



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

Internal Audit Annual Report 2016/17

May 2017

This report has been prepared on the basis of the limitations set out on page 13.

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01 Introduction

Purpose of this Report

This report summarises the work that Internal Audit has undertaken and the key control environment themes identified across Office of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police during the 2016/17 financial year, the service for which is provided by Mazars LLP.

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2011. The PSIAS requirements are that the report must include:

- An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (the control environment);
- A summary of the audit work from which the opinion is derived (including reliance placed on the work by other assurance bodies); and
- A statement on conformation with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP), if applicable.

The report should also include:

- The disclosure of any qualifications to that opinion, together with reasons for the qualification;
- The disclosure of any impairments or restriction in scope;
- A comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets;
- Any issues judged to be particularly relevant to the preparation of the annual governance statement; and
- Progress against any improvement plans resulting from QAIP external assessment.

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.

Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Audit & Scrutiny Panel (JASP), 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.

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.

02 Head of Internal Audit Opinion

Opinions

From the Internal Audit work undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS) for the year ending 31st March 2017, we can provide the following opinions:



Basis of the Opinion

Internal Audit applies a risk-based approach and our audits assess the governance framework, the risk management process, as well as the effectiveness of controls across a number of areas. Our findings on these themes are set out below. Overall, we can provide assurance that management have in place a generally effective control environment and, whilst further remedial actions are needed in some areas, we are assured that management have in place effective processes for the implementation of identified areas of weakness.

Corporate Governance

As part of our 2015/16 audit plan, we undertook an audit of the controls and processes in place in respect of the Joint Code of Corporate Governance. The specific areas that formed part of this review included: the Corporate Governance Framework, policies and procedures, decision making framework, roles and responsibilities and performance monitoring. We provided a significant assurance opinion and concluded that risks in terms of the joint corporate governance framework were being managed effectively.

Whilst no specific audit of Governance was carried out during 2016/17, we have carried out a number audits where governance arrangements were a key aspect. Through the delivery of the internal audit plan and attendance at Joint Audit & Scrutiny Panel (JASP) meetings, we are satisfied that the governance framework for the Office of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police has been effective for the year ended 31st March 2017.

Risk Management

As part of the 2016/17 Internal Audit plan we undertook an audit of the controls and processes in place in respect of risk management. The specific areas that formed part of this review included: policies and procedures; risk registers; risk mitigation; and reporting arrangements. We concluded that there were weaknesses within the system of internal control which put some of the Force and OPCC objectives at risk. Additionally, the level of non-compliance with the control framework puts the system objectives of the organisations at risk.

OPCC have adopted the Force Policy and Procedures for Risk Management, however an audit review of these documents found that they did not clearly state how risks should be removed from the risk registers. The Force have a Corporate Risk Management Strategy in place however, at the time of the audit, the OPCC had not adopted it. A Risk and Business Continuity Officer at the Force co-ordinates risk register owners and acts as a central contact for assisting those involved in risk management across the Force and OPCC. There has been no training for risk owners other than support from the Risk and Business Continuity Officer.

The Force maintain a Strategic Risk Register and have departmental/area risk registers that sit underneath this across the organisation. Escalation between the two levels of register are stated in the Strategy, however audit testing could not confirm a clear alignment was in place, as decisions as to whether high level risks on departmental registers are captured on the strategic register made by the Senior Information Risk Owner for the Force were not documented.

Audit carried out testing on the risk registers in place and found issues with the completeness of risk registers, with missing information such as no risk scores, no mitigating controls listed and duplication of information. Moreover, the format of the existing risk registers varied slightly and audit has raised a recommendation to improve the current format to capture more detailed information that would assist in the management of risks at the Force and the OPCC. Whilst the Risk and Business Continuity Officer acts as a co-ordinator and liaison for risk register owners, the registers themselves are saved within departments and, as such, there is no central oversight of all risks. A central review of all risk registers in place would allow for an increase in consistency of risk management across departments.

Internal Control

In summarising the opinions provided as part of the 2016/17 audit programme, as illustrated in the tables below, we have carried out 14 audits of which four were of an advisory nature, three of which relating to additional requests for audit, and no opinion was provided.

The Office of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police have a generally sound control environment, although we have noted areas where improvements are required. During the 2016/17 year, six (60%) internal audits received “satisfactory assurance”, whilst four (40%) internal audits were rated ‘limited assurance’. It should be noted, however, that some of the opinions reflect the control environment outside of local control, for example, within EMSCU (Procurement) and the Multi-Force Shared Service (Core Financials). In addition, of the five collaborative audits covering the East Midlands policing region, four were rated ‘satisfactory assurance’, with one being rated ‘limited assurance’.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2016/17, split between those specific to Nottinghamshire and those undertaken as part of East Midlands regional collaborative audits. More details of the audit opinions and the priority of recommendations for all 2016/17 Internal Audit assignments is provided in Appendix A1 – Audit Opinions and Recommendations. In addition, further analysis of those areas where systems improvement are required are set out in Appendix A2 – Audit Projects with Limited and Nil Assurance 2016/17.

Nottinghamshire Only

| Assurance Gradings | 2016/17 | |
|--------------------|----------------|-----|
| Significant | 0 | 0% |
| Satisfactory | 6 ¹ | 60% |
| Limited | 4 ¹ | 40% |
| Nil | 0 | 0% |
| Sub-Total | 10 | |
| No opinion | 4 | |
| Total | 14 | |

¹Procurement - opinion was split between local arrangements and those within EMSCU, where a satisfactory assurance opinion was given in respect of local arrangements and a limited opinion was given in respect of EMSCU.

Collaboration Audits

| Assurance Gradings | 2016/17 | |
|--------------------|----------|-----|
| Significant | 0 | 0% |
| Satisfactory | 4 | 80% |
| Limited | 1 | 20% |
| Nil | 0 | 0% |
| Total | 5 | |

In arriving at our overall audit opinion, and whilst acknowledging that further remedial actions are needed in some areas, we have been assured by management that processes have been put in place for the implementation of recommendations to address identified areas of weakness.

Issues relevant to Annual Governance Statement

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. Internal Audit, through its annual programme of activity, has a duty to bring to your attention any areas of weakness we believe should be considered when producing the Annual Governance Statement. As part of this responsibility, we have highlighted any limited or nil assurance reports within Appendix A2.

Restriction placed on the work of Internal Audit

As set out in the Audit Charter, we can confirm that Internal Audit had unrestricted right of access to all OPCC and Force records and information, both manual and computerised, cash, stores and other property or assets it considered necessary to fulfil its responsibilities.

03 Performance

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 | Achieved |
| 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. | 90% (10/11) |
| 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. | 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% (10/10) |
| 9 | Customer satisfaction (measured by survey) | 85% average satisfactory or above | 100% (2/2) |

Quality and Conformance with the Public Sector Internal Audit Standards

In addition to the firm's overall policy and procedures, our internal audit manual and working papers are designed to ensure compliance with the Firm's quality requirements. Furthermore, our internal audit manual and approach are based on professional internal auditing standards issued by the Global Institute of Internal Auditors, as well as sector specific codes such as the Public Sector Internal Audit Standards.

Our methodology and work has been subject to review as part of our internal Quality Assurance Reviews undertaken by our Standards and Risk Management team as well as external scrutiny by the likes of external auditors, as well as other regulatory bodies. No adverse comments have been raised around our compliance with professional standards or our work not being able to be relied upon.

Appendix A1 - Audit Opinions and Recommendations 2016/17

| Nottinghamshire 2016/17 Audits | Report Status | Assurance Opinion | | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|--------------------------------|---------------|-------------------|----------------------|--------------------------|--------------------------|---------------------------|-------|
| Implementation of DMS | Final | Limited | | 3 | 3 | 2 | 8 |
| Data Protection Act Compliance | Final | Limited | | 1 | 5 | 3 | 9 |
| Estates Strategy | Final | N/A | | - | - | - | - |
| HR Establishment Budgeting | Final | Satisfactory | | - | 3 | 1 | 4 |
| Commissioning Framework | Final | N/A | | - | - | - | - |
| Overtime Payments | Final | N/A | | - | - | - | - |
| Procurement Follow-up | Final | EMSCU - Limited | Local – Satisfactory | 1 | 4 | 2 | 7 |
| Savings Programme Follow-up | Final | Satisfactory | | - | 2 | 1 | 3 |
| Core Financial Systems | Final | Satisfactory | | 1 | 5 | 3 | 9 |
| Effective Audit & Scrutiny | Final | N/A ¹ | | - | 6 | 3 | 9 |

| Nottinghamshire 2016/17 Audits | Report Status | Assurance Opinion | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|--------------------------------|---------------|-------------------|--------------------------|--------------------------|---------------------------|-----------|
| HR – Recruitment & Selection | Final | Satisfactory | | 3 | 1 | 4 |
| Risk Management | Final | Limited | | 6 | 1 | 7 |
| Data Quality | Final | Satisfactory | | 4 | | 4 |
| Total | | | 6 | 41 | 17 | 64 |

¹Effective Audit & Scrutiny – this audit aimed to assess the Audit & Scrutiny Panel against best practice, such as the principles set out in the National Audit Offices (NAO's) good practice guide 'The Audit Committee Self-Assessment Checklist, 2012'. The objective of the audit was therefore to provide an action plan of areas to consider for driving best practice and not to provide an opinion on the adequacy and effectiveness of controls.

| Collaboration Audits 2016/17 | Status | Assurance Opinion | Priority 1 (Fundamental) | Priority 2 (Significant) | Priority 3 (Housekeeping) | Total |
|------------------------------|--------|-------------------|--------------------------|--------------------------|---------------------------|-----------|
| Collaboration | | | | | | |
| EM Shared HR Service Centre | Final | Satisfactory | | 1 | 3 | 4 |
| EM Legal Services | Final | Limited | 1 | 3 | 2 | 6 |
| EMOpSS | Final | Satisfactory | | 3 | 3 | 6 |
| EMS Commercial Unit | Final | Satisfactory | | 3 | | 3 |
| EMSOU | Final | Satisfactory | | 3 | 1 | 4 |
| Collaboration Total | | | 1 | 13 | 9 | 23 |

Appendix A2 - Audit Projects with Limited and Nil Assurance 2016/17

| Project | Grading | | Summary of Key Findings |
|-----------------------|------------------|-----------------------|---|
| Implementation of DMS | Limited | | <p>We raised three priority 1 recommendations and three priority 2 recommendations where we believe there is scope for improvement within the control environment. These are set out below:</p> <ul style="list-style-type: none"> • The Force should clarify the roles and responsibilities of the parties involved in the ownership, maintenance and usage of the DMS System. This should include the information asset owners and information security responsibilities. (Priority 1) • A review of the existing trees in the system against the HR structure should be completed to ensure that the trees in the system are correct and that individual users are correctly placed in their respective tree. (Priority 1) • The Force should raise the issue of system reconciliation with MFSS and ensure that an effective process for reconciling data between Oracle and DMS can be completed on a regular basis. (Priority 1) • A Standard Operational Manual should be produced that clearly documents the procedures and processes that should be carried out on the DMS System by administrators. This should include starters, leavers, temporary promotions, amendments to access, etc. Moreover, clear workflows should be produced that shows how requests are to be processed by the RMU, MFSS and Crown. (Priority 2) • A standard level of access should be agreed upon so that it can be consistently applied. (Priority 2) • The Force should determine what reports they require for effective review and monitoring purposes and then request this functionality from MFSS. (Priority 2) |
| Procurement Follow-up | EMSCU Limited | Local Satisfactory | <p>We raised one priority 1 recommendation, four priority 2 recommendations and two priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • EMSCU should set a clear protocol in place to ensure key documentation is consistently stored in the Crystal system. Once implemented, regular dip samples on new contracts awarded should be carried out to ensure all supporting documentation is in place and correct authorisation has been given. (EMSCU) (Priority 1) • The Force and EMSCU should ensure that the correct versions of procedures are available on the Force intranet site to ensure staff follow the correct procedures. (Local & EMSCU Responsibility) (Priority 2) |

| | | | |
|--------------------------------|---------|--|---|
| | | | <ul style="list-style-type: none"> • 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) (Priority 2) • Finance and EMSCU should set up a regular reporting protocol that allows the review of expenditure under £25k on a regular basis so the information can be used to aggregate spend and identify contract opportunities. (Local & EMSCU Responsibility) (Priority 2) • Finance should review the exception reports that it can produce and ensure they run them on a regular basis to provide assurance that exceptions are investigated and actions taken to address. (Local Responsibility) (Priority 2) |
| Data Protection Act Compliance | Limited | | <p>We raised one priority 1 recommendation, five priority 2 recommendations and three priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • The Information Risk Management system in place at the Force needs to be reviewed, updated and implemented. This should include, but not be limited to, the following: <ul style="list-style-type: none"> ➢ An update to the Information Risk Management Strategy. ➢ The responsibilities of IAO's in relation to identifying and managing their risks needs to be clearly communicated. ➢ The process for adding risks, closing risks and updating risks to the information risk register needs to be agreed upon and formally communicated. ➢ The format of the risk register should clearly include Risk Owners, the risk mitigation actions that are in place, confidence levels of the actions in mitigating the risks and timescales for completion. ➢ The process for regular monitoring of the Information Risk Register should be established. ➢ There should be clear links between the information risks identified and the information assets the Force holds. (Priority 1) • The Strategies, Policies and Procedures that support Information Management at the Force should be reviewed and updated in line with the current processes that have been adopted. The documents to be addressed are: <ul style="list-style-type: none"> ➢ Removal of the Information Assurance Framework, as this was superseded by the Information Management Strategy. ➢ A review and update of the Information Management Strategy. |

| | | |
|-----------------|---------|--|
| | | <ul style="list-style-type: none"> ➤ A review and update of the Terms of Reference for the FIAB including performance monitoring. (Priority 2) • The current training offered to IAO's and delegates should be reviewed and a decision made on how to deliver initial training and refresher training to ensure the Force has appropriately trained individuals performing the IAO role. <p>The IAO Handbook should be updated to reflect the current processes that are in place and provide clarity on the actions that IAO's need to take to produce and maintain the information asset register.</p> <p>A clear process should be in place so that a 'gatekeeper' is in place to monitor consistency of the register. (Priority 2)</p> <ul style="list-style-type: none"> • IAO's should be tasked to complete the missing Information. (Priority 2) • Management should decide upon the role that Information Audit is to play within the Information Management System in place and clearly document this. (Priority 2) • The audit process should be clearly documented and communicated to Information Asset Owners. (Priority 2) |
| Risk Management | Limited | <p>We raised six priority 2 recommendations and one priority 3 recommendation where we believe there is scope for improvement within the control environment. The priority 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • A Risk Management Strategy should be developed for the OPCC; this should include: <ul style="list-style-type: none"> ➤ The strategic direction of the OPCC's attitude to risk; ➤ The level and nature of risk that is deemed acceptable (risk appetite); ➤ The OPCC's risk tolerance threshold; and ➤ Risk priorities for the current year. • The Force and OPCC should ensure that staff receive appropriate training on risk management • Decisions made by the Deputy Chief Constable not to escalate high risks on departmental risk registers to the strategic risk register should be documented. • All risk registers for the Force should be recorded in line with the Risk Management Policy / Procedures. Sufficient detail should be recorded for each identified risks, including: |

| | | |
|-------------------------------------|---------|--|
| | | <ul style="list-style-type: none"> ➤ Risk scores; ➤ Mitigating actions; ➤ Risk owners. <p>The Force Strategic Risk Register should be reviewed and one of the risks that are duplicated should be removed (NPF011 & NPF007).</p> <ul style="list-style-type: none"> • A standard format for the registers should be produced. • A process should be in place to confirm that the departmental risk registers are being reviewed in a timely manner. <p>Consideration should be made for central oversight of all risk registers to give assurance of timely update and regular monitoring of risks across the Force.</p> |
| East Midlands Police Legal Services | Limited | <p>We raised one priority 1 recommendation, three priority 2 recommendations and two priority 3 recommendations where we believe there is scope for improvement within the control environment. The priority 1 and 2 recommendations are set out below:</p> <ul style="list-style-type: none"> • The Management Board for EMPLS should be reinstated to provide oversight and assurance with regards the unit's performance and delivery of its objectives. <p>The Management Board members should ensure they have a timetable in place to attend meetings and carry out their responsibilities in line with the Section 22 agreement that is in place. (Priority 1).</p> <ul style="list-style-type: none"> • EMPLS should review the current KPI's that are in place and should prepare updated KPI's that can be presented to the Management Board for scrutiny and approval. (Priority 2) • In accordance with Recommendation 4.1, once the Management Board meetings have been established they should include a review of performance and this should be noted or actions put in place to address areas of concern. (Priority 2) • The risk register should be updated to include a RAG rating between the target risk score and the current risk score to clearly identify the priorities for risk mitigation actions. The risk actions should be separated into ongoing actions and specific actions that will be taken on a set date, with the planned effect on the risk score clearly stated. <p>Review of the risk register should be a standard agenda item at EMPLS Silver Meetings and should be included in the reporting to the Management Board. (Priority 2)</p> |

Appendix A3 – 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 A4 - Contact Details

Contact Details

| | |
|-------------|--|
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Appendix 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.

The contents of this report are confidential and not for distribution to anyone other than the Office of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.

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