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

Internal Audit Progress Report 2015/16

November 2015

Presented to the Audit & Scrutiny Panel meeting of: 10th December 2015

Contents

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 31st March 2016. The plan was considered and approved by the Audit & Scrutiny Panel at its meeting on 9th 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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 We have issued two final reports to date, in respect of Joint Code of Corporate Governance and Payment Processes and Procedures, the latter being an additional piece of work to the agreed plan. Management are currently considering their responses with regards a further four draft audit reports, one of which relating to the Savings Programme which is also 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
Payment Processes & Procedures	Final	Limited		1	2		3
Integrated Offender Management	Draft	Satisfactory			1	2	3
Savings Programme	Draft	Limited		2	3		5
Proceeds of Crime	Draft	Satisfactory			3	2	5
Procurement	Draft	Local - Limited	EMSCU – Limited	4	7		11
Total				9	22	8	39

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2.3   Work in respect of the Core Financial Systems has been recently been completed and included review of both local procedures within the force and those elements of the process undertaken by the Multi-Force Shared Service in Nottingham and Northampton.

2.4   As reported last time, Internal Audit attended a meeting of the OPCC Chief Financial Officers Group at which one of the areas discussed was how Internal Audit could provide assurance with regards the key risks relating to regional collaboration. Since this meeting Internal Audit have attended a further meeting of the Group at which Collaboration was again discussed. It was agreed that Baker Tilly, having undertaken an initial 'Proof of Concept' review of the Learning and Development regional collaboration arrangement, would be commissioned to undertake similar assurance mapping exercises on the other areas of collaboration. As a consequence, at the time of writing, the Group are currently discussing how best to utilise the resources in the internal audit plan set aside for collaboration.

2.5   With regards producing the 2016/17 internal audit plan, a meeting is to be held in early January, attended by all relevant officers, to agree the key areas of audit focus for the new year.

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 JIAC	As agreed with the Client Officer	N/A
2	Annual Operational and Strategic Plans to the JIAC	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.	86% (6/7)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (2/2)
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% (8/8)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	N/A

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 issued to date are provided below:

Joint Code of Corporate Governance

Assurance Opinion	Satisfactory

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

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

- A Joint Code of Corporate Governance is in place between the Commissioner and Chief Constable that complies with relevant legislation and guidance.
- Appropriate Annual Governance Statements are produced on behalf of the Commissioner and Chief Constable that provide assurance that the governance framework is effective.
- The process used for the annual review of the governance framework is sufficiently robust and that the implementation of previously identified improvement actions has been effectively monitored.
- The corporate governance framework is supported by policies and procedures, such as a decision making framework and scheme of delegation and that these are appropriately communicated and monitored for compliance.
- The roles and responsibilities of senior officers and staff within the Force and NOPCC are clearly defined, particularly regarding their decision making responsibilities.
- Decisions are made in accordance with the governance framework in a clear and transparent manner, supported by the appropriate levels of relevant and timely information.
- Decisions made are clearly recorded, communicated and published where relevant.

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

- Policies and Procedures
- Legislation and guidance
- Production of the Annual Governance Statement's
- Performance Monitoring
- Roles and Responsibilities
- Decision Making Framework

We raised two priority 3 recommendations where we believe there are opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk:

- A review of policies and procedures should be undertaken, with a schedule maintained of which policies / procedures required reviews and the frequency of these reviews.

- Nottinghamshire Police & Crime Commissioner should undertake a review of the Governance and Decision Making Framework to ensure it remains up to date and fit for purpose in terms of the way decisions are required to be made. Particularly those with a non financial impact (or of significant public interest) which are not currently covered in the Working Together document.

  As parts of this document are also covered in the Working Together document, the two documents should be reviewed in union and consideration given to combining both into one single document to prevent the risk of conflicting information.

  Once reviewed and updated, the framework should be made available to all officers of both organisations with decision making powers to ensure it is adhered to.

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

Payments Processes and Procedures

Assurance Opinion	Limited

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

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

- Policies, procedures and guidance are in place to ensure staff are aware of the process for making payments from NOPCC funds.

- All payments made follow the approved process within the NOPCC.

- Financial approval thresholds are established and payments are authorised according to these delegation levels.

- There is an appropriate segregation of duties in place when authorising payments to be made.

- Access to the payments system for raising and approving orders is restricted to nominated members of staff.

- All payments made have supporting documentation available.

- There is an appropriate and approved process in place for authorising and making same day or emergency payments.

- All payments made are by the Nottingham police force on behalf of the Commissioner are reconciled to the NOPCC accounts.

- There is a process in place to ensure staff are made aware of any potential or emerging fraud risks in this area.

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

- The NOPCC should request the following from the Force lead and MFSS:

    ➢ The option to approve without authorisation is removed.

    ➢ That an analysis print is of all payments made to date without authorisation across the Force and OPCC. That this printout is checked in detail as to the validity of those payments.

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

- Formal procedures should be created which set out the process within the Office of the Police Crime Commissioner for inputting invoices, authorising payments and raising purchase orders using the Oracle system and the Multi Force Shared Service. These should be communicated to all relevant staff.

- In order to reduce the risk of fraudulent payments being paid, the OPCC should either develop a checklist of things the CFO must look at in order to identify whether a request for urgent payment is genuine and include a secondary check of the request, or cease the practice of urgent or emergency payments.

    A checklist should include: verifying it is the genuine sender requesting the urgent payment (email address); verbal contact with the requestor to confirm legitimacy of request; scrutiny of the content of the email for inconsistencies; and, an assessment of the request to establish if an urgent payment is really required.

Management accepted the recommendations and have put in place plans to address the issues by December 2015.

Integrated Offender Management

Assurance Opinion	Satisfactory

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

The audit objectives are to provide assurance that:

- A clear strategy has been identified and approved for managing IOM within Nottinghamshire police.
- Policies and procedures are in place for IOM to ensure that it follows the national principles and the agreed strategy.
- Policies and service level agreements, where relevant, are in place with partner agencies to ensure that the force discharges its responsibilities within IOM.
- The process for nominating individuals for IOM is established and consistently applied.
- The process for removing individuals from the IOM process is consistently applied.
- Decisions, and the rationale behind them, are clearly recorded.
- Offender management plans are appropriately authorised and reviewed.
- Performance measures to establish the effectiveness of the IOM process are in place, are reviewed for accuracy and relevance and are reported to the appropriate level.

We raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This is set out below:

- The Multi-Agency Intelligence Team members should ensure that detailed information is recorded within the IOM selection meeting database, against each individual nominated but rejected from the IOM scheme.

We also raised two priority 3 recommendations of a more housekeeping nature in respect of the following:

- IOM Strategic document
- Performance monitoring

At the time of writing we are in discussion with management with regards the response.

Proceeds of Crime

Assurance Opinion	Satisfactory

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

The audit objectives are to provide assurance that:

- Policies and procedures are in place to ensure that cash and assets that can be confiscated under POCA legislation are identified during the arrest and investigation process.
- Suitable training is provided to officers and staff to ensure they are aware of POCA requirements when seizing cash and assets.
- Cash and assets confiscated during the arrest and investigation are recorded appropriately and consistently, and are subject to regular review.
- Cash and assets are stored securely, with restricted and controlled access to nominated officers and staff.
- Cash is counted in a secure and controlled environment, with an appropriate level of independent verification.
- Cash is banked in a timely manner to an interest bearing account, and not in to general funds.
- Cash held in this account is reconciled regularly and transferred within the agreed timescales.
- Performance information regarding the number and amount of confiscation orders is managed and is accurate and up to date.
- Monies awarded back to the force are reconciled and spent according to an agreed protocol.

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

- Any upgrade to the Crime Reporting Management System should include an error function which requires mandatory completion of the field within each profile for indicating a POCA related incident.

  The CRMS should also be enabled to effectively report on all POCA related incidents.

  Additionally, POCA training across the Force should continue to stress the importance of using this field and making direct referrals.

  The new Archive and Exhibits system should include the ability to reconcile valued cash and assets with those levels indicated by the Force's financial investigation system.

- Officers should be reminded of the need to record evidence bag reference numbers within crime reporting management systems.

- The Force should take steps to enable the Archive and Exhibits department to continue reconciliation of POCA accounting records and funds.

  Full analyses of balances on all POCA financial accounting system control accounts should be reconciled at the earliest opportunity.

We also raised two priority 3 recommendations of a more housekeeping nature in respect of the following:

- Processing of cash and assets
- Annual and forecast performance reporting

At the time of writing we are in discussion with management with regards the response.

Procurement

Assurance Opinion	Local – Limited
	EMSCU – Limited

Recommendation Priorities	
Priority 1 (Fundamental)	4
Priority 2 (Significant)	7
Priority 3 (Housekeeping)	-

The scope covered the following audit objectives:

- 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 fundamental (priority 1) recommendations which should be address immediately. These relate to the following:

- All purchases greater than £25,000 should be approved in line with the delegated scheme of approval limits contained within the Force Financial Regulations. (EMSCU responsibility)
- Contracts should be in place for all purchases over £25,000 and these should be signed by all parties prior to the commencement of the contract. (EMSCU responsibility)
- A formal approval process should be established within the Force before new suppliers are entered on the Oracle system.

The Force should ensure that the MFSS does not pay any supplier who has not already been approved. (Local Responsibility)

- Management should look to implement an exception reporting system in conjunction with MFSS team from the finance system.

  The frequency and detail of these reports needs to be established. The responsibility for monitoring this information within the Force should be clearly identified. (Local Responsibility)

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

- The record of frameworks in place should be updated and reviewed on a regular basis to include all current frameworks. (EMSCU responsibility)
- Management should carry out a review to reconcile the approval matrix to the approval workflow as set up within the MFSS finance system.

  There should then be periodic checks carried out to ensure the approval lines within the system are appropriate. (Local Responsibility)

- Management should review the approval matrix and set approval limits by job title rather than name. (Local Responsibility)
- Consideration should be given to monitoring purchases below £25,000 across the shared service forces. (Local / EMSCU responsibility)
- Management should ensure that invoices are not paid without a relevant purchase order in place. This should then be monitored through the utilisation of exception reporting as per recommendation 4.5. (Local Responsibility)
- Management should review the suppliers in the system and remove those which are no longer being used.

  Management should ensure that staff use existing suppliers before procuring from new suppliers, and use this as a basis for negotiating multiple purchase discounts where possible. This should be monitored in line with recommendation 4.5. (Local Responsibility)

- Requisitions should be supported by quotations as required by the procurement policy.

  Staff should attach quotes to requisition orders on the system. (Local Responsibility)

At the time of writing we are in discussion with management with regards the response.

Savings Programme

Assurance Opinion	Limited

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

The scope covered the following audit objectives:

- Procedures and guidance are available to support the effective delivery of the savings programme, including the methodology / rationale for calculating and justifying the proposed savings.
- Responsibilities for the delivery of individual savings targets are agreed and understood.
- There is a rigorous process for challenging the proposed savings targets, including their subsequent approval.
- There are effective processes in place to co-ordinate delivery of the overall savings programme in liaison with local / departmental savings targets.
- Management information in respect of the delivery of the savings programme is reported to the relevant forum in a timely and complete manner.
- Where savings targets are unlikely to be achieved, the reasons for the shortfall are provided to the relevant forum at the earliest opportunity in order that timely remedial action can be taken to address the issue.
- The current shortfall in the achievement of the 2015/16 savings programme is known and the reasons for the shortfall are understood.
- There are robust processes put in place to address the current shortfall in the savings programme and to deliver further 2015/16 savings.
- The lessons learnt from the 2015/16 savings programme are understood and are utilised in drawing up the 2016/17 budget.

We raised two fundamental (priority 1) recommendations which should be address immediately. These relate to the following:

- Management should produce a detailed procedural document to support the finance strategy setting out the exact process to be followed for developing, delivering and reporting against the savings programme.
- Management should agree on the approach which is to be taken to address the shortfall. This should be formally approved at Board level and then monitored regularly to make sure the delivery of this is achieved.

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

- Management should develop and produce a financial strategy which clearly sets out how finance resources and activity will be managed.

  This should include the clear link between the overall development of the savings programme and then how this links with the departmental targets.

- Management should develop an operational monitoring tool whereby all efficiency targets, the supporting business cases and the monitoring information is stored.

This information should be maintained on a central log whereby progress against delivering targets can easily be monitored.

- Management should agree on a single consistent approach to determining the workforce figures.

    This approach should be formally approved by the Board and then rolled out to ensure all future budgets and savings are identified against an accurate and consistent workforce figure.

At the time of writing we are in discussion with management with regards the response.

Appendix A2   Internal Audit Plan 2015/16

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target ASP	Comments
Core Assurance					
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	P - Dec 2015	Feb 2016	Fieldwork completed; being reviewed.
Financial Controls – PBS	Jan 2016	P - Feb 2016	P - March 2016	April 2016	Due to Strategic Alliance developments, audit put on hold.
Strategic & Operational Risk					
Integrated Offender Management	Sept 2015	A - Oct 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response.
Social Impact / Value	Feb 2015	P - March 2016	P - March 2016	April 2016	Deferred from Q3 to allow further discussion of the scope.
Proceeds of Crime	July 2015	A - Sept 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response.
Commissioning	Feb 2016	P - March 2016	P - March 2016	April 2016	Currently agreeing scope.
Code of Practice for Victims of Crime	Sept 2015	A - Oct 2015	P - Nov 2015	Feb 2016	Currently reviewing auditee responses.
Collaboration					
Procurement	Aug 2015	A - Oct 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response.
Collaboration	On-going	On-going	On-going	On-going	See paragraph 24.
Other					

Auditable Area	Planned Fieldwork Date	Draft Report Date*	Final Report Date*	Target ASP	Comments
Payments Processes & Procedures	July 2015	A - Sept 2015	A - Oct 2015	Dec 2015	Final report issued.
Savings Programme	Aug 2015	A - Sept 2015	P - Nov 2015	Dec 2015	Draft report issued; currently discussing response.

* 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**
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

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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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