



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

Annual Internal Audit Report 2017/2018

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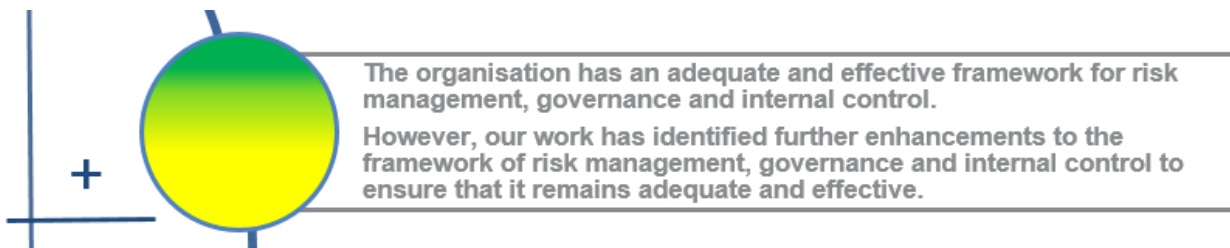
1 THE HEAD OF INTERNAL AUDIT OPINIONS

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

1.1 The opinions

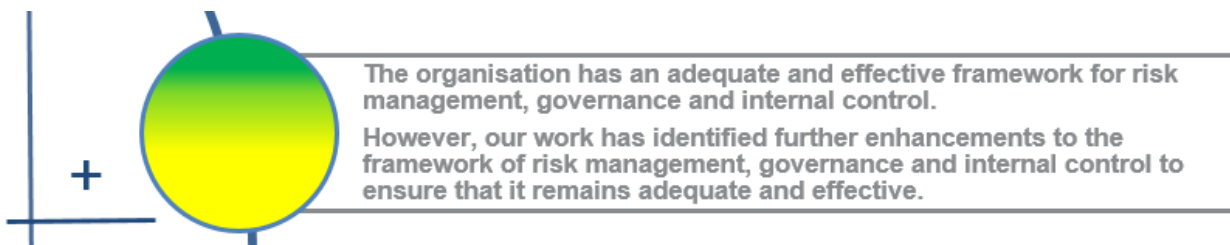
For the 12 months ended 31 March 2018, the head of internal audit opinion for the Police and Crime Commissioner for North Yorkshire is as follows:

Head of internal audit opinion 2017/18



For the 12 months ended 31 March 2018, the head of internal audit opinion for the Chief Constable of North Yorkshire is as follows:

Head of internal audit opinion 2017/18



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

1.2 Scope and limitations 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, our opinions are subject to inherent limitations, as detailed below:

- the opinions does 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 organisations takes into account in making its annual governance statement (AGS);
- the opinions are based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinions are based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;
- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinions

Based on the work we have undertaken on the systems of internal control, governance and risk management across the organisations, we do not consider that there are any issues that need to be flagged as significant internal control weaknesses. Our opinions on governance, risk management and control have been informed by the following:

Governance

We did not perform a specific governance review at the Force or the OPCC, however we confirmed sufficient reporting had been undertaken in the following areas: Data Quality, Community Safety Partnership Funding and Shift Patterns – Force Control Room. We have also attended all Joint Independent Audit Committee meetings throughout the year and reviewed various minutes from meetings that contribute to the governance structures.

We concluded that the governance arrangements in place, for both the Police and Crime Commissioner and Chief Constable, were adequate and effective.

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 in the following areas:

- Code of Practice – Victims of Crime;
- Data Quality; and
- Exhibits – Seizure, Storage and Disposal of Controlled Drugs.

A review of compliance with the Code of Practice for Victims of Crime provided a reasonable assurance opinion and we agreed a number of actions to improve the consistency of completing Victim Contact Agreements, Assessment of Victims' Needs and Victim Personal Statements.

Our reviews of Data Quality and Exhibits – Seizure, Storage and Disposal of Control Drugs provided partial assurance opinions and a number of actions were agreed to improve the control framework. Our opinion on the Force's data quality process focussed on crime outcomes and the role of the Crime Registrar; in addition, the HMICFRS provided an overall inadequate judgement on the Force's crime data integrity during the same period.

In addition, our colleagues from our risk and governance advisory team worked with the organisations management in relation to the development of strategic risks through a workshop. A pre-workshop survey was issued and included four questions which was used to identify key strategic risk themes in advance of the workshop. These were discussed and debated by the senior leadership team. The work provided the following benefits:

- development of a common understanding of the purpose of a strategic risk management framework;
- provided an opportunity for management to assess its own vulnerability and exposure to risk; and
- provided an opportunity to refocus the boardroom / management agenda in relation to strategic risks.

Furthermore, through attendance at the Joint Independent Audit Committee we confirmed the organisations' risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members.

Control

We undertook 11 audits of the control environment that resulted in formal assurance opinions. These 11 reviews concluded with four partial (negative) assurance opinion, five reasonable (positive) assurance and two substantial (positive) opinions. We identified the organisations had established controls frameworks in place for a number of the audits undertaken, however improvements in their application was required in a number of areas.

We also undertook one advisory review of the organisations' approach to addressing the impending changes required under the General Data Protection Regulation and Law Enforcement Directive (LED) / Data Protection Bill. Our review, undertaken in January 2018, highlighted the organisations had undertaken a gap analysis identifying the actions required however a formal action plan had not been formulated. We agreed 11 uncategorised management actions to address the issues from this review.

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 in **good progress** being made towards the implementation of those actions.

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

We issued a total of four partial assurance opinions. Some of these opinions were not in areas considered material to the organisations' operations.

The organisations should therefore consider the partial assurance opinions given for Human Resources – Recruitment, Data Quality and Exhibits – Seizure, Storage and Disposal of Controlled Drugs where the actions agreed have not been fully implemented when completing their annual governance statements, together with any actions taken by management to address the actions agreed. In addition we reviewed the organisations' readiness for GDPR and raised 11 uncategorised management actions; the organisations' should consider its current position towards compliance with GDPR arrangements when drafting its annual governance statement.

2 THE BASIS OF OUR INTERNAL AUDIT OPINIONS

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

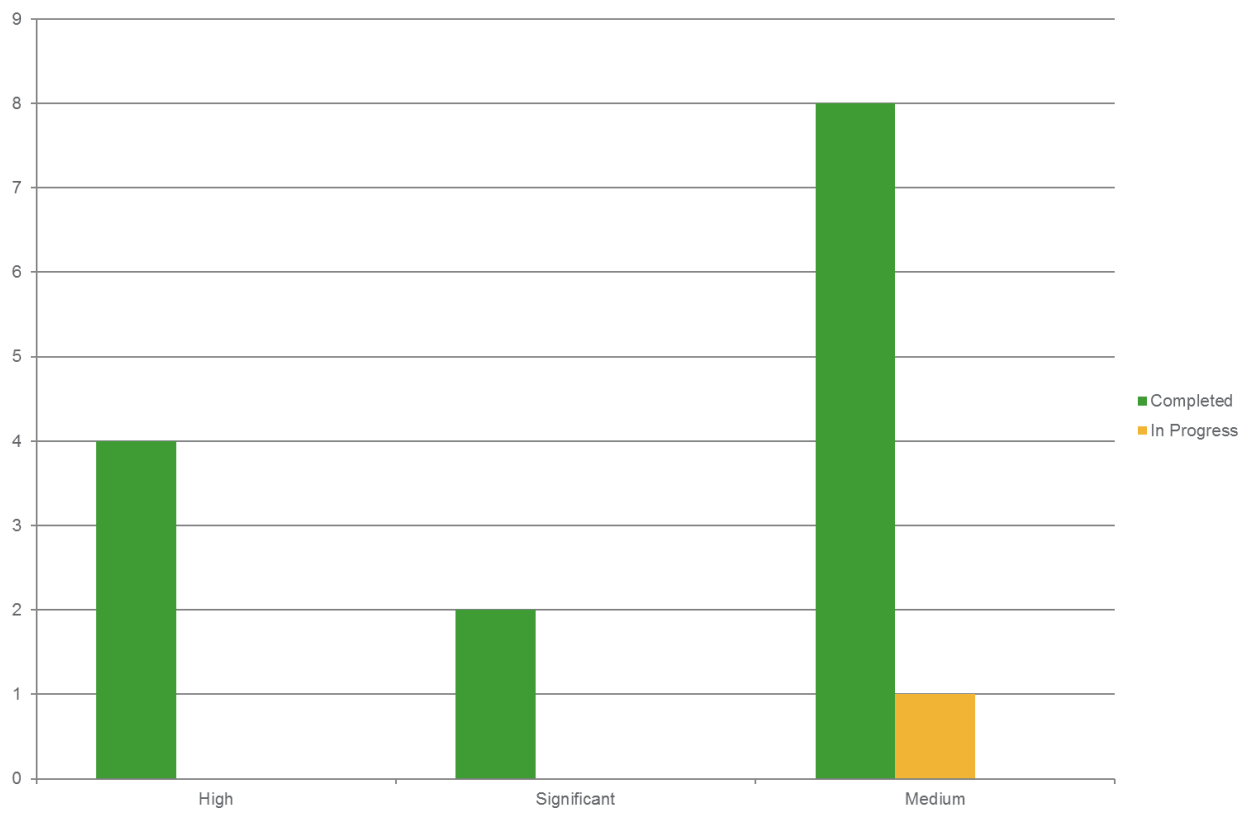
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2017/2018.

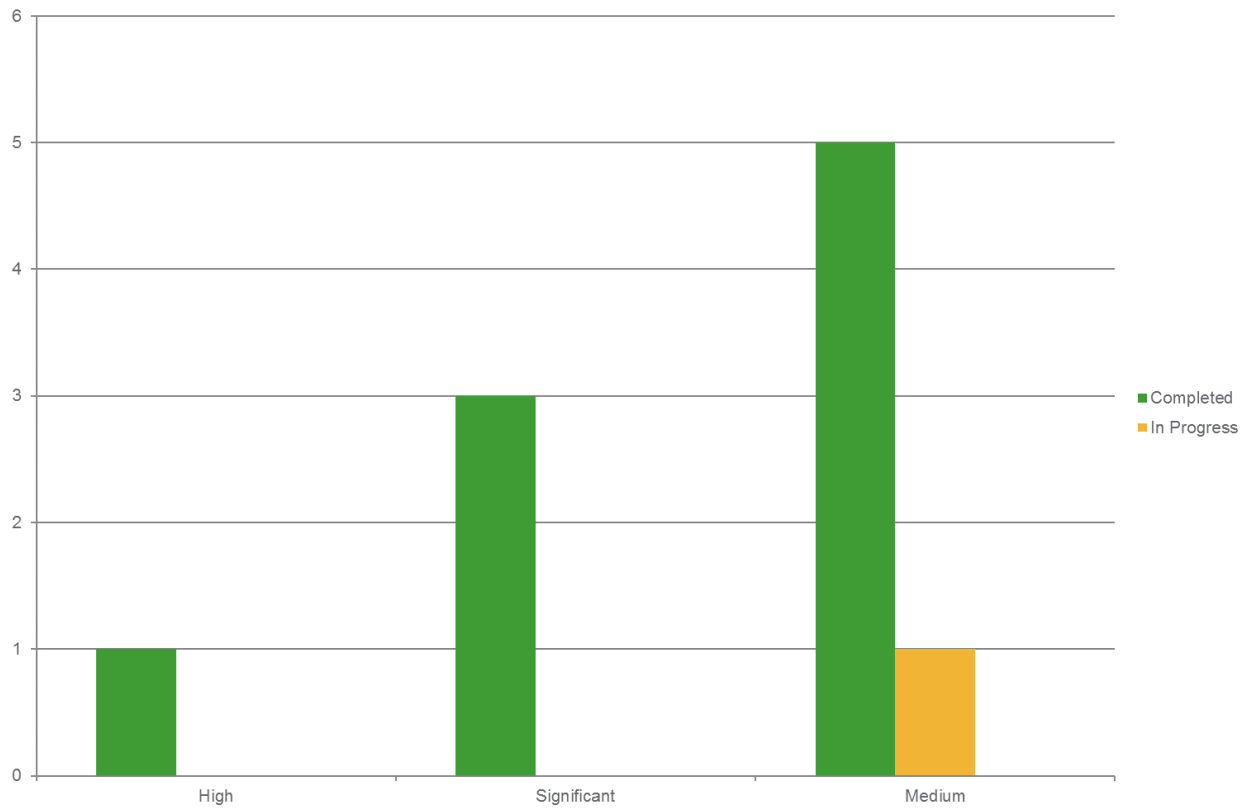
2.2 Implementation of internal audit management actions

We have performed two follow up reviews to determine the organisations implementation of internal audit findings and we have reported **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 2017/2018 we have issued four briefings relating to the sector within our progress reports presented to the JIAC. We will continue to share our briefings with you during 2018/2019.

We have used subject matter experts to review the organisations risk management arrangements and focus on Code of Practice – Victims of Crime and Restorative Justice. We will continue to use subject matter experts when appropriate to ensure true value is added to the organisations.

We have issued a risk register publication where we provided an in-depth analysis of the contents of police risk registers, including that of police and crime commissioners. This analysis provided valuable in-sight and intelligence of the changing risk landscape and new risks starting to emerge in the sector.

We have held discussions with you to provide some advice and insight into the potential governance arrangements in the event of the Police and Crime Commissioner taking on role of the Fire Authority.

We have contributed to pre- JIAC meetings where required , and have attended and contributed to all JIAC meetings.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2017/2018 that would lead us to declare any conflict of interest.

Our specialist also provided a Restorative Justice review during the year. This was delivered by a separate letter of engagement and by a separate team to the core internal audit team.

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 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

3.5 Performance indicators

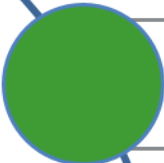
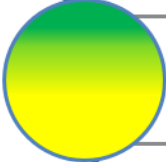
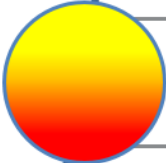
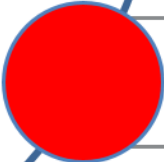
A number of performance indicators were agreed with the Joint Independent Audit Committee. Our performance against those indicators is as follows:

3.6 performance indicators (KPIs)

Delivery	Quality		Quality	Quality	
	Target	Actual		Target	Actual
Draft reports issued within 10 working days of debrief meeting	10 working days	5 working days (average)	Conformance with PSIAS and IIA Standards	Yes	Yes
			Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	As and when required
			% of staff with CCAB/CMIIA qualifications	>50%	66%
Final report issued within 3 working days of management response	3 working days	1 working day (average)	Turnover rate of staff	<10%	No staff turnover in 2017/2018
Audit reports presented to the agreed Joint Independent Audit Committee meetings	Yes	No	Response time for all general enquiries for assistance	2 working days	2 working days (average)
High and Medium recommendations followed up	Yes	Yes	Response for emergencies and potential fraud	1 working day	N/A

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	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinions are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited;
<p>+</p>  <p>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.</p>	<ul style="list-style-type: none"> • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework;
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> • the impact of weakness identified;
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.



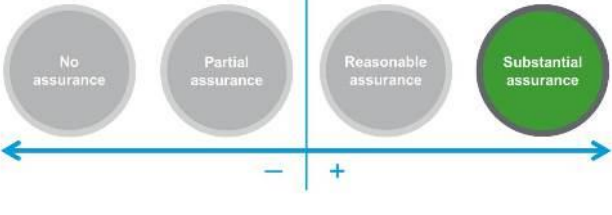
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2017/2018

Assignment	Assurance level	Actions agreed		
		L	M	H
Human Resources - Recruitment		0	5	1
Exhibits – Seizure, Storage and Disposal of Controlled Drugs		2	0	2
Integrated Offender Management		0	2	1
Data Quality		1	3	1
Shift Patterns – Force Control Room		0	0	0
Community Safety Partnership Funding		0	2	1
Automatic Number Plate Recognition		2	3	0
Code of Practice - Victims of Crime		3	3	0
Chief Officer and Independent Custody Visitors' Expenses (Draft)		1	4	0

Assignment	Assurance level	Actions agreed		
		L	M	H
Key Financial Controls: Fixed Assets		1	0	0
Procurement		1	0	0
Follow Up of Previous Internal Audit Recommendations - Visit 1	Good Progress	0	1	0
Follow Up of Previous Internal Audit Recommendations - Visit 2	Good Progress	0	1	0
General Data Protection Regulation (GDPR) Governance	Advisory – no opinion provided	11 uncategorised management actions		

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take:

 <p>The diagram shows a horizontal scale from left to right with four categories: No assurance, Partial assurance, Reasonable assurance, and Substantial assurance. A vertical line separates the left side (marked '-') from the right side (marked '+'). The 'No assurance' category is highlighted in red.</p>	<p>Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire cannot take assurance that the controls upon which the organisations relies 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.</p>
 <p>The diagram shows a horizontal scale from left to right with four categories: No assurance, Partial assurance, Reasonable assurance, and Substantial assurance. A vertical line separates the left side (marked '-') from the right side (marked '+'). The 'Partial assurance' category is highlighted in orange.</p>	<p>Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire 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.</p>
 <p>The diagram shows a horizontal scale from left to right with four categories: No assurance, Partial assurance, Reasonable assurance, and Substantial assurance. A vertical line separates the left side (marked '-') from the right side (marked '+'). The 'Reasonable assurance' category is highlighted in yellow.</p>	<p>Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire 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.</p>
 <p>The diagram shows a horizontal scale from left to right with four categories: No assurance, Partial assurance, Reasonable assurance, and Substantial assurance. A vertical line separates the left side (marked '-') from the right side (marked '+'). The 'Substantial assurance' category is highlighted in green.</p>	<p>Taking account of the issues identified, the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take substantial assurance that the controls upon which the organisations relies to manage the identified risk are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

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. Actions for improvements should be assessed by you for their full impact. 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.

Our report is prepared solely for the confidential use of the Police and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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