



Office of the Police & Crime Commissioner for Nottinghamshire and  
Nottinghamshire Police

Internal Audit Progress Report 2015/16

January 2016

Presented to the Audit & Scrutiny Panel meeting of: 11<sup>th</sup> February 2016

# Contents

01 Introduction

02 Summary and conclusions from Internal Audit work to date

03 Performance

## Appendices

A1 Summary of Reports

A2 Internal Audit Plan 2015/16

A3 Definition of Assurances and Priorities

A4 Contact Details

A5 Statement of Responsibility

## 01 Introduction

- 1.1 The purpose of this report is to update the Audit & Scrutiny Panel as to the progress in respect of the Operational Plan for the year ended 31<sup>st</sup> March 2016. The plan was considered and approved by the Audit & Scrutiny Panel at its meeting on 9<sup>th</sup> June 2015.
- 1.2 The Police and Crime Commissioner and Chief Constable are responsible for ensuring that the organisations have proper internal control and management systems in place. In order to do this, they must obtain assurance on the effectiveness of those systems throughout the year, and are required to make a statement on the effectiveness of internal control within their annual report and financial statements.
- 1.3 Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Audit & Scrutiny Panel, with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal audit also has an independent and objective advisory role to help line managers improve governance, risk management and internal control. The work of internal audit, culminating in our annual opinion, forms a part of the OPCC and Force's overall assurance framework and assists in preparing an informed statement on internal control.
- 1.4 Responsibility for a sound system of internal control rests with the Police and Crime Commissioner and Chief Constable and work performed by internal audit should not be relied upon to identify all weaknesses which exist or all improvements which may be made. Effective implementation of our recommendations makes an important contribution to the maintenance of reliable systems of internal control and governance.
- 1.5 Internal audit should not be relied upon to identify fraud or irregularity, although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control will not necessarily be an effective safeguard against collusive fraud.
- 1.6 Our work is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS).

## 02 Summary of internal audit work to date

- 2.1 We have issued four final reports since the last progress report to the Panel, these being in respect of Integrated Offender Management, Victims Code of Practice, Proceeds of Crime and Procurement. Management are currently considering their responses with regards a further two draft audit reports; these beings in respect of the Core Financials and the Savings Programme, the latter of which is an additional piece of work to the agreed plan.
- 2.2 The following table is provided provides a summary of assurances, including the number and categorisation of recommendations, in each report issued to the date. Further details, and scheduled work for the rest of the year, are provided in Appendix A1.

Auditable Area	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Joint Code of Corporate Governance	Final	Satisfactory			2	2
Core Financials	Draft	Limited	5	6	2	11
Payment Processes & Procedures	Final	Limited	1	2		3
Integrated Offender Management	Final	Satisfactory		1	2	3
Victims Code of Practice	Final	Limited	2	6	2	10
Savings Programme	Draft	Limited	2	3		5
Proceeds of Crime	Final	Satisfactory		2	2	4

Auditable Area	Report Status	Assurance Opinion		Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Procurement	Final	Local - Limited	EMSCU - Limited	3	7	1	11
<b>Total</b>				<b>13</b>	<b>27</b>	<b>11</b>	<b>51</b>

2.3 As part of the Core Financials audit, Internal Audit were also requested to carry out additional testing in respect of the use of credit cards and the process for claiming expenses due to concerns about the robustness of the current controls in place. Separate memorandums were provided to the OPCC Chief Financial Officer with regards the findings and these are being discussed at a meeting being held on 28<sup>th</sup> January to address the Core Financials audit.

2.4 The scope and fieldwork dates in respect of Social Impact & Value and Commissioning have been agreed and both are due to start shortly.

2.5 As reported in the last progress report, Baker Tilly had been commissioned to undertake assurance mapping exercises across a number of regional collaboration arrangements, the output of which would inform the internal audit plan. At the time of writing we have not had sight of the output from this work. However, the OPCC Chief Finance Officer group have requested that Internal Audit, in the meantime, undertake regional audits in the following areas:

- Officers in kind
- Forensics
- Covert Payments
- Terms of Reference for the PCC Board

Audit are currently in discussions to agree the scope of each audit, with the aim of carrying out the work as part of the 2015/16 audit plan.

## 03 Performance

3.1 The following table details the Internal Audit Service performance for the year to date measured against the key performance indicators that were set out within Audit Charter. This list will be developed over time, with some indicators either only applicable at year end or have yet to be evidenced.

No	Indicator	Criteria	Performance
1	Annual report provided to the ASP	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the ASP	As agreed with the Client Officer	Achieved
3	Progress report to the JIAC	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	87% (7/8)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (6/6)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	N/A
7	Follow-up of other recommendations	100% within 12 months of date of final report.	N/A
8	Audit Brief to auditee	At least 10 working days prior to commencement of fieldwork.	100% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

# Appendix A1 – Summary of Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the reports that have yet to be presented to the Audit & Scrutiny Panel are provided below:

## Victims Code of Practice

<b>Assurance Opinion</b>	Limited
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	2
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	2

Our audit considered the following risks relating to the area under review:

- The requirements as set out in the Code of Practice for Victims of Crime are being complied with.
- Policies and procedures have been put in place to support officers in complying with the code. Such guidance should include, but not be limited to, guidance in respect of:
  - Needs assessments
  - Crime reporting work sheets
  - Referral mechanisms
  - Communications with the victim
  - Personal statements
  - Complaints procedures
- Performance information is available, and provided to the appropriate forum, in respect of compliance with the Code and action plans put in place to address areas of improvement.
- Recommendations raised as a consequence of the 2014/15 internal audit have been implemented and are being consistently applied.

In reviewing the above risks, our audit considered the following areas:

- Compliance with requirements of the Code
- Policies and procedures
- Performance Information
- Follow up of the previous recommendations raised

We raised two fundamental (priority 1) recommendations which should be address immediately. Details of the finding, recommendation and response are detailed below:

Recommendation 1	All victims should be provided with the Victim Information Pack and/ or referred to the information available on the Nottinghamshire Police Victim website. Confirmation that this information has been communicated should be recorded on the VCOP working sheet within the CRMS.
Finding	<p>Victims are entitled to receive a clear explanation of what to expect from the criminal justice process. The VCOP working sheet requires officers to confirm they have either provided the Victim with a Victim Information Pack (VIP) or referred them to Nottinghamshire Police Victim website.</p> <p>Audit testing identified that in fourteen out of twenty-five cases the officer had not confirmed this information had been provided or the referral had been made.</p>
Response	Performance information is available to highlight those crimes where there is no working sheet attached. Work is ongoing to build this into the DPR document, and a performance slide figures as a standing slide within divisional monthly OPR packs. Work is ongoing to develop a force dashboard that will sit within Business Objects that will allow information to be available down to officer level in relation to non-compliant crimes, and will also contain a function to generate an automatic email to officers when crimes are so deficient. This will allow regular supervisory overview and will further enhance compliance with the code. A communication strategy will be implemented once new amendments to the code are known, and this will further drive compliance with the code. Current work in relation to the introduction of Niche should see the completion of the needs assessment as mandatory once the details of the victim have been entered on the system, thereby ensuring compliance with the code.
Timescale	6 months- dependent upon the introduction of Niche.

Recommendation 2	The reports detailing officers who are still to complete the Victims Code training should be located and the system for following up non compliance established to provide assurance that all officers are adequately trained to ensure compliance with the Code.
Finding	<p>At the previous audit a recommendation was made to formally monitor key training relating to the Victims Code and reminders sent on a periodic basis to those individuals who have not completed the training.</p> <p>The management response to this recommendation was that compliance is monitored with regular reports being produced and completion/ non completion reports sent to BCU/ Department Leads.</p> <p>At the time of the current audit information was requested to confirm the number of officers who were required to complete this training but had not yet done so. It was found that the system for recording e-learning progress could only provide information on those officers who had completed the training rather than 'non-completers'. The Learning &amp; Development Team were working to resolve this, however, given this information was not available, testing could not be undertaken to confirm that compliance was being monitored given that non completion reports are not being issued.</p>
Response	Training data has previously been available in relation to officers who have, and have not, completed the VCOP e-learning. This data was included within the monthly team packs sent out to supervisors and has also been monitored through the force training panel. Once the data becomes available again, this process will meet the objective of identifying those officers who have not completed the e-learning.



**Timescale**

As the training data becomes available again.

Furthermore, we raised six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- A VCOP working sheet should be maintained for each crime involving a victim. Officers should be reminded of the importance of creating and maintaining this working sheet which should be evidenced within the CRMS system.
- Needs assessments should be carried out with all victims of crime and results recorded on the VCOP working sheet within the CRMS system. This should then be used of the basis of support provision for the victim going forward.
- Preferred method and frequency of contact should be established with each victim of crime to enable them to be updated on the progress of any ongoing investigation. This should be recorded on the VCOP working sheet and evidence maintained that updates have been provided in line with this request.
- The VIP should be reviewed and updated to incorporate the Right to Review procedure and information in respect of participation of the Restorative Justice scheme. (It is noted that a further update to the Victims Code of Practice is due later in 2015 and therefore it is practical to await this publication prior to review and update of the VIP to establish whether any additional areas require review).
- Officer should be reminded that when updates are provided to victims, acknowledgement should be made within the 'aggrieved updated' box on CRMS to support the update and prevent this being escalated via performance management information.
- All victims should be considered for referral to specialist agencies in addition to Victim Support Services. These referrals and proactive support provided should be evidenced within the CRMS system.

Management accepted the recommendations and have put in place plans to address the issues by July 2016.

**Core Financials**

<b>Assurance Opinion</b>	Limited
<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	5
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	2

Our audit considered the following risks relating to the area under review:

- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cash flow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.

- The purchasing process is not complied with by staff which could lead to fraudulent transactions that go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and where the employee loses out, loss of reputation.

In reviewing the above risks, our audit considered the following areas:

- General Ledger
- Cash, Bank and Treasury Management
- Payments and Creditors
- Income and Debtors
- Payroll
- Service Delivery

We raised five fundamental (priority 1) recommendation which should be address immediately. These related to the following:

- Segregation of duties should be introduced into the process for creating or amending supplier details within Oracle.

In addition, new suppliers should only be set up upon receipt of an approved new supplier form and this should include key details that then can be verified by MFSS, for example identification of directors of the company so the reputation and current financial status of the company can be verified.

Consideration should be given to reviewing a sample of new suppliers set up since the implementation of MFSS processes to ensure appropriate checks have been made.

- Negotiation should take place between the Nottinghamshire Office of the Police & Crime Commission, Nottinghamshire Police and MFSS to establish how the current authorisation limits, as agreed within the scheme of delegation, can be embedded into the current purchasing process.

All approval of purchases should then be in line with the agreed Scheme of Delegation and Financial Regulations.

- The Purchasing Process and controls/ access within Oracle system should be reviewed to ensure that at least two members of staff are involved in the ordering, receipt and payment approval process for goods and services which exceed the value of £250.
- Leaver notifications should be submitted by managers within the Force at the point the employee makes their resignation. MFSS should liaise with HR to ensure that notifications are forwarded to them at the earliest opportunity.

MFSS should ensure that service requests are timely allocated to Payroll to allow records to be updated and the Payroll closed.

Payroll Officers should implement adequate checking processes to ensure that all requests for unpaid leave are actioned in a timely manner.

- The Force should review its expense policy to ensure it remains fit for purpose and includes clear guidance on all categories of expenses and which are appropriate to be claimed through the self serve systems. The review should also ensure that authorised limits for categories of expenditure remain valid.

Consideration should also be given to instructing staff to provide uploaded receipts for all claims made to instil further accountability in the self serve process and ensure claims identified through the spot check processes are not delayed through missing receipts.

Following review and update, the policy should be reissued to all officers and staff to ensure awareness and

compliance. This should include consequences for staff who breach the policy.

Overpayments made to staff who have claimed invalid or inappropriate rates for expenses should also be recouped by the Force.

Furthermore, we raised six priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- The implementation of the interface for the Payroll system should be progressed.

In the interim, and for the purpose of actioning starters, leavers and variations, Payroll should introduce 'checklists' to identify and confirm that all key details (including staff and officer grade, contracted hours and personal details) have been correctly input to the system prior to the payroll run.

- Payments should not be made on a proforma invoice as this is not a valid VAT document to support the accounting transaction. Clarification should be provided to MFSS to ensure these payments are not made going forward. .

If advance payments and proforma invoices are accepted in certain circumstances, a list detailing these approvals should be produced and provided to MFSS and any variations to this approved on a case by case basis.

- Responsibility for debt recovery processes on migrated debtor accounts should be clarified and a dedicated review undertaken of the status of each invoice to ensure there is an agreement and a recovery plan going forward between MFSS and the retained force.
- Debtor performance information should be requested/ provided every six months to enable the Force to assess the effectiveness of their debt recovery process and to identify any potential large value write offs prior to year end.

In addition, sufficient guidance and training, where applicable, should be provided to the Force to enable them to be able to access local aged debt reports when required.

- MFSS process maps and desk instructions should be subject to review and update where necessary, following which they should be subject to this process at least annually. Any revisions to instructions should be communicated to all relevant staff.
- MFSS should ensure that invoices put on hold due to a mismatch in the VAT rate of the invoices are reviewed and cleared by staff on a timely basis.

Management should ascertain whether categories of expenditure (rather than the supplier as a whole) can be set with a default VAT code to prevent these rejections.

In addition, consideration should be given to assigning key categories of suppliers with a zero rated VAT percentage to ensure invoices placed on hold are kept to a minimum.

A meeting has been scheduled for 28<sup>th</sup> January to discuss the issues coming out of the report.

## Appendix A2 Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target ASP	Comments
<b>Core Assurance</b>					
Joint Code of Corporate Governance	Aug 2015	A - Sept 2015	A - Nov 2015	Dec 2015	Final report issued.
Financial Controls – MFSS	Oct / Nov 2015	P - Nov 2015	A - Dec 2015	Feb 2016	Meeting 28 <sup>th</sup> Jan to discuss the draft.
Financial Controls – PBS	Postponed	Postponed	Postponed	Postponed	Due to Strategic Alliance developments, audit postponed.
<b>Strategic &amp; Operational Risk</b>					
Integrated Offender Management	Sept 2015	A - Oct 2015	A - Jan 2016	Dec 2015	Final report issued.
Social Impact / Value	Feb 2015	P - March 2016	P - March 2016	April 2016	Deferred from Q3 to allow further discussion of the scope. Start date agreed.
Proceeds of Crime	July 2015	A - Sept 2015	A - Jan 2016	Dec 2015	Final report issued.
Commissioning	Feb 2016	P - March 2016	P - March 2016	April 2016	Scope and start date agreed.
Code of Practice for Victims of Crime	Sept 2015	A - Oct 2015	A - Dec 2015	Feb 2016	Final report issued.
<b>Collaboration</b>					
Procurement	Aug 2015	A - Oct 2015	A - Jan 2016	Dec 2015	Final report issued.
Collaboration	On-going	On-going	On-going	On-going	See paragraph 2.5.
<b>Other</b>					
Payments Processes & <a href="#">PP</a> rocedures	July 2015	A - Sept 2015	A - Oct 2015	Dec 2015	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target ASP	Comments
Savings Programme	Aug 2015	A - Sept 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response. Meeting 28 <sup>th</sup> Jan to discuss the draft.
Follow-up of Recommendations	Q4	P – March 2016	P - March 2016	April 2016	A report will be presented at the next meeting of the ASP which provides an update on the implementation of audit recommendations.

\* P – Planned Date; A – Actual Date

## Appendix A3 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Significant Assurance:</b>	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
<b>Satisfactory Assurance:</b>	While there is a basically sound system of internal control, there are weaknesses, which put some of the Organisation's objectives at risk.	There is evidence that the level of non-compliance with some of the control processes may put some of the Organisation's objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal controls are such as to put the Organisation's objectives at risk.	The level of non-compliance puts the Organisation's objectives at risk.
<b>No Assurance</b>	Control processes are generally weak leaving the processes/systems open to significant error or abuse.	Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
<b>Priority 2 (Significant)</b>	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
<b>Priority 3 (Housekeeping)</b>	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.

## Appendix A4 - Contact Details

### Contact Details

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## A5 Statement of Responsibility

### **Status of our reports**

*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

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