



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

## Draft Internal Audit Plan 2020/21

February 2020

This report has been prepared on the basis of the limitations set out on page 11.

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## Contents

1.	Introduction.....	1
2.	The Scope and Purpose of Internal Audit .....	1
3.	Approach .....	2
4.	External Audit Consultation .....	4
	Appendix A – Annual Internal Audit Plan 2019-20.....	5
	Appendix B – Levels of Assurance and Opinions .....	8
	Appendix C – Contact Details .....	9
	Statement of Responsibility.....	10

## 1. Introduction

- 1.1 An annual proposed Internal Audit Operational Plan has been prepared on behalf of the Police and Crime Commissioner for Nottinghamshire and Nottinghamshire Police (the OPCC and Force) for the period 1 April 2020 to 31 March 2021.
- 1.2 As part of fulfilling the Joint Audit & Scrutiny Panel's (JASP) responsibilities, the JASP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.
- 1.3 **Appendix A** contains our proposed **Annual Audit Plan 2020 – 2021**.

## 2. The Scope and Purpose of Internal Audit

- 2.1 Internal Audit's primary role is to provide the organisation's management with independent assurance on the effectiveness of the internal control systems that contribute to the achievement of the organisation's business objectives. In so doing, this will support the OPCC and Force in signing the Annual Governance Statement. It is also Internal Audit's role to provide the OPCC and Force with assurance that they have in place effective processes for the management of risk.
- 2.2 In drawing up the internal audit work programme it should be noted that:
  - The OPCC and Force are accountable for internal control. The OPCC and Force are responsible for maintaining a sound system of internal control that supports the achievement of the organisation's objectives, and for reviewing its effectiveness;
  - The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives;
  - The system of internal control can therefore only provide reasonable and not absolute assurance of effectiveness; and
  - The system of internal control is based on an on-going risk management process designed to identify the principal risks to the achievement of the organisation's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

2.3 As set out in the Audit Charter, Internal Audit fulfils its role by:

- Coordinating assurance activities with other assurance providers (such as the external auditors and HMICFRS) such that the assurance needs of the OPCC and Force, regulators and other stakeholders are met in the most effective way.
- Evaluating and assessing the implications of new or changing systems, products, services, operations and control processes.
- Carrying out assurance and consulting activities across all aspects of the OPCC and Force's business based on a risk-based plan agreed with the Joint Audit & Scrutiny Panel (JASP).
- Providing the Police & Crime Commissioner and Chief Constable with reasonable, but not absolute, assurance as to the adequacy and effectiveness of the key controls associated with the management of risk in the area being audited.
- Issuing periodic reports to the JASP and Senior Management Team summarising results of assurance activities.
- Re-enforcing an anti-fraud, anti-bribery and anti-corruption culture within the OPCC and Force to aid the prevention and detection of fraud.
- Assisting in the investigation of allegations of fraud, bribery and corruption within the OPCC and Force and notifying management and the JASP of the results.
- Assessing the adequacy of remedial action to address significant risk and control issues reported to the JASP. Responsibility for remedial action in response to audit findings rests with line management.

### 3. Approach

- 3.1 As part of fulfilling the Joint Audit & Scrutiny Panel's (JASP) responsibilities, the JASP require assurance that it is focusing its attention on the key risks to the OPCC and Force and that it is receiving timely and effective assurance with regards the management of those risks. As Internal Audit is a one source of this assurance, Internal Audit have reviewed the OPCC / Force Risk Register with the aim of identifying where the OPCC / Force obtains this assurance and that the Internal Audit plan is suitably focused and aligned with other sources of assurance. The results of this exercise were considered when drawing the audit plan.

- 3.2 The Assurance Framework provides a top-down identification and analysis of the assurance needs of the JASP, and aims to provide a co-ordinated view of the activity of the various assurance providers and therefore the right combination of direct, risk and independent assurance activities as shown below:



- 3.3 In drawing up the operational audit plan, the assurance review of the OPCC / Force risk register identified where the OPCC / Force obtained assurance it was managing its key risks, with the aim of aligning the Internal Audit plan with other sources of assurance. Audit were supported by management in conducting this review. The review was carried out through discussions with appropriate staff and review of documents to confirm the adequacy of the assurance processes in place. In particular, the review consisted of:

- Reviewing the key strategic risks (OPCC and Force) that the JASP require assurance on.
- Using the 'three lines of defence' model referred to above, considering the key sources of assurance that the risks are being effectively managed.
- Identifying and agreeing gaps in assurance.
- Agreeing whether the gaps should be addressed and, if so, whether Internal Audit were the appropriate source of that assurance.

In determining Internal Audit's current and future role in the 'assurance landscape', it should be noted that Internal Audit has a wider remit than purely focusing on just those risks set out in the OPCC / Force Strategic Risk Register, and is required to provide assurance on the systems of internal control, risk management and governance arrangements. For this reason, we also considered other key areas of assurance, including those relating to Finance, Governance, Procurement, Information Technology and Risk Management.

- 3.4 Through a focused approach to assurance, the internal audit service can be utilised to provide the right level of assurance, it can avoid unnecessary use of its finite resources and it can support the OPCC and Force in maintaining an effective Assurance Framework. Internal Audit, through its support for the Assurance Framework, should:
- support the OPCC and Force in managing its risks through the establishment (and, more importantly, the maintenance) of an Assurance Framework that is fit for purpose;
  - look to other sources of assurance and assurance providers, including third party assurance, to supplement the resources of the internal audit team;
  - work alongside other assurance providers, such as External Audit, to more effectively provide assurance and avoid duplication; and
  - through risk-based auditing, focus internal audit resource on what is really important to each organisation.
- 3.5 Further to the above risk identification process, it should also be remembered that Nottinghamshire form part of the wider East Midlands Policing Region and, as such, collaborate on a wide variety of services. The aim will therefore be to, wherever possible, align the audit plans across the region in order to secure efficiencies through collaborative auditing.

## 4 External Audit Consultation

- 4.1 We liaise closely with your external auditors in preparing, and then delivering, a co-ordinated approach to the provision of assurance.
- 4.2 We speak regularly with the External Auditors to consult on audit plans; discuss matters of mutual interest; discuss common understanding of audit techniques; methods and terminology; and to seek opportunities for co-operation in the conduct of audit work. In particular, we will offer the External Auditors the opportunity to rely on our work where appropriate, provided this does not prejudice our independence.
- 4.3 Internal audit forms a significant part of the organisation's governance arrangements and it is therefore also important that Internal and External Audit have an effective working relationship. To facilitate this relationship we included in the Audit Charter liaison arrangement with the external auditors under the Public Internal Audit Standards. The key principles behind this agreement are:
- a willingness and commitment to working together;
  - clear and open lines of communication; and
  - avoidance of duplication of work where possible.

## Appendix A – Annual Audit Plan 2020-21

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JASP <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Core Assurance</b>				
<p>Core Financial Systems Assurance:</p> <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Payroll</li> <li>• Cash &amp; Bank</li> <li>• Payments &amp; Creditors</li> <li>• Income &amp; Debtors</li> </ul>	Q3	Feb 2020	27	<p>To provide assurance with regards the adequacy and effectiveness of the systems of internal control in operation to manage the core financial systems. The scope of the work will include, but not be limited to:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Access controls</li> <li>• Amendments to standing data</li> <li>• Reconciliations</li> <li>• Authorisation routines</li> <li>• Reporting</li> </ul> <p>Similar to in previous years, the audit will include operations within the Multi-Force Shared Service (MFSS), although will focus more than last year on local operations including the governance in place around the virement process.</p>
Risk Management	Q4	May 2021	8	<p>To provide assurance that risk management arrangements are in place and contribute to the effective management of risk. The Force are implementing a new system for risk management and therefore the audit will provide assurance over the new ways of working</p>
Estates Management	Q2	July 2020	8	<p>To provide assurance that the OPCC / Force have effective controls in place to manage the estate. The audit will review the extent to which the Estates Strategy is being delivered, how it contributes to the strategic and medium / long term objectives of the OPCC / Force and will drill down to day-to-day maintenance routines.</p>

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JASP <sup>2</sup>	PLAN DAYS	Commentary on Coverage
<b>Strategic &amp; Operational Risk Assurance</b>				
Complaints Management	Q4	May 2021	7	To provide assurance that the Force have effective processes in place for the management of complaints and these are being consistency applied. The audit will include the role of the Ethics Committee and that of the OPCC.
Victims Code of Practice	Q1	July 2020	8	Whilst the scope will be agreed with Management the overarching objective of the audit will be to provide assurance that the OPCC and Force are meetings its obligations in line with changes to legislation. The audit will not replicate a HMIC inspection in this area but will look to provide the Force and OPCC with assurance over the systems it has in place.
Seized Property	Q3	Feb 2021	7	Audits were carried out in 2017/18 and 2018/19 following which 'limited assurance' opinions were give. The audit will provide assurance that the Force has effective controls in place for the receipting, storage, management and disposal of seized and found property and it will follow up on previous recommendations raised.
IT Security: Follow Up	Q3	Feb 2021	5	An audit of the area was carried out in 2019/20 following which a 'limited assurance' opinion was given The audit will review the controls and processes in place in respect of key IT risks, such as those relating to access controls, IT policies and procedures, network infrastructure and virus controls. In particular, it will follow-up on the recommendation raised following the 2019/20 audit.
General Data Protection Regulation (GDPR): Follow Up	Q3	Feb 2021	5	An audit of the area was carried out in 2018/19 following which a 'limited assurance' opinion was given. Using computer specialist resource, the objective will be to provide assurance with regards the force's implementation of, and adherence to, the new General Data Protection Regulations (GDPR) that will apply from 25 <sup>th</sup> May 2018. In particular, it will follow-up on the recommendation raised following the 2018/19 and 2019/20 audits. See SR5.



AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JASP <sup>2</sup>	PLAN DAYS	Commentary on Coverage
Workforce Planning	Q1	July 2020	9	To provide assurance that key controls in place with regards Workforce Planning are in place and are operating as intended. The scope will be agreed with management but will include, but not be limited to, how Performance Development Reviews and Training are considered. The audit will also cover the effectiveness of recruitment marketing to align with the strategic approach of workforce planning
Wellbeing	Q2	Nov 2020	8	Whilst the details of the scope will be agreed with management, the over-arching objective of the audit would be to provide assurance that the force has robust and effective arrangements in place for managing the wellbeing of its staff.
Debt Recovery	Q2	Nov 2020	6	To provide assurance that key controls are in place with regards to how the Force effectively manages debtors. Whilst the process followed involves transactional services with MFSS this audit will focus on the local force elements of the process.
Business Change	Q3	Feb 2021	7	Whilst the details of the scope will be agreed with management, the over-arching objective of the audit would be to provide assurance that the force has robust and effective arrangements in place for delivery of change throughout the business and that it is effectively aligned with the Strategic Planning process.
<b>Collaboration</b>				
Collaboration	Q3 & Q4	Feb & May 2020	10	<p>Resources have been allocated across each OPCC / Force in order to provide assurance with regards the systems and controls in place to deliver specific elements of regional collaboration. The intention would be to carry out audit reviews across the region.</p> <p>Consideration will be given to assessing whether the area of collaboration is delivering against its original objectives and what arrangements are in place, from an OPCC / Force perspective, for monitoring and managing the service.</p>

AUDITABLE AREA	PROPOSED TIMING <sup>1</sup>	JASP <sup>2</sup>	PLAN DAYS	Commentary on Coverage
Other				
Audit Management	Ongoing	n/a	16	This includes audit planning, production of progress and annual reports, and attendance at progress and JASP meetings.
Contingency		n/a	8	To allow for additional / unforeseen audits to be carried out in agreement with the JASP and management.
<b>TOTAL</b>			<b>140</b>	

<sup>1</sup> Proposed timings for each audit to be agreed, with any changes reported to the JASP.

<sup>2</sup> Dates for delivery to the JASP are estimates at this stage and will be updated when future meeting dates are known and when precise fieldwork dates have been agreed.

## Appendix B – Levels of Assurance & Opinions

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 C – Contact Details

### Contact Details

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## Statement of Responsibility

We take responsibility to the Office of the Police & Crime Commissioner for Nottinghamshire and Nottinghamshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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