

<b>Committee(s):</b>	<b>Date:</b>
Police Performance and Resources Sub-Committee	30 <sup>th</sup> May 2013
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> <b>Chamberlain</b>	<b>For Information</b>

### **Summary**

This report is the latest six monthly report to your sub-committee and includes details of internal audit reviews undertaken in the financial year ended 31<sup>st</sup> March 2013 (Appendix 1) and planned internal audit work for the year ending 31<sup>st</sup> March 2014 (Appendix 2) which was approved by the Audit and Risk management Committee in February 2013.. The indicative five year internal audit plan for the 2013/18 is included as (Appendix 3).

Due to a number of reasons including staff turnover, re-prioritisation of audit work and changes in City Police strategy and processes, a number of reviews scheduled for 2012/13 have been either deleted from the plan, or re-scheduled for completion in 2013/14. In order to maintain the same level of audit coverage, where it has been agreed with the Commissioner to delete reviews, additional areas have replaced these reviews.

### **Recommendation**

Members are asked to note the work that internal audit have undertaken, the plans for the current year and offer any observations on the work to be done.

## **Main Report**

### **Background**

1. The previous update report presented to your sub-committee in September 2012 included details of the outcome of those internal audit reviews finalised during the period 1st April 2012 to 30th September 2012. This report includes a summary of the status of these reviews (Appendix 1). It also includes a schedule of work to be undertaken by Internal Audit within the current financial year 2013/14 (Appendix 2). The Internal Audit Plan for 2013/14 was approved by the Audit and Risk Management Committee in March 2013. The indicative five year internal audit plan for the 2013/18 is included as (Appendix 3).

## Completion of 2012/13 Internal Audit Plan

2. There were a number of challenges faced by the Internal Audit section in 2012/13 in relation to the work undertaken reviewing the City Police's activities. These included the following:
- Resignation of a senior auditor which reduced the resources available to progress the City of London Police work
  - Requirement to allocate internal audit resources to higher priority unplanned special investigation work in City departments.
  - cancellation of some work because of changes in the City Police strategy for some activities
  - a major change in the processing of orders and payments resulting from the City's creation of the City of London Procurement Service (CLPS)
3. Table One below includes an analysis of the planned work 2012/13 together with the number of planned days completed, days used on other Internal Audit projects and how the balance of days remaining will be used to complete work carried forward from 2012/13, or revised work to replace cancelled reviews. A detailed analysis of the 2012/13 Internal Audit Plan progress status is included in Appendix 1 of this report.

**Table One: Analysis of 2012/13 planned City Police Internal Audit Reviews**

<b>Project</b>	<b>Comments</b>	<b>Days</b>	<b>Balance of Days Remaining</b>
ICT Service Support Contracts	This review was initially deferred until April 2013 awaiting the outcome of discussion on the signing of the East Coast Information Services ECIS contract for ICT services. It is now understood that the contract is not going to be pursued and other sourcing arrangements are being explored.	10	10
Police Supplies and Services	Due to the creation of the CLPS and the impact on the way in which the City Police process suppliers' payments, this review was cancelled from the plan.	20	20
Police Fleet Management VFM	This project was allocated to a Senior Auditor who has now left employment	10	10

	with the City's Internal Audit Section. Resources have been re-allocated to undertake this review in Qt1 2013/14		
Value for Money Initiatives	Budget Used for City First project review completed in June 2012.	5	-
Police Compensation Claims	Started in 2012 and will be completed by 30 <sup>th</sup> June 2013	20	15
Spot check reviews	Four reviews – three deferred until 2013/14	15	12
<b>Balance days remaining</b>			<b>67</b>
<b>Days used for:</b>			
Special Investigations	Other City departments	7	
City First Project review	Commissioner request	5	
CoLP Standing Order Compliance	Commissioner request	3	
<b>2012/13 projects c/fwd for completion 2013/13:</b>			
Police Compensation Claims	Completion date:30/6/13	15	
Fleet Management VFM	Completion date 30/6/13	10	
Spot check reviews	Completion date 30/6/13	12	
<b>Audit plan revisions:</b>			
City First Project Outcomes	Commissioner request	5	
Project Office	Commissioner request	10	
Assurance Mapping Exercise	Corporate initiative		
<b>Total Days Allocated</b>			<b>67</b>

4. The Assistant Commissioner and Director of Corporate Resources have been consulted on the focus of the audit work for the City of London Police including the utilisation of the days brought forward from the 2012/13 plan. It has been agreed that the following additional reviews have been added to the plan as a result of this consultation.

City First Project Outcomes (5 days)

The City First Project was completed in March 2013 and the subsequent restructure of the Force is now being implemented. This review will look at the lessons learnt from the project and provide assurance on the progress made in implementing the agreed review proposals.

Project Office (10 days)

The City Police Projects Office provides the administration for the Force's capital works programme. This review will examine the processes being followed and the relationship between the Force's activities and those of the Chamberlain's capital programme monitoring arrangements.

### Assurance Mapping (5 days)

In an environment of scarce and limited resources a series of reviews across the City have been planned which will look at how risks to the achievement of strategic and operational objectives, processes and systems are mitigated. This review will identify what respective roles management governance and assurance, third party review processes (e.g. HMIC Police Inspectorate), and Internal Audit plan coverage play in the governance of these activities. Any areas of potential weakness will be identified which will inform subsequent Internal Audit assurance planning and resource allocation.

### **Internal Audit Plan 2013/14**

5. In addition to the reviews illustrated in paragraph 4 above, the 2013/14 Internal Audit Plan (Appendix 2) includes two full reviews which are as follows:

#### Third Party Payments (15days)

The City Police procure a range of services from external organisations in support of their operations; this expenditure includes consultancy work. This review will include an analysis of the categories of payments and determine compliance with the City's Financial Regulations. It will also examine budgetary control and establish the justification for making expenditure of this nature.

#### Fees and Charges (20 days)

The City Police generates income for operational and advisory activities where legislative powers to do so exist. This review will examine the processes, controls and security related to the collection, recording and banking of income. It will also consider the activity of the Force in seeking new income streams.




### **The City Police Internal Audit 5 year plan 2013/18**

6. The overall City of London Internal Audit plan was approved by the Audit & Risk Committee on 8<sup>th</sup> March 2013. The work relating to the City of London Police, as with all aspects of our work, is prepared on a risk basis and in consultation with the Commissioner; it provides internal audit coverage of the City Police's main administrative and financial activities. In addition to the one year internal audit plan, a 5 year audit programme is maintained and updated. The City Police utilises corporate systems for financial management information (CBIS) and payroll payments (iTrent). These and other corporate systems, including the revised procurement processes introduced with the City of London Procurement Service, are subject to further Internal Audit review work in addition to the City Police's Internal Audit Plan. Full details of the 2013/18 plan are included within Appendix 3 of this report.

## Implementation of Audit Recommendations

7. The following table summarises the position with respect to the implementation of the recommendations following the audit of the City Police Clothing Store.

### City Police Clothing Store

RAG Rating	Recommendations	Implemented	Partially Implemented	Outstanding
	0	0	0	0
	0	0	0	0
	9	5	1	2
<b>Total</b>	<b>9</b>	<b>5</b>	<b>1</b>	<b>3</b>

#### Recommendation 1 – Independent stock takes

*Target date:* 6 June 2012

*Present status:* Partially implemented

Periodic mid-year stock takes have not been conducted in 2012, with the exception of a sample-based check undertaken by the General Services Director in October 2012. It is appreciated that demands on resourcing (including the recruitment freeze, Diamond Jubilee, Olympics and the introduction of a standard set of uniform) have affected the implementation of this recommendation. In order to ensure independent checks are conducted, a full stock was conducted in April 2013 (please refer to recommendation 8).

#### Recommendation 6 – Written procedures

*Target date:* August 2012

*Present status:* Not implemented

Written procedures have not been created for the key processes in the stores. It is understood that the upcoming externalisation of the service would reduce the benefit of introducing written procedures.

#### Recommendation 8 – Independent valuations

*Target date:* May 2012 onwards

*Present status:* Not implemented

It was recommended that the use of an external stocktaker should be terminated in order to save approximately £6,000 per year; independence would be assured by presence of Internal Audit at the year end stock take following a number of mid-year sample-based reconciliations. As a result of the store being unable to conduct rolling stock takes during the year the requirement for a full external valuation remained for April 2013.

## Conclusion

8. As a result of the challenges faces in delivering the full audit coverage for the City of London Police in 2012/13, additional resources will be deployed during 2013/14 to ensure that the reviews that were postponed can be completed and that there is comprehensive coverage in 2013/14.

## **Background Papers**

**Appendix 1 Internal Audit Plan Status Report 2012/13**

**Appendix 2 Internal Audit Plan Status Report 2013/14**

**Appendix 3 Internal Audit 5 year audit plan 2013/18**

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