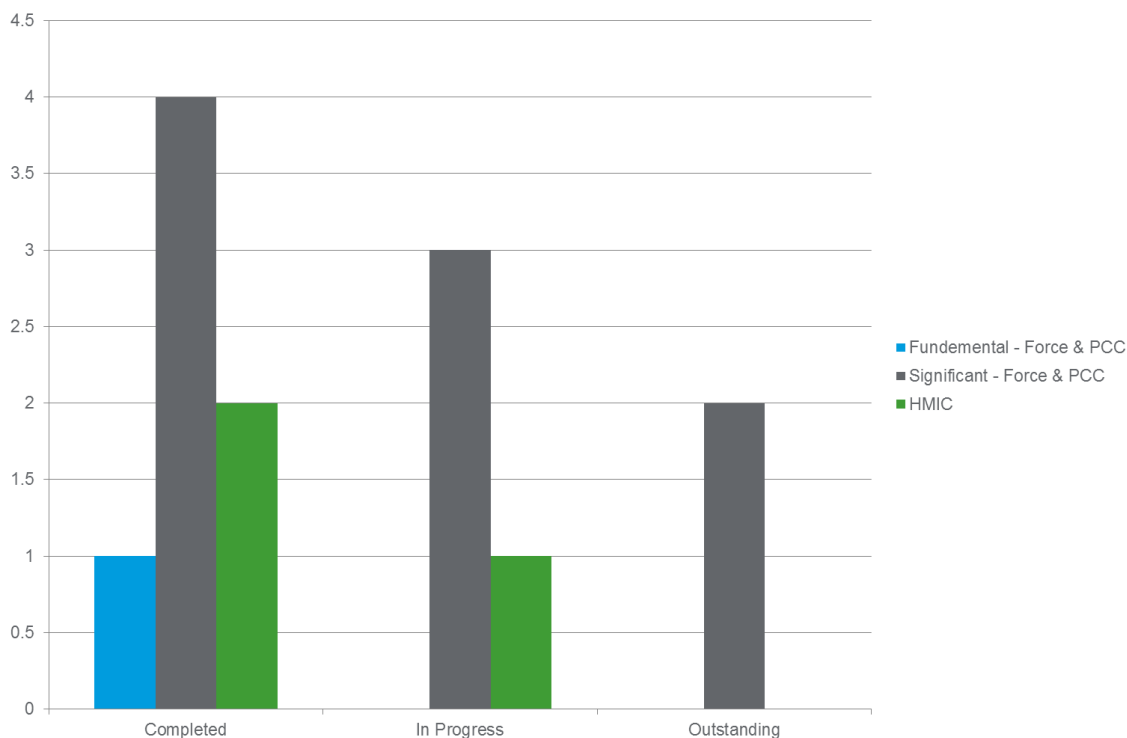
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2016/2017. Please note two reports remain in draft at the time of writing this report.

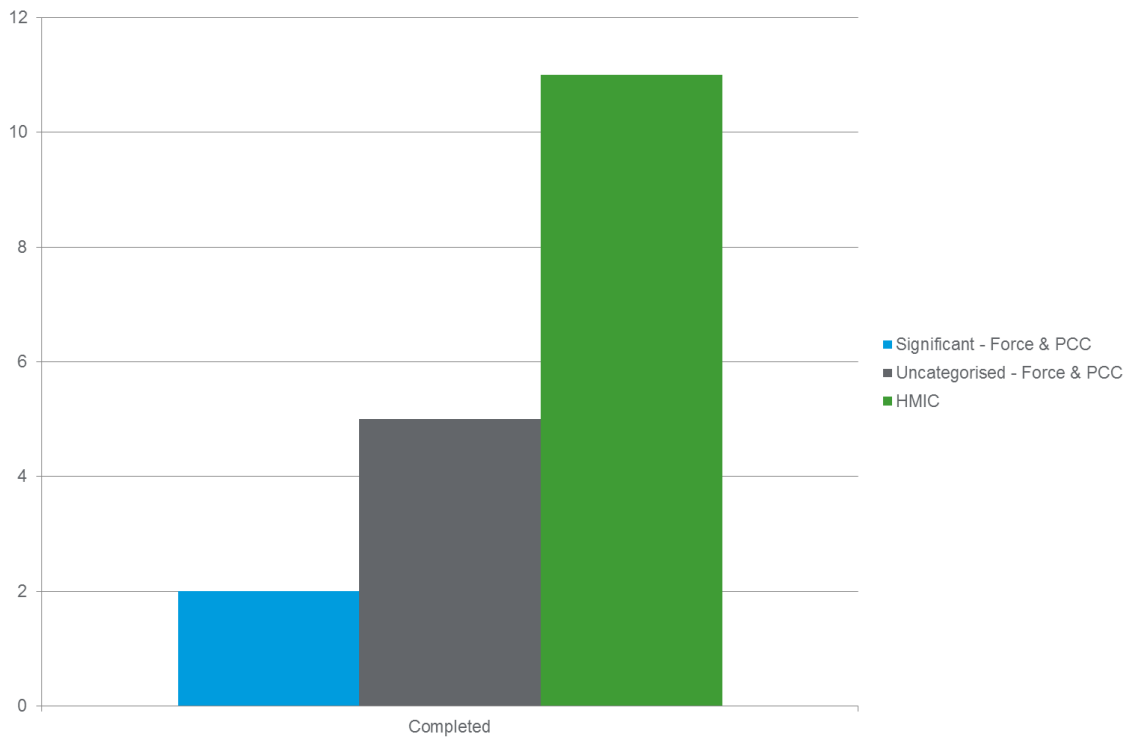
2.2 Implementation of internal audit management actions

We have performed two follow up reviews to determine the organisation's implementation of internal audit and HMIC findings and we have reported **reasonable** and **good progress** has been made in implementing the agreed actions.

Follow Up – Visit One



Follow Up – Visit Two



2.3 Working with other assurance providers

In forming our opinions we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

As part of our client service commitment, during 2016/17, we have undertaken the following:

- Issued Emergency Services updates and general briefings during the year.
- At Joint Independent Audit Committee meetings, we have presented our briefings and discussed aspects around the topics with members.
- Undertaken assurance reviews and also shared practice across the sector through our work.
- Maintained regular contact with management and responded to queries.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2016/2017 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Performance indicators

A number of performance indicators were agreed with the Joint Independent Audit Committee. Our performance against those indicators is as follows:

Delivery	Quality		Quality	Quality	
	Target	Actual		Target	Actual
Audits commenced in line with original timescales	Yes	No ¹	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	10 days	11 days (average)	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes
Final report issued within 3 days of management response	3 days	1 day (average)	% of staff with CCAB/CMIIA qualifications	>50%	67% ytd
			Turnover rate of staff	<10%	No turnover of staff
Audit reports presented to agreed Joint Independent Audit Committee meetings	Yes	No ¹	Response time for all general enquiries for assistance	2 working days	2 working days
% of High & Medium recommendations followed up	Yes	Yes	Response for emergencies and potential fraud	1 working days	N/A

Notes

¹ The Overtime, Bonus and Honorarium Payments audit was scheduled to take place in May 2016. However, the review was performed in August 2016 following discussions with the executive lead.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinions.

Annual opinions

The organisation has an adequate and effective framework for risk management, governance and internal control.

The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

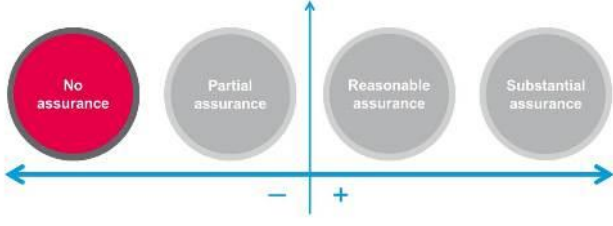
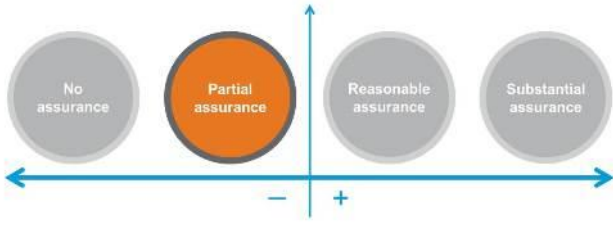
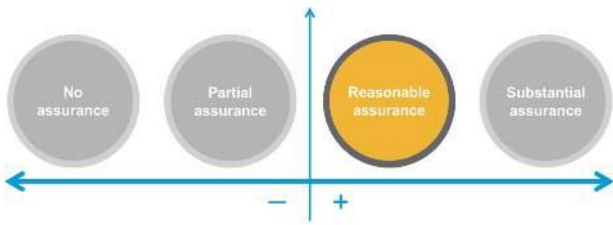
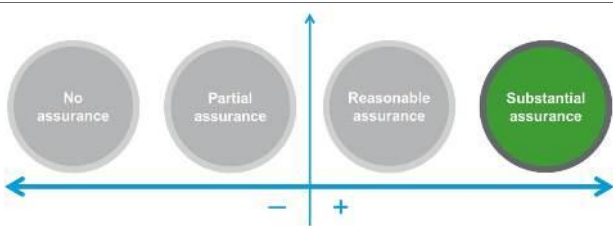
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

The organisation does not have an adequate framework of risk management, governance or internal control.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2016/2017

Assignment	Assurance level	Actions agreed		
		L	M	H
Data Quality (including Governance)	Partial	1	2	1
Collaborations	Parital - Odyssey	0	1	1
	Reasonable - Regional Scientific Support Services and Regional Procurement	1	1	0
Overtime, Bonus and Honorarium Payments	Reasonable	1	2	0
Seized Cash Spot Checks	Reasonable	0	3	0
Complaints	Reasonable	0	4	0
Digital Forensic Unit Quality and ISO17025 Internal Audit Compliance	Reasonable	2	3	0
HR Training	Reasonable	0	3	0
IT Network Security and Disaster Recovery	Reasonable	2	2	0
Key Financial Controls: Creditors, Debtors, Cash & Bank and Investments	Substantial	3	1	0
Annual Petty Cash Check	Substantial	1	3	0
Chief Officer Salaries, Allowances and Expenses (Draft)	Substantial	1	0	0
Management of Police Information (MoPI) MMI Project	Substantial	1	1	0
Commissioning	Advisory	1	4	0
Follow Up of Previous Internal Audit and HIMC Recommendations	Reasonable Progress	2	2	0
Follow Up of Previous Internal Audit and HMIC Recommendations	Good Progress	0	0	0

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the PCC & CC can take:

	<p>Taking account of the issues identified, the PCC & CC cannot take assurance that the controls upon which the organisations rely to manage this risk are suitably designed, consistently applied or effective. Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the PCC & CC can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the PCC & CC can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
	<p>Taking account of the issues identified, the PCC & CC can take substantial assurance that the controls upon which the organisations rely to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

Dan Harris, Head of Internal Audit

Tel: 07792 948767

Daniel.Harris@rsmuk.com

Angela Ward, Senior Manager

Tel: 07966 091471

Angela.Ward@rsmuk.com

Philip Church, Client Manager

Tel: 07528 970082

Philip.Church@rsmuk.com