

Committee	Dated:
Police – For Information	14 April 2016
Subject: Internal Audit Review of Insolvency – Firms in Liquidation, Receivership and Administration	Public
Report of: Chamberlain	For Information

Summary

Subsequent to the transfer of the Action Fraud Service to the City of London Police with effect from 1 April 2014, the service was subject to a procurement process and the contract was awarded to IBM. In July 2015, prior to the IBM contract commencing, one of the companies providing the existing service (BSS Ltd) went into administration. This required interim arrangements to be put in place before commencement of the IBM contract.

As a result, Members questioned what procedures are in place to identify when companies employed by the City Corporation encounter financial difficulties/risks so as to provide time for alternative arrangements to be considered proactively rather than reactively. At the request of the Committee, this was referred to Internal Audit which already had a “Review of Insolvency – Firms in Liquidation, Receivership and Administration” scheduled in its Audit Plan.

The Internal Audit report is appended and makes specific reference to BSS Ltd at paragraph 22. It indicates that whilst a request was not made for a financial appraisal prior to the transfer of the service from the Home Office, the company would have passed the City’s normal criteria if it had been assessed at that time. However, concerns about an over reliance upon a small number of clients and pension liabilities would also have been highlighted. In addition, if a check had been undertaken, the company would have been subject to on-going monitoring as set out in paragraph 18 of the report.

The report makes recommendations for:

- the corporate guidance on insolvencies and its implications for the City to be updated and published in the Procurement Code to ensure wide circulation amongst staff;
- improvements to the completeness of a supplier’s status as recorded on the City’s financial information system, CBIS; and
- clarity of roles relating to the reconciliation of outstanding amounts owed to and from insolvent firms.

All the recommendations have been agreed by management and implementation will be monitored by the Audit and Risk Management Committee.

Recommendation - Members are asked to note the report.

Appendix 1 – Internal Audit Final Report “Review of Insolvency – Firms in Liquidation, Receivership and Administration”