

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

Internal Audit Report for the six month period ending
31 March 2016

April 2016





CONTENTS

1 The head of internal audit opinion	2
2 The basis of our internal audit opinion	4
3 Our performance	5
Appendix A: Annual opinions	6
Appendix B: Summary of internal audit work completed 2015/2016	7
For further information contact.....	9

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. Recommendations 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.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. 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 party other than the Board which obtains access to this report or a copy and chooses to rely on this report (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.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

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 statement.

1.1 The opinion

Office of the Police & Crime Commissioner for North Yorkshire

The head of internal audit opinion for the Office of the Police and Crime Commissioner for North Yorkshire shown below is based on our work completed in the six month period ending 31 March 2016 and is as follows:

Head of internal audit opinion for the six month period ending 31 March 2016

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.

Office of the Chief Constable of North Yorkshire Police

The head of internal audit opinion for the Office of the Chief Constable of North Yorkshire is based on our work completed in the six month period ending 31 March 2016 and is as follows:

Head of internal audit opinion for the six month period ending 31 March 2016

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 opinion is achieved through a risk-based plan of work, agreed with management and reviewed by the Joint Corporate Risk Group and the Joint Independent Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation. The opinion is 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 take into account when preparing its annual governance statement (AGS).

1.3 Factors and findings which have informed our opinion

The results of the following internal audit reviews have been taken into consideration in determining our control opinion for the six month period ending 31 March 2016:

Joint Reviews

From the reviews completed on behalf of both the PCC and Constabulary, two (Medium Term Financial Planning and Payroll & Expenses) received a substantial (green) assurance opinion and one (Governance – Structure, Reporting, Challenge and Decision Making) received a reasonable (amber-green) assurance opinion.

We also completed an advisory review around Risk Maturity which included five advisory management actions for both the OPCC and Force to implement. Overall we confirmed in relation to Risk Maturity can be described as “Developing” to “Mature” on the RSM risk maturity scale. This conclusion was formed by undertaking interviews with key employees and conducting analysis of both strategic and operational risk registers.

Furthermore, the implementation and management agreement to the management actions raised during the course of the year are an important contributing factor when assessing the assurance opinion on control. The Follow Up review concluded that ‘good’ progress had been made to implement HMIC recommendations.

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

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 recommendations

Management have agreed actions to address the findings reported by the internal audit service for the six months ending 31st March 2016. Please note three reports remain in draft at the time of writing this report.

2.2 Implementation of internal audit recommendations

Our follow up of the actions agreed to address previous years' internal audit and HMIC findings shows that the Force had made good progress in implementing the agreed actions.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers. It should be noted that both the PCC and Chief Constable will need to take into account the interim opinion provided by the outgoing IA provider covering the first six months of the year, when drafting their Annual Governance Statement.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

As part of our client service commitment, during 2015/16 (for the six months ending 31st March) we have undertaken the following:

- Issued client updates and general briefings during the year;
- At Corporate Risk Group and Joint Audit Committee meetings we have presented our briefings and discussed aspects around the topics with members;
- Undertaken both advisory and assurance reviews and also shared practice across the sector through our work;
- Made suggestions throughout our audit reports based on our knowledge and experience in the sector to provide areas for consideration;
- Completed ad hoc benchmarking requests and provided feedback; and
- Maintained regular contact with management and responded to queries.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2015/2016 (for the six months ending 31st March 2016) 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 2011 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 “the design and implementation of systems for the delivery of internal audit provides substantial assurance that the standards established by the IIA in the IPPF will be delivered in an adequate and effective manner”. Work is in hand to arrange our next review.

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.

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 opinion.

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.

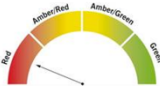
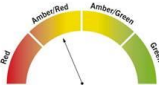
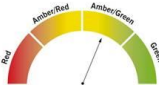
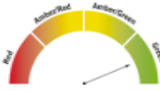
There are weaknesses in the framework of governance, risk management and control such that it could be, or could become, inadequate and ineffective.

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

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2015/2016

Assignment	Executive lead	Assurance level	Actions agreed			
			H	M	L	Advisory
Risk Maturity	Tim Madgewick, Chief Constable Joanna Carter, Chief Executive Officer	Governance, Risk Mitigation and Assurance – Developing Risk Identification – Enabling Risk Assessment and Monitoring and Reporting – Maturing	0	0	0	5
Governance - Structure, Reporting, Challenge and Decision Making	Tim Madgewick, Chief Constable Joanna Carter, Chief Executive Officer		0	6	2	0
Medium Term Financial Planning	Michael Porter, Police and Crime Commissioner's Chief Finance Officer Jane Palmer, Chief Constable's Chief Finance Officer		0	0	0	0
Payroll & Expenses	Michael Porter, Police and Crime Commissioner's Chief Finance Officer Jane Palmer, Chief Constable's Chief Finance Officer		0	1	4	0
Origin Phase 4	Tim Madgewick, Chief Constable Rosie Holmes, Head of HR and Training		0	0	0	0
Follow Up	Various	Good Progress	0	0	0	0

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

None	Partial	Reasonable	Substantial
			
<p>Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation 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(s).</p>	<p>Taking account of the issues identified, the Board 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 Board 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 Board can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

FOR FURTHER INFORMATION CONTACT

Name: Daniel Harris

Telephone: 07792 948767

Email: daniel.harris@rsmuk.com

Name: Angela Ward

Telephone: 07966 091471

Email: angela.ward@rsmuk.com

Name: Philip Church

Telephone: 07528 970082

Email: philip.church@rsmuk.com

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved