

<b>For Information / Consideration</b>	
<b>Public/Non Public*</b>	<b>Public</b>
<b>Report to:</b>	<b>Joint Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>November 2019</b>
<b>Report of:</b>	<b>Chief Finance Officer</b>
<b>Report Author:</b>	<b>Charlotte Radford</b>
<b>Other Contacts:</b>	<b>Mark Lunn</b>
<b>Agenda Item:</b>	<b>9</b>

## **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 2019/20

November 2019

Presented to the Joint Audit & Scrutiny Panel meeting of: 15<sup>th</sup> November 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 31<sup>st</sup> March 2020, which was considered and approved by the JASP at its meeting on 22<sup>nd</sup> 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 two final report in respect of the 2019/20 plan, this being in respect of Performance Management and Business Continuity & Emergency Planning. Additionally we have issued three draft reports, this being in respect of MFSS Contract Management, Custody Arrangements and Data Quality. Further details are provided in Appendix 1.

Nottinghamshire Audits 2019/0	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Performance Management	Final	Satisfactory		4	1	5
Business Continuity & Emergency Planning	Final	Force: Satisfactory	1	2		3
		OPCC: Limited				
MFSS Contract Management	Draft					
Custody Arrangements	Draft					
Data Quality	Draft					
Total			1	6	1	8

- 2.2 Furthermore, we have now issued the final 2018/19 collaboration report, this being an additional piece of work to that in the original plan relating to Projected Underspends. Further details are provided in Appendix A1
- 2.3 The fieldwork for the IT Security and GDPR audits has been carried out. Dates to carry out the Core Financial Systems Audit have been agreed for quarter three and provisional timings have been set for the remaining audits in Quarter four.
- 2.4 As reported in the previous progress report, with regards the collaboration audits that form part of the internal audit plans for 2019/20, it was agreed at the Joint Chief Finance Officers meeting that a similar approach to 2018/19 will be taken whereby a number of 'themed' audits will be carried out across a sample of units. The proposed 'themed' audits are Performance Management, Business Continuity and Health & Safety and will be carried out between October 2019 and January 2020.

## 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% (5/5)
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.	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% (7/7)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (1/1)

## Appendix A1 – Summary of Reports

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:

### Collaboration: Projected Underspends

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

An audit was undertaken earlier in the year in respect of Strategic Financial Planning. That audit covered the development of financial plans, delivery of efficiency savings, budget management and monitoring, and budget shortfalls. This audit specifically focused on Projected Underspends across a sample of collaboration units agreed by the CFO's and should be read in conjunction with the earlier report. The selected units were East Midlands Operational Support Services (EMOpSS), East Midlands Criminal Justice Service (EMCJS) and East Midlands Special Operations Unit Major Crime Unit (EMSOU MC).

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

- Roles and responsibilities for budget monitoring and financial reporting within the unit are clearly stated.
- Clear timetables are in place for the production of financial performance reports.
- There are effective and robust budget management and monitoring procedures, including the forecasting of budget shortfalls.
- Variances to budget projections are recognised as part of the reporting process and adequate information is provided to explain underspends / overspends during the year.
- Amendments to collaboration budgets have appropriate and robust governance arrangements in place.
- The completion of budget monitoring reports are undertaken consistently with accurate forecasting to enable future positions to be considered.
- Reports on financial performance are submitted in a timely manner to the PCC's Board, including the relevant regional forces.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

<b>Recommendation 1</b>	A clearly defined virement process should be agreed for all in year amendments of collaboration budgets.
<b>Finding</b>	<p>The base budgets for the collaboration units have a defined process in place, with approval given at the PCC Board on an annual basis.</p> <p>During 2018/19 the EMCJS Management Board agreed to carry out a budget virement to reallocate some central staffing costs back to the Forces, therefore reducing the</p>

	<p>overall budget by £127k and therefore this reduced the projected underspend during the 2018/19 financial year.</p> <p>As collaboration budgets are made up of contributions from the Forces that are part of the collaboration, a virement approval process should include authorisation from each Force so that there is a clear rationale behind the in-year adjustment and the impacts of the virement are clearly understood.</p>
Response	Agreed
Timescale	Jon Peatling / 31 December 2019

We raised one significant (priority 2) recommendation where felt that the control environment could be improved. This related to the following:

- The timing of PCC Board meetings should be considered in regard to period end financial reporting.

The actual figures reported to the PCC Board should be clear on which period they relate to.

It should be ensured that a finance report is presented for the PCC Board each quarter.

We also raised one priority 3 recommendation of a more housekeeping nature relating to the provision of quarterly finance reports to the PCC Board.

Management have confirmed that agreed actions will be completed by the end of December 2019.

### Performance Management

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

Our audit considered the risks relating to the following control objectives:

#### Performance Management Framework

- There is a robust and formal performance management framework in place.

#### Targets and Measurement

- Performance targets are relevant, realistic, measurable and are properly communicated to staff.
- The Force's performance management arrangements are effectively aligned with the PCC Plan, HMICFRS and other relevant requirements.

#### Performance Data

- Performance data is accurate, consistent, timely and reliable, and any errors are identified and corrected in a timely manner.
- Staff have access to adequate policies and procedures relating to input of performance data.

#### Management Reporting

- There are effective reporting routines in place which provide up to date and accurate information to the relevant forum on the delivery of the service.
- Benchmarking information is available that allows comparative data and learning opportunities.

#### Performance Oversight

- There is a clear structure of performance oversight across the Force covering both strategic and operational performance.
- There are effective escalation procedures in place to resolve areas of under-performance.

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

- The specific training needs of the Performance & Insight Team should be reviewed / established and a formal training plan produced, monitored and kept up to date.
- The roles and responsibilities of the Performance & Insight Team should be reviewed and communicated to stakeholders. The review should take into account the changing resources of the Team and its alignment with stakeholder expectations. As part of the review, agreement should be reached with stakeholders with regards the following Content of reports., Timeliness of reporting, Attendance at pre-meeting and the relevant forum and The role of the analyst versus that of the researcher.
- A formal plan should be put in place, and monitored, to re-write the remaining Business Objects scripts. As part of the training provision referred to above, the Team should continue to look to means by which greater automation can be achieved in the extract and provision of performance data.
- The content of the Performance & Insight Report, particularly in terms of its reporting on the themes / outcomes in the Police & Crime Plan, should be reviewed and updated where necessary.

We also raised one priority3 recommendation of a more housekeeping nature relating to the attendance at the Data Quality Board.

Management confirmed that all actions would be addressed by December 2019.

#### **Business Continuity & Emergency Planning**

<b>Assurance Opinion</b>	<b>Force</b>	<b>Satisfactory</b>
	<b>OPCC</b>	<b>Limited</b>

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

Our audit considered the risks relating to the following control objectives:

#### Roles and Responsibilities

- Roles and responsibilities in respect of Business Continuity and Emergency Planning across the OPCC and Force are clearly defined, with officers and staff having a full understanding and accountability for associated processes.

### Policies and Procedures

- Effective policies and procedures are maintained and regularly reviewed to ensure a consistent and effective approach to Business Continuity and Emergency Planning is applied across the OPCC and Force.
- There is clear identification of critical functions across the Force and Departments.

### Plans

- There are effective Business Continuity Plans and Emergency Plans to ensure that incidents are effectively escalated and emergency action is mobilised where required.

### Business Continuity Test Plans

- The Business Continuity Plans and Emergency Plans are subject to regular testing to ensure they remain fit for purpose.

### Continuous Improvement and Lessons Learnt

- The delivery of testing plans, associated outcomes and unplanned events is monitored, with systems embedded to drive continuous improvement and lessons learnt. Where issues are identified, these are appropriately escalated.

### Monitoring and Reporting

- There is regular monitoring and reporting of business continuity and emergency planning processes and there is opportunity for effective challenge and scrutiny.

We raised one priority 1 recommendation of a fundamental nature that require addressing. This is set out below:

Recommendation 1	The OPCC should formalise its Business Continuity arrangements, with the implementation of their own Business Continuity Plan.
Finding	The OPCC does not currently have their own BC Policy or individual BC Plan that lists critical functions and the ability to maintain these in an incident or emergency situation. The Force BC Manager has recently met with Chief Executive of the OPCC and have some ongoing actions to review their arrangements.
Response	Agreed. Force will work with OPCC to put together a Business Continuity Plan. Action:- Force to work with OPCC to put together a Business Continuity Plan.
Timescale	Risk and Business Continuity Officer/OPCC - 31 December 2019

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

- The Force should review the training and guidance that is available for key roles within the Business Continuity Management System, roll out the planned cascade of training to all key staff and consider specific training for the departmental SPOC role.
- The Force should report on Emergency Planning processes and issues to the Joint Audit and Scrutiny Panel (JASP) and the Organisational Risk, Learning, Standards & Integrity Board. This should include the plan matrix produced by the LRF Secretariat to provide monitoring and oversight over planned testing.

## Appendix A2 Internal Audit Plan 2019/20

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
<b>Core Assurance</b>					
Core Financial Systems	Dec 2019			Feb 2020	Fieldwork dates agreed.
<b>Strategic &amp; Operational Risk</b>					
Data Quality	Sept 2019	October 2019		Nov 2019	Draft Report Issued
Programme Management	Feb 2019			May 2020	Fieldwork dates agreed.
MFSS Contract Management	Sept 2019	Sept 2019		Nov 2019	Draft Report Issued.
Business Continuity & Emergency Planning	May 2019	June 2019	August 2019	Nov 2019	Final Report Issued.
IT Security	Oct 2019			Feb 2020	Fieldwork Completed
General Data Protection Regulation (GDPR)	Oct 2019			Feb 2020	Fieldwork Completed
Health & Safety	Feb 2020			May 2020	
Performance Management	June 2019	June 2019	August 2019	Nov 2019	Final Report Issued
Custody Arrangements	Sep 2019	Oct 2019		Nov 2019	Draft Report Issued.

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

## Appendix A3 – Definition of Assurances and Priorities

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

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

## Appendix A4 - Contact Details

### Contact Details

David Hoose  
07552 007708  
[David.Hoose@Mazars.co.uk](mailto:David.Hoose@Mazars.co.uk)

Mark Lunn  
07881 284060  
[Mark.Lunn@Mazars.co.uk](mailto:Mark.Lunn@Mazars.co.uk)

## 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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