



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

Internal Audit Progress Report 2017/18

February 2018

Presented to the Joint Audit & Scrutiny Panel meeting of: 2<sup>nd</sup> March 2018

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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 2017/18 Internal Audit Plan which was considered and approved by the JASP at its meeting on 9<sup>th</sup> March 2017.
- 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 We have issued three final reports in respect of the 2017/18 plan since the last progress report to the JASP, these being in respect of the Core Financial Systems, Procurement Follow-up and Road Safety Partnership. We have also issued a draft report in respect of the Counter Fraud Review where we await management's response and the final report will be issued shortly. Further details are provided in Appendix 1.

Nottinghamshire 2017/18 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Seized Property	Final	Limited	5	4	1	10
Workforce Planning	Final	Satisfactory	-	4	4	8
Estates Management	Final	Satisfactory	-	-	3	3
Fleet Management	Final	Satisfactory	-	5	1	6
PEEL Review Action Plan	Final	N/A <sup>1</sup>	-	-	-	-
Road Safety Partnership	Final	Limited	3	2		5
Procurement Follow-up	Final	Satisfactory	-	4	2	6
Core Financial Systems	Final	Satisfactory	-	6	4	10
Counter Fraud Review	Draft					
<b>Total</b>			<b>8</b>	<b>25</b>	<b>15</b>	<b>48</b>

<sup>1</sup> PEEL Review Action Plan – this was carried out as an addition to the approved Internal Audit Plan for 2017/18, upon request of the Police & Crime Commissioner. The audit review focused on Force responses and actions taken to address the issues in the Monitoring Assurance Framework that was produced by the OPCC following the publication of the HMIC PEEL: Police Effectiveness Report in March 2017 and not to provide an opinion on the adequacy and effectiveness of controls.

- 2.2 The only outstanding audit specifically related to Nottinghamshire is that in respect of the DMS Follow-up Review which is scheduled to be carried out in March. The audit of IT Strategy, which was originally planned for quarter 3, and was intended to encompass Northamptonshire and Leicestershire as well, has been deferred to 2018/19 following changes in the manner in which IT will be managed across the region. Further details are provided within Appendix A2.

2.3 Similarly to 2016/17, five specific areas have been identified in terms of the collaborative audits for 2017/18 and a lead officer (OPCC CFO) has been identified as a single point of contact. Four of the audits adopted a similar scope to that of the 2016/17 audits and looked at the business plan and S22 agreement in terms of whether it is being delivered and is fit for purpose going forward; the scope also included value for money considerations and arrangements for managing risk. The four areas of collaboration that formed the focus of these initial reviews were:

- EMCHRS Learning & Development
- EMCHRS Occupational Health
- EMSOU Forensic Services
- Criminal Justice (EMCJS)

The fifth audit within the Collaboration plan relates to the Proceeds of Crime Act (POCA) and will review the arrangements in place across the region to manage cash and property seizures.

2.4 We have issued one final report since the last progress report to the JASP, this being in respect of Criminal Justice (EMCJS). Further details are provided in Appendix 1.

Collaboration Audits 2017/18	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
EMCHRS Learning & Development <sup>1</sup>	Final	Satisfactory		2	3	5
EMSOU Forensic Services <sup>1</sup>	Final	Significant			3	3
EMCHRS Occupational Health <sup>1</sup>	Final	Substantial			3	3
Criminal Justice (EMCJS) <sup>1</sup>	Final	Satisfactory		1	2	3
<b>Total</b>			-	3	11	14

<sup>1</sup>Denotes those collaborative arrangements which Nottinghamshire are a part of.

## 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.

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% (9/9)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (8/8)
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% (9/9)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (2/2)

## Appendix A1 – Summary of Reports 2017/18

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 meeting of the JASP:

### Core Financial Systems

<b>Assurance Opinion</b>	<b>Satisfactory</b>
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<b>Area Assurance on adequacy and effectiveness of internal controls</b>	
<b>General Ledger</b>	<b>Satisfactory</b>
<b>Cash, Bank &amp; Treasury Management</b>	<b>Satisfactory</b>
<b>Payments &amp; Creditors</b>	<b>Satisfactory</b>
<b>Income &amp; Debtors</b>	<b>Satisfactory</b>
<b>Payroll</b>	<b>Limited</b>

<b>Recommendation Priorities</b>	
<b>Priority 1 (Fundamental)</b>	-
<b>Priority 2 (Significant)</b>	6
<b>Priority 3 (Housekeeping)</b>	4

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 may 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

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

- MFSS should put a process in place to ensure the procedures are reviewed and updated in line with the *Next Review Dates* that are stated in their procedures.
- MFSS should review the process for removing leavers from the system to ensure that it is completed in a timely manner.
- MFSS should ensure that once invoices are received they are paid in a timely manner.
- MFSS should review the cases highlighted by audit and take appropriate debt collections actions to try and collect the outstanding debts.
- MFSS should investigate the instance highlighted and ensure that the system will not allow the secondary check to be avoided.  
Consideration should be given to carrying out spot checks on amendments to payroll data to ensure the secondary checks are taking place.
- The Force should ensure that it is clearly communicated to staff that they need to attach supporting documentation for expenses claims to be paid.  
The Force should consider carrying out a spot check on a random sample of expenses, in addition to the current checks carried out, to confirm compliance with the Expenses Policy, highlighting areas of non-compliance to ensure lessons are learnt.

We also raised four housekeeping issues with regards net pay account reconciliations, bank reconciliations, payroll performance data and checks on new suppliers.

Management confirmed that all actions have either been implemented or will be actioned by May 2018.

### Procurement Follow-up

<b>Assurance Opinion</b>	<b>Satisfactory (Force)</b>
	<b>Satisfactory (MFSS)</b>

<b>Recommendation Priorities</b>	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	4
Priority 3 (Housekeeping)	2

The audit determined the extent to which agreed recommendations have been implemented and assessed what mitigating controls are in place where no changes have been made in view of the previously identified weaknesses.

The above objective were assessed in light of the audit objectives set out in the 2015/16 and 2016/17 internal audit terms of reference; these being:

- Policies, procedures and guidance are in place to ensure officers and staff are aware of the process for purchasing goods and services.
- Purchasing authority levels are clearly defined and adhered to.
- All purchases over £25,000 are managed by the East Midlands Strategic Commercial Unit (EMSCU).
- Purchases are supported by sufficiently detailed and authorised business cases where appropriate.
- All procurement below £25,000 is authorised locally, with purchase orders raised and with quotations and tenders sought where appropriate.
- Purchases below the £25,000 threshold are monitored to ensure compliance with local financial and procurement regulations and that best value is being achieved.
- National frameworks are used where it is appropriate to do so and best value is considered when making this decision.
- Value for money is considered and decisions regarding this are documented during the procurement process.

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

- EMSCU staff should be reminded of the need to upload signed documentation to Crystal for all contracts that are finalised. Wherever possible, original documentation should also be requested when existing contracts are extended. Dip sampling should be completed by EMSCU to ensure that documents are being uploaded to crystal as required. (EMSCU Responsibility)
- A further communication should be issued to remind all staff who raise and approve requisitions that the supporting documentation should be clearly attached in the Oracle system. This should include appropriate quotes or details of related contracts. Consideration should be given to completing dip samples to ensure compliance with Contract Procedure Rules. (Local Responsibility)
- EMSCU should conduct detailed analysis of the quarterly supplier spend reports that are provided by Finance to identify any suppliers where a contract would be beneficial and could deliver value for money. (Local & EMSCU Responsibility)
- Finance should engage MFSS to ensure exception reports are provided on a regular basis. Possible reports could include: Duplicate invoices; Changes to bank details; Split invoices; Invoices paid with no PO; and New suppliers. Finance should review these exception reports to identify any errors within the finance system or possible fraudulent activity. (Local Responsibility)

We also raised two housekeeping issues with regards policies and procedures, and cleansing of supplier records.

Management confirmed that all actions would be implemented by the end of January 2018.

## Road Safety Partnership

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

As an addition to the agreed Internal Audit Plan for 2017/18 for the Office of the Police and Crime Commissioner for Nottinghamshire (OPCC) and Nottinghamshire Police, we undertook an audit of the controls and processes in place for the management of expenditure with regards the Road Safety Partnership (RSP).

Our audit considered the following area objectives:

- Expenditure incurred in respect of the RSP is legitimate and contributes to the overall objectives of the RSP.
- There is a robust and approved Strategy that underpins the RSP, including what would be counted as legitimate expenditure.
- There are clear and documented approval routines for incurring expenditure and expenditure in respect of the RSP is being approved at the appropriate level.

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

Recommendation 1	<p>The RSP Strategy should be reviewed and updated to ensure that it is aligned with the aims and objectives of its partners.</p> <p>The Strategy should explicitly set out the roles and responsibilities of partners and, in particular, the management of the RSP's finances and each partners responsibilities for joint funded activities.</p>
Finding	<p><b>RSP Strategy</b></p> <p>The RSP Strategy defines the objectives of the partnership. Audit noted that the strategy had last been reviewed on 9<sup>th</sup> May 2008. The strategy was reviewed by audit which confirmed that it did not clearly define roles and responsibilities of partners in regards to managing the RSP's finances and how joint funding of activities would be achieved. A date of next review was not included.</p>
Response	<p>There is a review underway within the force, being led by the DCC. All partners should be involved in formulating the strategy.</p>
Timescale	<p>DCC / June 2018</p>

Recommendation 2	The review of the Strategy / Terms of Reference of the Partnership Board should include an analysis of its membership, ensuring that those who attend, and therefore make decisions, are of sufficient seniority and have delegated approval to make such decisions.
Finding	<p><b>RSP Governance</b></p> <p>The RSP Strategy sets out the aims and objectives of the Partnership. Within the Strategy it makes reference to who makes up the Partnership and how the Board will be comprised. It states that <i>"the partnership will comprise a board to establish high-level priorities and strategy. Representatives from partnership organisations will be managers with lead responsibilities for casualty reduction activities in their respective organisations."</i></p> <p>The Strategy does not specifically refer to the delegated responsibilities of the Board and those who make up the Board.</p>
Response	Agreed.
Timescale	DCC / June 2018

Recommendation 3	A corrective action plan should be put in place to determine the income and expenditure of the partnership to ensure that a budget deficit for 2017/18 does not occur.
Finding	<p><b>RSP Budget Deficit</b></p> <p>The RSP had a budget deficit of £370,168.21 for 2016/17. As a result, the RSP drew down on its reserve fund for this same amount, reducing the fund to £1,059,097.37. The RSP no longer receives funding from Nottinghamshire City Council and County Council and must ensure that it is entirely self-funded. The Force presently provides, on an annual basis, £129,000 and £129,689 to the City Council and County Council respectively for road safety educational posts. It was identified through discussions with the Senior Management Accountant that the Force is presently in negotiations with the City Council and County Council to reduce these payments.</p>
Response	Agreed.
Timescale	Head of Finance / March 2018

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

- Clear guidance should be produced, and communicated to the relevant staff / officers, with regards what is deemed to be relevant expenditure and can be charged to the partnership budget.
- The RSP should be required to produce an annual report which, amongst other things, sets out actual performance against its strategic aims, and provides a transparent record of expenditure made against the partnership budget.

Management confirmed that both recommendations will be implemented by May 2018.

## East Midlands Criminal Justice Service (EMCJS)

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

The East Midlands Criminal Justice Service (EMCJS) is a four force collaboration between Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire Police. The Collaboration Unit formed as a four Force collaboration in April 2015 when each force agreed to progress with a regional approach to criminal justice.

The Criminal Justice Unit aims to support each regional force through the delivery of a number of services, including:

- Custody Function – provision of trained custody sergeants and civilian detention officers to maintain custody for detainees;
- Custody Audit Compliance – EMCJS undertake its own compliance regime;
- File Administration – EMCJS will provide a service for file receipt and file transfers between investigators and the CPS;
- Warrant Management; and
- Secretariat support for the East Midlands Criminal Justice Board.

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

- A Section 22 agreement is in place that clearly sets out the decision making and governance framework that is in place;
- A clearly defined Business Plan is in place that sets out the statutory duties, objectives and the key performance indicators for the services to be provided;
- The Business Plan is set in line with the Section 22 agreement and it is regularly reviewed to ensure it remains 'fit for purpose';
- There are effective reporting processes in place to provide assurances to the Forces on the performance of the unit;
- Value for money considerations are regularly reviewed and reported to the Forces; and
- The unit has procedures in place to ensure that risks are identified, assessed recorded and managed appropriately.

We also raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This related to the following:

- The Unit should ensure that business plans are signed off in a timely manner prior to the start of the period they are intended to cover. The Unit should adopt a three year plan in addition to its annual plan to ensure that it complies with the Section 22 agreement and that relevant planning into the future is considered.

We also raised two priority 3 recommendations of a housekeeping nature. These were in respect of terms of reference for governance forums and the review and update of policies and procedures.

Management confirmed that these recommendations will be actioned by April 2018.

## Appendix A2 Internal Audit Plan 2017/18

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
<b>Core Assurance</b>					
Core Financial Systems	Oct 2017	Nov 2017	Jan 2018	Mar 2018	Final report issued.
Procurement Follow-up	Sept 2017	Sept 2017	Jan 2018	Mar 2018	Final report issued.
<b>Strategic &amp; Operational Risk</b>					
Implementation of DMS	Mar 2018			May 2018	Scheduled to start 26 <sup>th</sup> March.
Counter Fraud Review	Oct 2017	Jan 2018		May 2018	Draft report issued.
Workforce Planning	May 2017	June 2017	Sept 2017	Sept 2017	Final report issued.
Seized & Found Property	May 2017	June 2017	Oct 2017	Sept 2017	Final report issued.
Information Technology Strategy	Oct 2017			N/A	Audit deferred to 2018/19.
Estates Management	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.
Fleet Management	July 2017	July 2017	Aug 2017	Sept 2017	Final report issued.
<b>Other</b>					
PEEL Review Action Plan	July 2017	Aug 2017	Aug 2017	Sept 2017	Final report issued.
Road Safety Partnership	Sept 2017	Oct 2017	Jan 2018	Mar 2018	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
<b>Collaboration</b>					
EMCHRS Learning & Development	Aug 2017	Aug 2017	Sept 2017	Dec 2017	Final report issued.
EMCHRS Occupational Health	Oct 2017	Nov 2017	Nov 2017	Dec 2017	Final report issued.
EMSOU Forensic Services	Sept 2017	Oct 2017	Oct 2017	Dec 2017	Final report issued.
Criminal Justice (EMCJS)	Dec 2017	Jan 2018	Jan 2018	Mar 2018	Final report issued.
POCA	Jan 2018			May 2018	Work in progress.

## 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

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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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