For Information / Consideration	
Public/Non Public*	**Public**
Report to:	**Audit and Scrutiny Panel**
Date of Meeting:	**29 May 2019**
Report of:	**Chief Finance Officer**
Report Author:	**Charlotte Radford**
Other Contacts:	**Brian Welch**
Agenda Item:	**8**

INTERNAL AUDIT ANNUAL ASSURANCE REPORT

1. Purpose of the Report

1.1 To provide members with the Annual Assurance Report of the Internal Audit Manager for work undertaken in 2018-19.

1.2 To also provide detail of work in 2018-19 against the Audit Plan.

2. Recommendations

2.1 Members are recommended to consider the reports and their implication for the draft Annual Governance Statements also on todays agenda.

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 reports detail the work undertaken during 2018-19. The report summarises the audits undertaken and the findings of these audits.

4.2 The report also provides the assurance that members can obtain from the work undertaken. This is considered to be generally adequate with effective controls, processes and governance in place in both the OPCC and Force.

4.3 Significant areas of concern were identified in audits during 2018-19 and these will be followed-up in 2019-20.

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 Annual Assurance Report 2018-19
Appendix B – Internal Audit Progress Report 2018-19

MAZARS

Office of the Police & Crime Commissioner for Nottinghamshire and Nottinghamshire Police
Internal Audit Annual Report 2018/19

May 2019

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

Contents

MAZARS

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 2018/19 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.
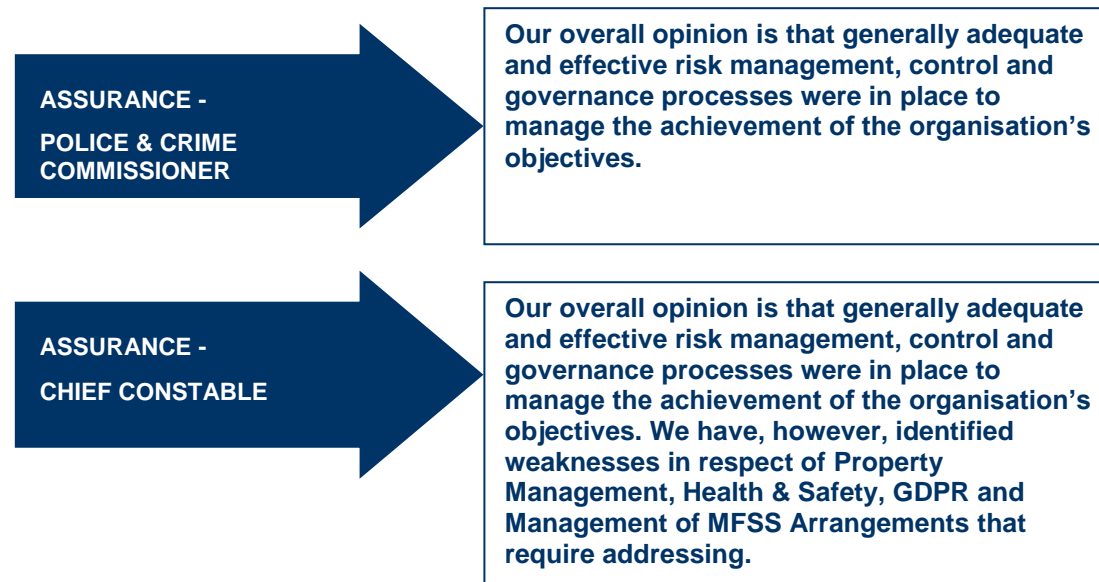
Internal audit provides the Police and Crime Commissioner and Chief Constable, through the Joint Audit & Scrutiny Panel (JASP), with an independent and objective opinion on governance, risk management and internal control and their effectiveness in achieving the organisation's agreed objectives. Internal 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 2019, we can provide the following opinions:

ASSURANCE - POLICE & CRIME COMMISSIONER → **Our overall opinion is that generally adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation's objectives.**

ASSURANCE - CHIEF CONSTABLE → **Our overall opinion is that generally adequate and effective risk management, control and governance processes were in place to manage the achievement of the organisation's objectives. We have, however, identified weaknesses in respect of Property Management, Health & Safety, GDPR and Management of MFSS Arrangements that require addressing.**

MAZARS

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 the 2018/19 Internal Audit plan we undertook an audit of the Code of Corporate Governance. The specific areas that formed part of this review included: governance framework, policies and procedures, roles and responsibilities and decision making. We concluded that there is a basically sound system of internal control, although there are weaknesses which put some of the Organisation's objectives at risk.

Through are delivery of the internal audit plan and attendance at 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 2019.

Risk Management

Whilst a specific audit of risk management was not carried during 2018/19, risk management at an operational level is considered during each of our audit assignments. During the course of delivering the 2018/19 audit programme, a key element of each audit scope was to evaluate the control environment and, in particular, how key risks were being managed. As summarised in the 'Internal Control' section below, we were able to place reliance on the systems of internal control and the manner in which risks were being managed by the Force and OPCC.

Internal Control

In summarising the opinions provided as part of the 2018/19 audit programme, as illustrated in the tables below, we have carried out nine audits of which two were of an advisory nature, one of which related to an additional request 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 2018/19 year, five (55.5%) internal audits received "satisfactory assurance", whilst four (44.5%) internal audits were rated 'limited assurance'. In addition, the three collaborative audits covering the East Midlands policing region all were rated 'satisfactory assurance'.

The following tables provide a brief overview of the assurance gradings given as a consequence of audits carried out during 2018/19, 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 2018/19 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 2018/19.

MAZARS

Nottinghamshire Only

Assurance Gradings	2018/19	
Significant	0	0%
Satisfactory	5	55.5%
Limited	4	44.4%
Nil	0	0%
Sub-Total	**9**	
No opinion	2	
Total	**11**	

Collaboration Audits

Assurance Gradings	2018/19	
Significant	0	0%
Satisfactory	3	100%
Limited	0	0%
Nil	0	0%
Total	**3**	

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.

MAZARS

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.

MAZARS

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.	100% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (10/10)
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% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (3/3)

MAZARS

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.

MAZARS

Appendix A1 - Audit Opinions and Recommendations 2018/19

Nottinghamshire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Force Management of MFSS Arrangements	Final	Limited	2	2		4
Code of Governance	Final	Satisfactory		4		4
Health & Safety	Final	Limited	1	3	1	5
Commissioning	Final	Satisfactory		2	1	3
Follow-up of Limited Assurance Recommendations	Final	N/A				
Core Financial Systems	Final	Satisfactory		6	3	9
IT Strategy	Final	N/A	2	2	2	6
GDPR	Final	Limited	2	1	4	7
Firearms Licensing	Final	Satisfactory		3	1	4
Property Management	Draft	Limited	4	4		8
Partnership Working	Final	Satisfactory		2	1	3
		Total	11	29	13	53

MAZARS

Collaboration Audits 2018/19	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Strategic Financial Planning	Final	Satisfactory		4		4
Risk Management	Final	Satisfactory		3	3	6
Business Planning	Final	Satisfactory		2	1	3
Projected Underspend	Draft					
Total				9	4	13

MAZARS

Appendix A2 - Audit Projects with Limited and Nil Assurance 2018/19

Project	Grading	Summary of Key Findings
Force Management of MFSS Arrangements	Limited	We raised two priority 1 / fundamental recommendations and a further two priority 2 / significant recommendations that require addressing where we believe there is scope for improvement within the control environment. These are set out below: • The Force should raise the lack of budget setting procedures with the appropriate governance forum to ensure an effective budget setting process can be embedded and is aligned with their own budget setting process. The Force should ensure that the Chief Finance Officers are clearly included in any budget setting process and should be members of the appropriate governance forum where this is scrutinised as part of the budget setting process. The Force should ensure the late delivery of budget monitoring information from MFSS is escalated as soon as possible and actions taken to address are put in place. (Priority 1) • The current lack of formally approved SLA's and KPI's should be escalated to the relevant governance forum and a timetable put in place for the delivery and approval of effective performance indicators. The Force should review the performance information that would be most relevant at each of the governance forums, then work with MFSS to ensure they receive this information. The number of individual complaints raised and managed by MFSS should be centrally co-ordinated by the Force and form part of the service review meeting to ensure effective performance management. (Priority 1) • The Improvement Plan should be updated to include target completion dates for activities to ensure MFSS and Partners are held to account for non-delivery of activities, the Force should raise this at the Optimisation Board. (Priority 2) • The Force should put in place appropriate co-ordination and communication internally between the Forces' attendees at the MFSS governance forums to ensure the key information is shared. The Force should seek clarity from MFSS and partners to confirm the roles of each governance forum, as well as ensuring the BPT's are operating as intended. The role of the HR Business Partner should be clearly defined and communicated across the Force. (Priority 2)

MAZARS

| Health & Safety | Limited | We raised one priority 1 / fundamental recommendation and a further three priority 2 / significant recommendations that require addressing where we believe there is scope for improvement within the control environment. We also raised a priority 3 / housekeeping recommendation in respect of best practice. The priority 1 and 2 recommendations are set out below:

• The Force should formalise what mandatory H&S training is required by staff, including any additional training for Supervisors, Managers and the Chief Officer team and whether annual refresher training is required.

The Force should investigate whether the "Required" mark within NCALT allows for the ability to set deadlines for training courses and automatically send emails to the relevant individual and their line manager if deadlines are missed.

The Force needs to designate whose responsibility it is to have overall oversight of training, including monitoring of completion and production of performance information around training. It then needs to be ensured that this individual has the resources in place to effectively monitor this. (Priority 1)

• The Force should update the Health and Safety Policy, ensuring that all information contained within is accurate.

The Policy should also be amended to include the additional information not currently included as detailed.

The Policy should be reviewed on a regular basis or when there are significant changes to operations or legislation. (Priority 2)

• The Force should produce a formal Accident/Incident reporting procedure.

The procedure should provide guidance on what should be reported and how this should be reported by staff.

The procedure should be clearly communicated to staff via the intranet. (Priority 2)

• The Force should develop an appropriate Performance Information Framework that provides the Departmental Health & Safety Committees with the relevant detailed information. An overall summary of performance across each Department should be available for the main Health & Safety Committee to have an overall view of key data. (Priority 2) |
| General Data Protection Regulations (GDPR) | Limited | We raised two priority 1 / fundamental recommendations and a further priority 2 / significant recommendation that require addressing where we believe there is scope for improvement within the control environment. We also raised four priority 3 / housekeeping recommendations in respect of best practice. The priority 1 and 2 recommendations are set out below:

• Responsibility for the gap analysis should be assigned and it should be updated into an action plan.
The action plan would then provide a clear means of moving towards compliance and in general we support its aims.
It will require management commitment and adequate resource to implement fully and the oversight of management through the proposed new governance structure currently being discussed. (Priority 1)
• The organisation should consider its resourcing levels in this area and in particular look to reduce its backlog of requests. (Priority 1) |

MAZARS

		• We support the approach being taken to complete the Information Asset Register and this should look to be completed as soon as is practical. Additional resource may also be required in this area of business as it is currently being led by a single member of staff. (Priority 2)
Property Management	**Limited**	We raised four priority 1 / fundamental recommendations and a further four priority 2 / significant recommendations that require addressing where we believe there is scope for improvement within the control environment. These are set out below: • Officers should be reminded to ensure property is checked in and out correctly whenever property has been moved from the temporary locations. (Priority 1) • Access to the Temporary Stores should be restricted to only police officers or the Archive & Exhibit Team who require access. Those who do not have a job related purpose should have their access to these areas removed. (Priority 1) • The Main Vault in the main stores should be subject to an audit on a periodic basis, every 6-12 months. This audit should be completed to ensure that all valuables and cash stated to be held in the vault is accounted for. (Priority 1) • Temporary locations should be reviewed and audited during the collection and delivery runs. Where discrepancies are identified, these should be raised with the Officer in Case to verify the location of property. (Priority 1) • Property should be logged onto Niche at the point of seizure, or earliest opportunity, prior to being placed in a temporary store. Items held within the temporary store that have not been appropriately logged should be raised with the responsible officer. (Priority 2) • Officers within the Force should be provided with further Niche training in relation to the continuity of property management, including the checking in and out of property from temporary storage. (Priority 2) • Policies and Procedures in relation to seized property should be updated to reflect the current adopted process since implementation of Niche in February 2016. (Priority 2) • It should be ensured that in all instances where cash is disposed or destroyed, that this is appropriately reflected on the property management systems. (Priority 2)

MAZARS

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.

MAZARS

Appendix A4 - Contact Details

Contact Details

David Hoose

07552 007708
David.Hoose@Mazars.co.uk

Brian Welch

07780 970200
Brian.Welch@Mazars.co.uk

M MAZARS

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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

MAZARS

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

Internal Audit Progress Report 2018/19

May 2019

Presented to the Joint Audit & Scrutiny Panel meeting of: 29th May 2019

Contents

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 31st March 2019 which was considered and approved by the JASP at its meeting on 30th May 2018.

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 is accordance with the Public Sector Internal Audit Standards (PSIAS).

02 Summary of internal audit work to date

2.1 Since the last progress report to the JASP we have issued two final reports, these being in respect of the Core Financial Systems and IT Strategy. Additionally, we have issued draft reports in respect of Property Management and Partnership Working where we await management's responses. Further details are provided in Appendix 1.

Nottinghamshire 2018/19 Audits	Report Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Force Management of MFSS Arrangements	Final	Limited	2	2		4
Code of Governance	Final	Satisfactory		4		4
Health & Safety	Final	Limited	1	3	1	5
Commissioning	Final	Satisfactory		2	1	3
Follow-up of Limited Assurance Recommendations	Final	N/A				
Core Financial Systems	Final	Satisfactory		6	3	9
IT Strategy	Final	N/A	2	2	2	6
GDPR	Final	Limited	2	1	4	7
Firearms Licensing	Final	Satisfactory		3	1	4
Property Management	Draft					
Partnership Working	Draft					
		Total	7	23	12	42

2.2 The 2018/19 Collaboration Internal Audit Plan is largely complete. Since the last progress report to the JASP we have issued three final reports, these being in respect of Strategic Financial Planning, Risk Management and Business Planning. Additionally, we were asked to undertake an additional audit in respect of Projected Underspends and the draft report has recently having been issued. Further details are provided in Appendices 1 and 2.

Collaboration Audits 2018/19	Status	Assurance Opinion	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total
Strategic Financial Planning	Final	Satisfactory		4		4
Risk Management	Final	Satisfactory		3	3	6
Business Planning	Final	Satisfactory		2	1	3
Projected Underspend	Draft					
Total			-	9	4	13

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% (11/11)
5	Issue of final report	Within 5 working days of agreement of responses.	100% (9/9)
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% (11/11)
9	Customer satisfaction (measured by survey)	85% average satisfactory or above	100% (3/3)

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:

<u>Nottinghamshire</u>

Core Financial Systems

Assurance Opinion	Satisfactory

Area Assurance on adequacy and effectiveness of internal controls	
General Ledger	Satisfactory
Cash, Bank & Treasury Management	Satisfactory
Payments & Creditors	Limited
Income & Debtors	Satisfactory
Payroll	Limited

Recommendation Priorities	
Priority 1 (Fundamental)	-
Priority 2 (Significant)	6
Priority 3 (Housekeeping)	3

Our audit considered the following risks relating to the area under review:
- Clearly defined policies and/or procedures are not in place resulting in ineffective and inefficient working practices.
- Systems and data entry restrictions are not in place which could lead to inappropriate access to the systems and data.
- There are errors in accounting transactions posted on the General Ledger resulting in inaccurate financial information.
- Inaccurate cash flow information regarding investments and borrowings is produced which could result in inappropriate levels of cash held within the Force.
- The purchasing process is not complied with by staff which could lead to fraudulent transactions that may go undetected.
- An ineffective debt management process is in place which could lead to irrecoverable income and inappropriate write off of debt.
- Payments to staff are inaccurate resulting in financial losses for the Force, administrative burdens and, where the employee loses out, loss of reputation.

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

- General Ledger
- Cash, Bank and Treasury Management
- Payments and Creditors
- Income and Debtors
- Payroll

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

- MFSS should ensure that policies and procedures are reviewed and updated in a timely manner.
- The Force should liaise with MFSS to ensure that appropriate performance data is provided with regards payroll processing.
- MFSS should carry out an independent phone call to verify that the correct details have been provided on all amendments to bank details, whether they are requested or not.
- The Force should ensure that correct PO's are raised and MFSS should ensure that correct PO's are processed.
- Controls should be put in place to prevent self-approval of purchase orders above £250.
- The Force should ensure that the approval spreadsheet is updated on a more frequent basis. MFSS should ensure that they are sending invoices to the approver with the correct authorisation level.

We also raised three housekeeping issues with regards control account reconciliation balance, retention of documents and credit note service requests.

Management confirmed that all agreed actions have either been implemented or will be actioned by September 2019.

IT Strategy

Assurance Opinion	N/A

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

The audit objectives were to provide an advisory review of the arrangements in place to support the development and establishment of IT Strategy. Consideration will also be given to the governance of the IT Strategy. This included:

- Current position of IT strategic planning and governance structures.

- An IT Strategy has been developed, documented, formally approved, and is up to date.

- The IT Strategy supports both the delivery of the IT team's departmental objectives and Force's corporate objectives.

- The IT Strategy clearly defines Force's IT priorities over the lifetime of the business plan, and how these will be achieved. The IT Strategy should address the following areas:

  - The level and skill set of current resources.
  - The needs of Force's customers (both internal and external).
  - Whether the current needs of customers are being met with the current level of resources.
  - Force's medium and long-term objectives.
  - The continuing and future needs of the Force's customers.
  - The solutions possible to meet those needs given the technology available and are in line with Market/Sector trends and technologies.
  - The Force's priorities.
  - Potential constraints to the delivery of the service and risks are effectively identified, managed or mitigated.
  - What the critical success factors are in assessing delivery against the IT Strategy's objectives.

- The IT Strategy has been effectively communicated to key colleagues at all levels throughout the organisation.

- Senior management across the organisation are fully committed to the implementation of the IT Strategy.

- There are effective governance, management structures and performance reporting structures in place to manage and monitor the implementation of IT Strategy projects. This should include: (i) A project management office/IT Strategy Group to oversee implementation and delivery, (ii) terms of reference for the group (s), (iii) post implementation reviews of IT projects undertaken within agreed timescales.

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

Recommendation 1	The IT Strategy should be completed without further delay ensuring key stakeholders and IT management are fully engaged in the development process.
Finding	The Force's IT Strategy has been under development for some time led by the DCC and by an external consultant from Towers Holt who has also previously undertaken an independent review of the Force's IT Department.
	The draft IT Strategy has not progressed as well as initially expected, the main reason being a lack of engagement with the wider organisation including IT Departmental leadership. This is now being addressed with changes in personnel and responsibilities that should reinvigorate the process, allow for a wider level of involvement and engagement. During the audit, advice was provided with regards to areas of focus, a number of those areas are also included in this report.
Response	Accepted. IT Strategy to be written, ensuring engagement with key stakeholders.
Timescale / Responsibility	Chief Supt Vicki White / April 2019

Recommendation 2	Once completed the strategy should be formally approved by senior force leadership.
Finding	Whilst the IT Strategy is currently in draft and not yet formally approved, through inquiry with key staff we noted that once the IT Strategy has been finalised it will be subject to the Force's formal approval processes through the leadership team and Futures Board.
Response	Accepted. IT Strategy to be taken to FEB and signed off by COT.
Timescale / Responsibility	Chief Supt Vicki White / April 2019

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

- The IT Strategy should include consideration of the current and future resources required to deliver the strategy.

    Key risks and limitations to achieving the key objectives of the IT strategy should also be recognised, including resource, finance, and changes in leadership.

- The IT Strategy needs further development around initiatives, core IT projects and future developments at a local level, for example, infrastructure related developments that do not fall under business as usual (BAU).

    We would also recommend the Force list IT projects as an appendix to the IT Strategy highlighting project lead, approximate costs, potential benefits, resource requirements and timescales.

    This would also allow for performance monitoring, progress tracking and annual review to be built in to the ongoing IT Strategy management following its approval.

    Risk levels can then be managed through project teams and reported if significant.

Finally, we raised two priority 3 recommendations of a more housekeeping nature. These were promotion of the Strategy and Terms of Reference for the Futures Group.

Management confirmed that actions would be addressed by May 2019.

Regional Collaboration Units

Strategic Financial Planning

Assurance Opinion	Satisfactory

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

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

Development of financial plans

- An effective and informed medium term financial plan (MTFP) is in place to ensure that a comprehensive review of the unit's financial position for the current and future years is undertaken and reviewed on a regular basis.
- The MTFP and financial planning process is aligned with key objectives, priorities and strategies set out in the unit's Business Plan.
- Appropriate assumptions are made as part of the planning process.
- Responsibility for creation, review and sign off of the MTFP is defined and controls are in place to ensure these responsibilities are discharged effectively.
- The financial planning process takes into account the requirements of the individual regional forces.

Delivery of Efficiency Savings

- Efficiency savings are incorporated into the MTFP and these savings are monitored on a regular basis.
- There is evidence of stakeholder engagement in evaluating the proposed savings and they take into account the impact on the wider Force and region.
- The Regional Efficiency Board has a key role in reviewing and challenging financial plans and savings assumptions.
- 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.
- Processes exist to enable management to highlight potential failure to deliver efficiency savings and action taken accordingly.

Budget Management and Monitoring

- MTFP is regularly monitored to ensure financial performance is aligned with ongoing budget management and monitoring procedures.
- Regular monitoring is undertaken to enable timely management information to be produced to assess performance and accuracy of the MTFP.
- Reports on financial performance are submitted in a timely manner to the relevant forum, including the relevant regional forces.

Budget Shortfall/ variances to budget projections

- Budget shortfalls/ variances to budget projections are recognised as part of the MTFP process.
- Shortfalls and variances are monitored and the MTFP updated accordingly as these occur through the financial year, with future impact on deliver of the overall plan assessed.

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

- We concur with attempts to establish a longer term financial plan. These should follow a clearly defined MTFP Process that is agreed and applied across the regions collaboration units.

  This should include a clear timetable for the preparation of plans and the appropriate levels of scrutiny through to final approval.

- The Collaboration budget setting process should be aligned with local Forces to ensure budgets are sufficient to meet service requirements. When collaboration budgets include elements that are held with the local Force (such as Officers in Kind), these are correctly stated across the Force budget and the collaboration budget.

- To ensure consistency and clarity for financial planning, clear reporting lines should be established so that individual(s) who have responsibilities for delivering budgets are clearly held to account.

- The Resource Board should determine a consistent approach to budget underspends and efficiency savings to ensure each collaboration unit is engaged and incentivised to deliver efficiency savings.

  Moreover, there should be clarity when savings are being prepared and proposed so that it is understood what type of saving are being proposed and the impact for all stakeholders.

Management confirmed that actions had either already been addressed or will be completed by April 2019.

Risk Management

Assurance Opinion	Satisfactory

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

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

- Procedures are in place to ensure that risks relating to the unit are identified, assessed, recorded, and appropriate risk owners are assigned.

- Responsibility for risk, both in terms of supporting the overall risk management process across the unit and individual risk owners, is delegated and understood.

- Risks are managed, where appropriate, at all levels of service delivery:
  - ➢ Strategic
  - ➢ Operational
  - ➢ Contracts
  - ➢ Programme
  - ➢ Partnership

- Risk registers are in place and are adequate and reasonable in terms of risk scoring, documented mitigation and action plans.
- The risk register is subject to regular review and is updated in a timely and consistent manner.
- Risk mitigation actions are in place and there is evidence they are monitored to ensure tasks are completed within agreed timescales.
- Appropriate oversight and reporting arrangements are in place and are working effectively.
- Collaboration unit risk registers are aligned with individual force registers, including how risks are escalated and reviewed, ensuring that duplication is minimised.
- Risk registers are routinely shared with force risk managers in order to ensure there is awareness across the region of the risks collectively being faced and how those risks are being mitigated.

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

- The EMSOU unit should establish a Risk Management Policy or Strategy to formally document their existing system for managing risk.
- The Collaboration Units should ensure that their Risk Registers are fully completed.

- The collaboration units should review their risk mitigation actions to confirm they clearly align to the risks.

  The collaboration units need to ensure that the risk registers are regularly reviewed and updated.

  Updates need to be specific to the risks and agreed mitigating actions

  When the risk registers are reviewed by management within the collaboration units, the lack of updates on risks should be challenged and actions set to ensure risks are being actively managed.

We also raised three priority 3 recommendations of a more housekeeping nature with regards responsibilities, the format of risk registers and risk scoring, and the alignment of force risk.

Management confirmed that actions will be completed by June 2019.

Business Planning

Assurance Opinion	Satisfactory

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

Our audit considered the risks relating to the following areas under review:
- There is a Section 22 agreement in place which sets out how the unit will operate and which underpins how the business plan in constructed.

- There is a clearly defined business plan in place that sets out, amongst other elements, the statutory duties and aims / objectives of unit and the key performance measures against which the service will be monitored.
- There is a clear link between strategic planning and service delivery such that:
  - ➢ Business Plan – how the unit will deliver its objectives;
  - ➢ Service Plans – operational plans for each area of activity; and
  - ➢ Individual Work Plans – how individuals will contribute towards the objectives and priorities of the unit.
- There is a robust business planning process in place that covers both the current year but also includes future year considerations.
- The business planning process includes the assessment of resources to achieve the stated objectives / priorities.
- The reliance on partners / suppliers to deliver the business plan is considered.
- The business plan is kept under review to ensure that it remains 'fit for purpose' and meets the requirements of each regional Force.
- The business plan is aligned with the Section 22 agreement and sets out the key deliverables of the service.
- Supporting each deliverable, there are clear, measurable performance measures against which the service will be measured.
- Performance management / reporting arrangements are in place to support the effective delivery of the service.
- Effective reporting routines are in place which provide up to date and accurate information to each regional force on the delivery of the service.
- Plans are in place and are appropriately reported in respect of agreed actions to address identified issues.
- There are clear policies and procedures in place supporting delivery of the service which are aligned to the delivery of the business plan.

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

- The EMSOU collaboration unit should progress plans to adopt business plans for the four main areas of operation – Serious Organised Crime, Major Crime, Forensic Services and Special Branch. A timetable should be established to ensure these business plans are put in place in a timely manner.

  The EMOpSS collaboration unit should ensure an appropriate business plan is adopted once the new format of the unit has been established.
- The Collaboration Units should ensure that there is an agreed business planning process that is scheduled annually.

  The planning process should include

  - ➢ Coverage of both the current year but also includes future year considerations.
  - ➢ The assessment of resources to achieve the stated objectives / priorities.

We also raised a priority 3 recommendation of a more housekeeping nature with regards the format of business plans.

Management confirmed that actions will be completed by May 2019.

Appendix A2   Internal Audit Plan 2018/19

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Core Assurance					
Core Financial Systems	Nov 2018	Dec 2018	Feb 2019	May 2019	Final report issued.
Code of Governance	Sept 2018	Aug 2018	Oct 2018	Nov 2018	Final report issued.
Strategic & Operational Risk					
Partnership Working	Mar 2019	Apr 2019		June 2019	Draft report issued.
Commissioning	Sept 2018	Oct 2018	Nov 2018	Feb 2018	Final report issued.
Force Management of MFSS Arrangements	June 2018	June 2018	July 2018	Nov 2018	Final report issued.
IT Strategy	Nov 2018	Feb 2019	Apr 2019	June 2019	Final report issued.
Property Management	Mar 2019	Apr 2019		June 2019	Draft report issued.
GDPR	Nov 2018	Dec 2018	Feb 2019	Feb 2019	Final report issued.
Health & Safety	Sept 2018	Oct 2018	Feb 2019	Feb 2019	Final report issued.
Firearms Licensing	Oct 2018	Oct 2018	Nov 2018	Feb 2019	Final report issued.
Follow-up of Limited Assurance Recommendations	July 2018	July 2018	July 2018	Nov 2018	Final report issued.

Auditable Area	Planned Fieldwork Date	Draft Report Date	Final Report Date	Target JASP	Comments
Collaboration					
Risk Management	Aug 2018	Nov 2018	Feb 2019	Feb 2019	Final report issued.
Strategic Financial Planning	July 2018	Oct 2018	Feb 2019	Feb 2019	Final report issued.
Business Planning	Sept 2018	Jan 2019	Mar 2019	Feb 2019	Final report issued.
Review of Collaboration Assurance Statements	May 2018	May 2018	June 2018	July 2018	Final memo issued.
Projected Underspends	Feb 2019	Mar 2019		June 2019	Draft report issued.

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

David Hoose

07552 007708

David.Hoose@Mazars.co.uk

Brian Welch

07780 970200

Brian.Welch@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.

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.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.