

<b>Committee(s):</b>	<b>Date(s):</b>
Performance and Resources Sub (Police) Committee	7 September 2016
<b>Subject:</b> Internal Audit Update Report	<b>Public</b>
<b>Report of:</b> The Chamberlain	<b>For Information</b>
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### Summary

The purpose of this report is to provide the Committee with an update on the work of Internal Audit that has been undertaken for the City of London Police since the last report in May 2016.

Work on the City of London Police 2015-16 planned internal audits is completed; eight full reviews, one compliance review, and one brought forward from 2014/15 have been completed to final report stage. There were three 2015-16 audits which have been given a Red assurance level, one of which, Police Officers' Use of Fuel Cards, was issued since the last report in May 2016.

Internal audit undertook seven corporate reviews within 2015-16. Further corporate audit work since the last update has not resulted in recommendations that impact on the City Police.

Work is progressing on the 2016-17 planned internal audit work; there are seven full assurance audits included in the plan: one of these (CoLP Community Consultation) has been completed to Final Report Stage; and a further two audits have been completed to draft report stage.

A follow-up exercise has been undertaken which has identified that 13 recommendations have not been implemented in accordance with management agreement. The reasons for this have been obtained and include: inclusion in wider improvement programmes for IT; a review of how the CoLP vehicle fleet is organised; and reallocation of finance staff resources.

### Recommendation

Members are asked to:

- Note the report.

## Main Report

### Internal Audit work 2015-16

1. There were a total of 112 audit days performed for the City Police during the financial year 2015-16. This included one audit which had been carried forward from 2014-15, as well as 2015-16 planned work (Appendix 1).
2. Nine full assurance audits and one compliance audit were undertaken during the year, and all have been completed to final stage. Internal audit work since May 2016 has resulted one Red assurance opinion ratings in respect of Police Officers' Use of Fuel Cards; one Amber assurance opinion rating was made in respect of Police Use of Procurement Cards; and one Green assurance for Police Ad Hoc Payments and Allowances.
3. There were a total of 35 recommendations made in the audits finalised for 2015-16 which have been analysed as follows:

Audit	Assurance Opinion	Recommendations			
		Red	Amber	Green	Total
Gifts and Hospitality	Amber	-	3	1	4
Interpreters Fees	Amber	-	1	1	2
Invoices on Hold	Red	3	1	-	4
Interim Follow Up of PBX Resilience and Disaster Recovery	Red	4	1	-	5
Police Supplies and Services & Third Party Payments	Red	1	2	3	6
Police Use of Procurement Cards	Amber	-	8	1	9
Police Officers' Use of Fuel Cards	Red	1	4	-	5
<b>Total</b>		<b>9</b>	<b>20</b>	<b>6</b>	<b>35</b>

4. All recommendations were agreed with Management. These recommendations are followed up in six to twelve months of issuing the final report, with the exception of audits with a Red assurance opinion, which are followed up as soon as the Red rated recommendations are due to be implemented. A follow-up exercise has been undertaken and the outcome is included within this report.
5. The following reviews have been finalised since the last update report to your committee in February 2016.

## **Internal Audit Plan 2015-16**

### **Police Officers' Allowances and Ad Hoc Payments (Green Assurance Rating)**

6. This audit concluded that, based on discussion and sample testing, there are satisfactory controls in place over the payment and application of allowances to police officers. Audit testing established that allowances paid to police officers are accurate and in accordance with the agreed conditions and entitlements in adherence to Police Regulations.

### **Police Use of Procurement Cards (Amber Assurance Rating)**

7. This audit included compliance with written guidance and sample testing of procurement card (PCard) expenditure. The following areas for improvement were identified.
  - The policy does not protect CoLP from the opportunity of duplicate claims for expenditure via different methods of procurement.
  - A culture has developed whereby many purchases (approximately 40% of sample tested) may have been made on what could be described as a 'convenience' basis.
  - The PCard system itself was found to have a weakness in that there is no requirement for a business case to be submitted for a card to be issued.
  - Where Corporate contracts are in place for items, these should be used to ensure the best prices are obtained.
  - There were two incidents (out of our sample of ten) of paperwork not being submitted to Shared Services for processing.
  - From review of a sample of ten PCard transactions, in five cases Internal Audit was unable to validate that it was appropriate to make the purchase via the PCard system.

### **Police Officers' Use of Fuel Cards (Red Limited Assurance Rating)**

8. Internal Audit has provided limited assurance on the use and administration of Fuel Cards based on the testing undertaken.
  - There was no evidence of any monitoring against this contract.
  - There is no review of the use of Fuel Cards in terms of number in circulation, compliance with the Standard Operating Procedure (SOP), or volumes of fuel purchased.
  - Whilst reports on card use are produced by the contractor AllStar Business Solutions, there is no evidence to suggest these are checked.
  - Transaction listings are provided on a monthly basis, but the checking of these by budget holders within the invoice centres is inconsistent.
  - The City of London Police do not have a facility to identify hire vehicles used at any one time and to filter this information to ensure vehicles that have been refuelled using a fuel card are on legitimate Force operations.

### **Corporate Reviews 2015-16**

9. There were two corporate audits undertaken within the year 2015-16 which were reported to the May 2016 sub-committee, where recommendations have

an impact on the City Police. A schedule of all corporate reviews in the 2015-16 internal audit plan are contained in Appendix 2.

**Internal Audit Plan 2016-17**

10. One audit included within the 2016-17 internal audit plan has progressed to final report stage: Community Consultation. A further two audits have been progressed to draft report stage: Standard Operating Procedures; and the International Fraud Academy. A schedule of work and the planned date for completion is included within Appendix 3. In accordance with a Member’s request at the last sub-committee meeting, the three year audit strategy for the period 2016-17 to 2018-19 has also been included within Appendix 3.

**Community Consultation (5 days) AMBER Assurance Rating**

11. Based on the testing undertaken, Internal Audit have concluded that processes are generally sound to ensure the City of London community is consulted and their views included in the Policing Plan. One improvement has been identified which entails the documentation of the processes followed. This will ensure that any changes of staff or restructures within the Force do not result in a failure to comply with the Police Act.

**Follow-up Exercise**

12. A follow-up exercise for all audit recommendations which were agreed for implementation between six and twelve months has been undertaken. Details of the exercise are included within Appendix 4. There were 34 recommendations included within the exercise of which 21 have been implemented. Recommendations that have yet to be implemented are analysed below.

Audit Review	No. Recommendations Not Implemented			
	RED	AMBER	GREEN	TOTAL
Police Seized Goods (2013-14)	1	-	-	1
Police Defendants Accounts (2013-14)	-	1	-	1
Telecoms PBX Fraud (2014-15)	-	2	5	7
Gifts and Hospitality (2015-16)	-	1	-	1
Supplies and Services (2015-16)	1	-	2	3
<b>Total</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>13</b>

13. The following information was obtained for the 13 recommendations still to be implemented:

- **Police Seized Goods (2013-14)** Recommendation: Formal written guidance should be prepared for the recording and banking of income received from the disposal of property via auction. Management Response: a new cash management SOP is currently being finalised.
- **Police Defendants Accounts (2013-14)** Recommendation: The Head of Finance should perform a quarterly reconciliation of the suspense account. Management Response: Completion of work may slip beyond end of June 2016 to 30<sup>th</sup> September 2016 due to new financial priority activities allocated.

- **Telecoms PBX Fraud (2014-15)** Two Amber and Five Green Recommendations (see Appendix 4 for details) Management Response: It needs to establish whether these recommendations will form part of the IAAS programme as ICT informed the Commissioner in October 2015.
- **Gifts and Hospitality (2015-16)** Recommendation: Management should reinstate the regular reconciliation between the internal gifts and hospitality register and the information published on the CoLP. Management Response: Issues are being expanded into a wider overall integrity agenda and PSD are currently preparing a proposals report for consideration.
- **Supplies and Services (2015-16)** Recommendations: One Red and two Green rated recommendations (see Appendix 4 for details) Management Response: The force intends to outsource the supply of uniforms to a managed contract through the National (Police) Uniform managed service. Much of the expenditure identified within this Audit against these codes was due to miscoding and misuse of these subjective codes. The Fleet Manager is reviewing the current process of how the overall Fleet is utilised with CoLP.
- **Police Use of Fuel Cards (2015-16)** *Red Recommendation update. Not included within the follow-up exercise since the report was only issued in July 2016.* Recommendations: One Red and Four Amber. In respect of the Red rated recommendation, the CoLP Fleet Manager has confirmed that he is now monitoring the performance of the AllStar Ltd, fuel card contract in relation to the CoLP.

### **Conclusion**

14. Work on the 2015-16 internal audit plan is fully completed. There were nine reviews included in the plan. Four reviews were given a RED limited assurance rating.
15. The 2016-17 internal audit plan is progressing, with one audit completed to final report stage; and the draft reports for two further reviews have also been issued.
16. A follow-up exercise has been undertaken and identified that 21 recommendations out of 34 reviewed have been implemented. The remaining 13 recommendations are subject to further work programmes currently taking place for IT, Fleet Management, and Finance Staff duties.

### **Appendices**

- Appendix 1 – Schedule of Internal Audit Planned Work 2015-16
- Appendix 2 – Corporate Reviews – Schedule of Internal Audit Work 2015-16
- Appendix 3 – Schedule of Internal Audit Planned Work 2016-17 and Three Year Plan Strategy 2016-17 to 2018-19
- Appendix 4 - City Police Recommendation Follow- Up Schedule as at September 2016

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