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| <b>For Information &amp; Consideration</b> |                                    |
| <b>Public/Non Public</b>                   | <b>Public</b>                      |
| <b>Report to:</b>                          | <b>Audit and Scrutiny Panel</b>    |
| <b>Date of Meeting:</b>                    | <b>17<sup>th</sup> June 2014</b>   |
| <b>Report of:</b>                          | <b>The Chief Financial Officer</b> |
| <b>Report Author:</b>                      | <b>Charlotte Radford</b>           |
| <b>E-mail:</b>                             |                                    |
| <b>Other Contacts:</b>                     |                                    |
| <b>Agenda Item:</b>                        | <b>9</b>                           |

## **INTERNAL AUDIT ANNUAL ASSURANCE REPORT 2013-14**

### **1. Purpose of the Report**

- 1.1 To provide the Police & Crime Commissioner with the assurance opinion for 2013-14 from the Internal Auditors and an update on overall performance against in 2013-14.

### **2. Recommendations**

- 2.1 Members are requested to note the opinion provided –“adequate” and the work undertaken in 2013-14.

### **3. Reasons for Recommendations**

- 3.1 This complies with the terms of reference for this committee and the principles of good governance.

### **4. Summary of Key Points**

- 4.1 Attached at **Appendix A** is the Internal Audit Annual Report providing adequate assurance for the 2013-14 financial year.

### **5. Financial Implications and Budget Provision**

- 5.1 None as a direct result of this report.

### **6. Human Resources Implications**

- 6.1 None as a direct result of this report.

### **7. Equality Implications**

- 7.1 None as a direct result of this report.

## **8. Risk Management**

8.1 The risks identified at a corporate level are used in allocating audit work for the year. Individual Audit reports produced throughout the year identify the level of risk for each recommendation made.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

9.1 This report complies with audit regulations and the principles of good governance.

## **10. Changes in Legislation or other Legal Considerations**

10.1 None

## **11. Details of outcome of consultation**

11.1 None

## **12. Appendices**

12.1 A – Internal Audit Annual Audit Report

# **Nottinghamshire Office of the Police and Crime Commissioner and the Office of Chief Constable for Nottinghamshire**

Internal Audit Annual Report – Year ended 31 March 2014

Presented at the Joint Audit & Scrutiny Panel meeting of: 17 June 2014

Patrick Green

Baker Tilly Risk Advisory Services LLP

# 1 Internal Audit Opinion

## 1.1 Context

As the provider of the internal audit service to the Nottinghamshire Office of the Police and Crime Commissioner and the Office of the Chief Constable for Nottinghamshire we are required to provide the Section 151 Officers and the Joint Audit & Scrutiny Panel an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

In line with the Financial Management Code of Practice published by the Home Office, both the Office of the Police and Crime Commissioner (OPCC) and the Office of the Chief Constable (OCC) must have an internal audit service, and there must be an audit committee in place (which can be a joint committee). This annual report is therefore addressed to both the PCC and the Chief Constable, and summarises the work undertaken during 2013/14.

As your internal audit provider, the assurance and advisory reviews that Baker Tilly Risk Advisory Services LLP (Baker Tilly) provides during the year are part of the framework of assurances that assist the PCC and Chief Constable prepare informed annual governance statements.

## 1.2 Internal Audit Opinion 2013/14

### Nottinghamshire Office of the Police and Crime Commissioner

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Nottinghamshire Office of the Police and Crime Commissioner's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Nottinghamshire Office of the Police and Crime Commissioner has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

### Office of the Nottinghamshire Chief Constable

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of the Office of the Nottinghamshire Chief Constable's arrangements.

In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2014 the Office of the Nottinghamshire Chief Constable has adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

## 1.3 The Basis of the Opinion

### 1.3.1 Governance

Our opinion is based upon our internal audit work during 2013/14 in which all assignments considered the reporting arrangements relating to those areas within the governance framework.

Furthermore, we completed an advisory review of Financial Governance and compliance with elements of the Good Governance Framework and the Financial Management Code of Practice. No significant issues were noted.

### **1.3.2 Risk Management**

A specific review of Risk Management was not completed during 2013/14, therefore our opinion is based upon our internal audit work during 2013/14 in which all assignments considered the reporting arrangements relating to those areas within the risk framework. Our opinion is further informed by our knowledge and understanding of the arrangements in place, together with attendance at Joint Audit & Risk Scrutiny Panel.

### **1.3.3 Control**

Five advisory and thirteen other assurance audit reports were issued across the OPCC and Force in 2013/14. These comprised of seven Green (substantial), one Amber Green (reasonable) and one Amber Red (some) assurance opinions. The Amber Red opinion was on the Collaborative review of Governance & Financial Framework which was completed across the East Midlands Collaboration.

We concluded that the control arrangements in place for both the Office of the Police and Crime Commissioner and the Officer of the Chief Constable were adequate and effective.

### **1.3.4 Acceptance of Recommendations**

All except two recommendations (one medium priority and one low priority as part of the Health & Safety report), made during the year, were accepted by management and we have accepted management's responses in these areas.

Progress made with previous internal audit recommendation

Our follow up of the recommendations made previously, including those that were outstanding from previous years, showed that the organisation had made good progress in implementing the agreed recommendations.

### **1.3.5 Reliance Placed Upon Work of Other Assurance Providers**

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

## 2 Our Performance

### 2.1 Wider value-adding delivery

As part of our client service commitment, during 2013/14 we have:

- Issued client updates and general briefings during the year.
- Provided benchmarking within our reports on the number and category of recommendations and assurance opinions across organisations similar to yourselves.
- Undertaken joint reviews with your collaborative partners to provide a joint assurance opinion including the Governance Framework.
- Undertaken both advisory and assurance reviews across both Corporations Sole. This included sharing best practice across the sector through our work.
- We have made suggestions throughout our audit reports based on our knowledge and experience in the public and private sector to provide areas for consideration.
- Regular contact including ad-hoc telephone calls and queries as required.

### 2.2 Conformance with Internal Audit Standards

Baker Tilly affirms that our internal audit services to the OPCC for Nottinghamshire and the OCC for Nottinghamshire are designed to conform with the Public Sector Internal Audit Standards (PSIAS) which came in to effect from 1 April 2013.

Under the standards, internal audit services are required to have an external quality assessment at least once every five years. During 2011 our Risk Advisory service line commissioned an external independent review of our internal audit services to provide assurance whether our approach meets the requirements set out in the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA). The PSIAS are based upon the IPPF, and therefore we are confident that the results of this review apply to our continuing services in the sector.

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”*.

### 2.3 Conflicts of Interest

We (Baker Tilly) have not undertaken any work or activity during 2013/2014 that would lead us to declare any conflict of interests.

## Appendix A: Internal Audit Opinions and Recommendations 2013/14

| Audit  | Opinion             | Actions Agreed (by priority)           |           |           |
|--|---------------------|--|-----------|-----------|
|  |                     | High                                   | Medium    | Low       |
| Culture  | Advisory            | Uncategorised recommendations included |           |           |
| Commissioning - Grant Applications   | Advisory            | Uncategorised recommendations included |           |           |
| Governance – Financial Governance  | Advisory            | Uncategorised recommendations included |           |           |
| Data Quality – Medacs  | Advisory            | Uncategorised recommendations included |           |           |
| Crime Recording  | Advisory            | Uncategorised recommendations included |           |           |
| Scrutiny Panel – Anti Social Behaviour   | Reasonable Progress | -                                      | -         | -         |
| Workforce Planning   | Amber Green         | 1                                      | -         | 3         |
| Equality & Diversity   | Green               | -                                      | -         | 3         |
| Health & Safety  | Green               | -                                      | 2         | 1         |
| Environmental Policy   | Green               | -                                      | 2         | 3         |
| Absence Management   | Green               | -                                      | 1         | 4         |
| Estates  | Green               | -                                      | -         | 1         |
| Payroll  | Green               | -                                      | -         | -         |
| Creditors & Payments   | Green               | -                                      | -         | 2         |
| Finance Controls – Income & Debtors, Cash, Asset Management & Budgetary Control  | Green               | -                                      | -         | -         |
| Follow Up  | Good Progress       | -                                      | -         | -         |
| Collaboration - Governance & Financial Framework<br>(This audit includes a contribution from each of the East Midlands Audit Plans and has been reported across each of these) | Amber / Red         | 0                                      | 5         | 2         |
| Follow Up - Collaboration - Governance & Financial Framework   | Good Progress       | -                                      | -         | -         |
| <b>Total</b>   |                     | <b>1</b>                               | <b>10</b> | <b>19</b> |

We use the following levels of opinion classification within our internal audit reports:

| <b>Red</b>   | <b>Amber / Red</b>  | <b>Amber / Green</b>  | <b>Green</b>   |
|--|---|---|--|
| <p>Taking account of the issues identified, the OPCC &amp; CC cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action needs to be taken to ensure this risk is managed.</p> | <p>Taking account of the issues identified, whilst the OPCC &amp; CC can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.</p> | <p>Taking account of the issues identified, the OPCC &amp; CC can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.</p> | <p>Taking account of the issues identified, the OPCC &amp; CC can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> |

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 Baker Tilly Risk Advisory 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, Baker Tilly Risk Advisory 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 our Client 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.

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