

For Information / Consideration	
Public/Non Public*	Public
Report to:	Joint Audit and Scrutiny Panel
Date of Meeting:	July 2019
Report of:	Chief Finance Officer
Report Author:	Charlotte Radford
Other Contacts:	Brian Welch
Agenda Item:	13

INTERNAL AUDIT PROGRESS REPORT

1. Purpose of the Report

- 1.1 To provide members with an update on progress against the Internal Audit Annual Plan for 2019-20 and the findings from audits completed to date.

2. Recommendations

- 2.1 Members are recommended to consider the report and where appropriate make comment or request further work in relation to specific audits to ensure they have adequate assurance from the work undertaken.

3. Reasons for Recommendations

- 3.1 This complies with good governance and in ensuring assurance can be obtained from the work carried out.

4. Summary of Key Points

- 4.1 The attached report details the work undertaken to date and summarises the findings from individual audits completed since the last progress report to the panel.

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 None as a direct result of this report. Recommendations will be actioned to address the risks identified within the individual reports and recommendations implementation will be monitored and reported within the audit and inspection report to this panel.

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

- 9.1 This report complies with good governance and financial regulations.

10. Changes in Legislation or other Legal Considerations

- 10.1 None

11. Details of outcome of consultation

- 11.1 Not applicable

12. Appendices

- 12.1 Appendix A – Internal Audit Progress Report 2019-20



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

Internal Audit Progress Report 2018/19 & 2019/20

July 2019

Presented to the Joint Audit & Scrutiny Panel meeting of: 24th July 2019

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01 Introduction

- 1.1 The purpose of this report is to update the Joint Audit & Scrutiny Panel (JASP) as to the progress in respect of the Operational Plan for the year ended 31st March 2019, together with progress on delivering the 2019/20 Internal Audit Plan which was considered and approved by the JASP at its meeting on 22nd February 2019.
- 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 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 Since the last meeting of the JASP we have issued the last final report in respect of the 2018/19 plan, this being in respect of Property Management. Further details are provided in Appendix 1.

Nottinghamshire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Force Management of MFSS Arrangements	Final	Limited	2	2		4
Code of Governance	Final	Satisfactory		4		4
Health & Safety	Final	Limited	1	3	1	5
Commissioning	Final	Satisfactory		2	1	3
Follow-up of Limited Assurance Recommendations	Final	N/A				
Core Financial Systems	Final	Satisfactory		6	3	9
IT Strategy	Final	N/A	2	2	2	6
GDPR	Final	Limited	2	1	4	7
Firearms Licensing	Final	Satisfactory		3	1	4
Property Management	Final	Limited	4	4		8
Partnership Working	Final	Satisfactory		2	1	3
Total			11	29	13	53

2.2 As reported at the last JASP meeting, the initial 2018/19 Collaboration Internal Audit Plan is complete, however we still await management’s response to the additional audit in respect of Projected Underspends. Further details are provided in Appendix 2.

Collaboration Audits 2018/19	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Strategic Financial Planning	Final	Satisfactory		4		4
Risk Management	Final	Satisfactory		3	3	6
Business Planning	Final	Satisfactory		2	1	3
Projected Underspend	Draft					
Total			-	9	4	13

For the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar ‘themed’ approach would be taken, albeit covering a different set of themes / areas, carrying out the audit across a further sample of units. The proposed ‘themed’ audits are:

- Performance Management
- Business Continuity
- Health & Safety

A paper, briefly setting out the audit areas for 2019/20, will be presented for consideration at the Deputy Chief Constable’s Board, including a brief overview of the likely areas of the scope. Prior to the audit work commencing a more detailed set of terms of reference will be produced which provide the framework for the audit fieldwork and these too will be shared with DCC’s in order for them to feed in at that stage as well.

2.3 With regards progress with the 2019/20 plan, we have issued one draft report where we await management’s responses, this being in respect of Business Continuity & Emergency Planning. Additionally, we have recently completed the fieldwork in respect of Performance Management, whilst over the coming months we will be carrying out audits of Data Quality and MFSS Contract Management.

03 Performance 2018/19

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.

No	Indicator	Criteria	Performance
1	Annual report provided to the JASP	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JASP	As agreed with the Client Officer	Achieved
3	Progress report to the JASP	7 working days prior to meeting.	Achieved
4	Issue of draft report	Within 10 working days of completion of final exit meeting.	100% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (11/11)
6	Follow-up of priority one recommendations	90% within four months. 100% within six months.	Achieved
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% (3/3)

Appendix A1 – Summary of Reports 2018/19

Below we provide brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last progress report in respect of the 2018/19 Internal Audit Plan:

Property Management

Assurance Opinion	Limited
Recommendation Priorities	
Priority 1 (Fundamental)	4
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	-

Policies, Procedures and Training

- Policies and procedures are in place to ensure that cash / property detained is dealt with in accordance with relevant legislation and the Force's policies and procedures.
- Suitable training is provided to officers and staff to ensure they are aware of requirements when dealing with seized property.
- An appropriate insurance policy for the handling, retention and movement of cash / property is in place.

Receiving and Recording

- Cash is counted in a secure and controlled environment, with an appropriate level of independent verification.
- Cash / property initially seized or received is accurately recorded on the property system in line with relevant procedures.
- Appropriate mechanisms are in place to accurately record the movement and disposal of cash / property.

Security Arrangements

- Cash / property is stored securely, with restricted and controlled access to nominated officers and staff.
- Cash / property is transported securely by the appropriate number of authorised officers or staff in line with procedural and insurance requirements.

Disposal of Property

- Physical cash / property is only retained by the Force for the necessary period of time.
- Cash / property is disposed of in an appropriate manner and evidence of the reasons for, and method of, disposal is retained for confirmation.
- Authorised officers or staff provide approval for the disposal of cash / property in line with relevant procedures.

Property Management

- An appropriate safe audit regime is in place to identify breaches of agreed procedure and confirm cash / property stored.
- Mechanisms for monitoring the cash / property stored and disposed of are in place.

We raised four priority 1 recommendations of a fundamental nature that required addressing. These are set out below:

Recommendation 1	Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations.
Finding	<p>Review of the temporary store at Watnall (red, amber and green shelves) could not locate four items (5%) recorded as being held in this storage facility on Niche.</p> <p>Review of the temporary store at Radford Road (red, amber and green shelves) could not locate 89 items (24%) recorded as being held in this storage facility on Niche.</p> <p>Review of the temporary store at Oxclose Lane (red, amber and green shelves) could not locate 29 items (15%) recorded as being held in this storage facility on Niche.</p> <p>In total, 653 items were reviewed as part of the Temporary Storage audit; 122 items could not be located and were not stored in the location stated on the Niche system (19%).</p>
Response	<p>The Classroom based input for officers on Property Management has been delayed due to National Disclosure Training which took priority in 2018 and although this was again approved for 2019, National Domestic Violence Training now means there is insufficient space within the Training Calendar to facilitate the original proposed property management input. Therefore an alternative solution based on disseminating information using the Force Intranet is being explored supplemented with Road Shows to frontline officers by the A&E SMT.</p> <p>The barcoding app has been developed in terms of proof of concept on the new Samsung Mobile Device which links to Niche to allow officers to be able to check items into and out of holding stores using this mobile technology to facilitate easier access for frontline resources. The full development of the app and roll out of printers and scanners has been delayed but is proposed to go to the Futures Board in July 2019.</p>
Timescale / Responsibility	<p>Disseminating Information Using the Intranet / Between September and December 2019</p> <p>Barcoding App and printers / December 2019</p> <p>Head of Archives & Exhibits</p>

Recommendation 2	Access to the Temporary Stores should be restricted to only police officers or the Archive & Exhibit Team who require access. Those who do not have a job related purpose should have their access to these areas removed.
Finding	<p>As part of the last audit, a recommendation was raised in relation to access to the Temporary Stores. Whilst it was noted that access is restricted via a key or an access pass, depending on the store location, it was confirmed access via an access pass is not restricted to only police officers. Any member of police staff may access a temporary store if they hold an access pass. Access to these stores are not restricted and may be entered by personnel with no requirement to use the facility.</p> <p>This recommendation has not been implemented. Management advised that work in this area is ongoing to determine the best method of ensuring security within Temporary</p>

	Stores.
Response	<p>Although all Internal Stores are now on the new Door Access Control System, there is an issue with some of the Overnight Stores being sited in rooms which also contain utilities equipment (e.g. electricity and gas meters, power supplies etc). Further work with the Estates and Facilities Team is necessary to assess whether the locations of these stores can be amended to rooms which do not have utilities equipment within as otherwise contractors need to enter these rooms and would need to be accompanied by either Facilities staff or A&E staff and neither team have the capacity available to accommodate this within existing resources.</p> <p>Due to staffing shortages and other Estates/Facilities and A&E priorities the surveys for these sites have been delayed.</p>
Timescale / Responsibility	<p>December 2019</p> <p>Head of Archives & Exhibits</p>

Recommendation 3	The Main Vault in the main stores should be subject to an audit on a periodic basis, every 6-12 months. This audit should be completed to ensure that all valuables and cash stated to be held in the vault is accounted for.
Finding	<p>As part of the last audit, it was confirmed that the Main Vault stores are not subject to frequent and regular reconciliations. The Main Vaults contain large quantities of cash and high valuable items, with the value likely to exceed £1 million since EMSOU began using the Nottinghamshire facilities in 2016.</p> <p>Management confirmed that due to resourcing issues, primarily staffing, it had not been feasible to complete at the time of the audit.</p>
Response	<p>Posts within the Cash & Confiscations Team were filled in September 2018 but the team was significantly adversely affected by 1 member of staff (25% of the resources) being off long term sick for over 12 months.</p> <p>A significant period of training has been required for the new Cash & Confiscations staff which has needed to be facilitated by the Head of Archive & Exhibits in order for these individuals to be able to carry out the full duties of the role.</p> <p>Since January 2019 the new staff have been able to work independently and the backlog of work caused by the abstractions is now being addressed with a proactive review of all counted cash not previously banked being conducted. The updating of records on the electronic property systems are also being progressed to enable a full audit of the vaults to be conducted later this financial year.</p>
Timescale / Responsibility	<p>The updating of records and a 100% audit of the Vaults will be completed by March 2020.</p> <p>Head of Archives & Exhibits</p>

Recommendation 4	Temporary locations should be reviewed and audited during the collection and delivery runs. Where discrepancies are identified, these should be raised with the Officer in Case to verify the location of property.
Finding	<p>Review of the Temporary Stores identified items of property present at the location, but did not reconcile to the Niche data. The following was noted:</p> <ul style="list-style-type: none"> - At the Watnall Temporary Store, three items of property were identified. - At the Radford Road Temporary Store, 31 items of property were identified. - At the Oxclose Lane Temporary Store, eight items of property were identified.
Response	<p>It is not possible with the existing resources within A&E to carry out a full audit of every holding store on every visit. The RAG System means that the Green (“Go”) shelves are checked 100% on every visit. The Amber (“Waiting”) and the Red (“Stop”) Shelves, where property is retained for up to 28 days are checked on a monthly basis.</p> <p>The process of raising discrepancies with the OIC is part of the launch of Niche Workflows, these have been delayed due to regional issues but are now anticipated to be built and in operation by December 2019. In the meantime work is being progressed to consider whether the new Niche Property Business Objects Environment can be used to generate reports to support this action.</p> <p>The root of the issue is linked to Recommendation 5.1 above and involves officers not updating Niche with property movements and the proposals to address this are as per section 5.1 above.</p>
Timescale / Responsibility	<p>December 2019</p> <p>Head of Archives & Exhibits</p>

We also raised four priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Property should be logged onto Niche at the point of seizure, or earliest opportunity, prior to being placed in a temporary store. Items held within the temporary store that have not been appropriately logged should be raised with the responsible officer.
- Officers within the Force should be provided with further Niche training in relation to the continuity of property management, including the checking in and out of property from temporary storage.
- Policies and Procedures in relation to seized property should be updated to reflect the current adopted process since implementation of Niche in February 2016.
- It should be ensured that in all instances where cash is disposed or destroyed, that this is appropriately reflected on the property management systems.

Management confirmed that actions would be addressed by March 2020.

Appendix A2 Internal Audit Plan 2018/19

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Core Assurance					
Core Financial Systems	Nov 2018	Dec 2018	Feb 2019	May 2019	Final report issued.
Code of Governance	Sept 2018	Aug 2018	Oct 2018	Nov 2018	Final report issued.
Strategic & Operational Risk					
Partnership Working	Mar 2019	Apr 2019	May 2019	May 2019	Final report issued.
Commissioning	Sept 2018	Oct 2018	Nov 2018	Feb 2018	Final report issued.
Force Management of MFSS Arrangements	June 2018	June 2018	July 2018	Nov 2018	Final report issued.
IT Strategy	Nov 2018	Feb 2019	Apr 2019	May 2019	Final report issued.
Property Management	Mar 2019	Apr 2019	July 2019	July 2019	Final report issued.
GDPR	Nov 2018	Dec 2018	Feb 2019	Feb 2019	Final report issued.
Health & Safety	Sept 2018	Oct 2018	Feb 2019	Feb 2019	Final report issued.
Firearms Licensing	Oct 2018	Oct 2018	Nov 2018	Feb 2019	Final report issued.
Follow-up of Limited Assurance Recommendations	July 2018	July 2018	July 2018	Nov 2018	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Collaboration					
Risk Management	Aug 2018	Nov 2018	Feb 2019	May 2019	Final report issued.
Strategic Financial Planning	July 2018	Oct 2018	Feb 2019	May 2019	Final report issued.
Business Planning	Sept 2018	Jan 2019	Mar 2019	May 2019	Final report issued.
Review of Collaboration Assurance Statements	May 2018	May 2018	June 2018	July 2018	Final memo issued.
Projected Underspend	Feb 2019	Mar 2019		May 2019	Draft report issued.

Appendix A3 Internal Audit Plan 2019/20

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Core Assurance					
Core Financial Systems	Dec 2019			Feb 2020	
Strategic & Operational Risk					
Data Quality	Sept 2019			Nov 2019	
Programme Management	Oct 2019			Feb 2020	
MFSS Contract Management	Sept 2019			Nov 2019	
Business Continuity & Emergency Planning	May 2019	June 2019		July 2019	Draft report issued.
IT Security	Sept 2019			Nov 2019	
General Data Protection Regulation (GDPR)	Nov 2019			Feb 2020	
Health & Safety	Jan 2020			May 2020	
Performance Management	June 2019			Nov 2019	Fieldwork completed.
Custody Arrangements	Jan 2020			May 2020	

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Collaboration					
Performance Management	Oct 2019			Feb 2020	
Business Continuity	Nov 2019			Feb 2020	
Health & Safety	Jan 2020			May 2020	

Appendix A4 – Definition of Assurances and Priorities

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
Significant Assurance:	There is a sound system of internal control designed to achieve the Organisation's objectives.	The control processes tested are being consistently applied.
Satisfactory Assurance:	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.
Limited Assurance:	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.
No Assurance	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
Priority 1 (Fundamental)	Recommendations represent fundamental control weaknesses, which expose the organisation to a high degree of unnecessary risk.
Priority 2 (Significant)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.
Priority 3 (Housekeeping)	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 A5 - Contact Details

Contact Details

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A6 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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