

Committee(s)	Dated:
Performance and Resources Sub (Police) Committee	30 November 2016
Subject: Internal Audit Update Report	Public
Report of: The Chamberlain	For Information
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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 (CoLP) since the last report in September 2016.

Work is progressing on the 2016-17 planned internal audit work; there are seven full assurance audits included in the plan: three audits (CoLP Community Consultation, CoLP Policies and Procedures, and the Economic Crime Academy) have all been completed to Final Report Stage. The fieldwork for an audit of the CoLP Governance Framework and Performance Measures is in progress. The terms of reference has been issued for the planned audit of CoLP Budget Monitoring. The remaining two planned audits of Grants Received and Income Streams and Generation are planned to be completed by 31st March 2017.

The last report made to the September 2016 Committee included the results of the recent CoLP audit recommendations follow-up exercise. There were six outstanding recommendations, one Red rated, and five Amber rated, which were still outstanding at September 2016. Information has been received that two of these recommendations have now been implemented, leaving three outstanding recommendations, including one Red rated recommendation with a revised completion date of April 2017.

As previously agreed with your committee, where findings and recommendations impact on the City Police details will be reported at the next committee meeting. There are four planned corporate audits for 2016-17, work on these audits to date has not resulted in recommendations that impact on the City Police.

Recommendation

Members are asked to:

- Note the report.

Main Report

Internal Audit Plan 2016-17

1. Two audits included within the 2016-17 internal audit plan have progressed to final report stage since the last update report to your committee made in September 2016: CoLP Policies and Procedures; and the Economic Crime Academy. The fieldwork for a further audit of Governance Framework and Performance Measures has been started. The terms of reference has been issued for a review of CoLP Budget Monitoring and it is envisaged that this review will be fully completed by 31st January 2017. The remaining two audits: Grants Received; and Income Streams and Generation are both planned to be completed by 31st March 2017. Details of all these audits and progress against the 2016-17 Internal Audit Plan are contained in Appendix 1.

CoLP Policies and Procedures (Amber Assurance Rating)

2. Overall, the audit confirmed that there are good practices and controls in place in relation to the maintenance of Policies. There is scope, however, to improve arrangements to ensure that Policies cover all key business activities; this could be done by benchmarking Policies currently in circulation against those of other Forces. The audit also identified that the central log of policies maintained by the Governance and Assurance team is not always kept up to date; the team's Business Development Officer should periodically review the log of Policies to ensure it reflects the latest information.
3. The audit confirmed that Policies are readily accessible to Officers and Staff through the Police Force's intranet site. Further improvement to current arrangements could be made by ensuring that induction processes draw the attention of new Officers, Staff and Contractors to relevant Policies.
4. Whilst the audit identified instances of good practice to ensure that Policies are subject to regular review by appropriate officers and staff, there is scope for significant improvement in this area. As at the end of April 2016, 61 Standard Operating Procedures had not been subject to timely review, 48 of which had not been reviewed within a year of their set deadlines. To improve the timeliness of Policy review, the Head of Governance and Assurance should liaise with HR to explore the possibility of setting objectives in relation to reviewing Policies, as part of Directorate Heads' annual performance objectives. In addition, HR should also confirm that Directorate Heads' job descriptions include these tasks.
5. There are established arrangements in place for approving both new and revised Policies. Again, the audit identified areas for improvement relating to both the delegation and documenting of approval of new and revised Policies.
6. There are adequate arrangements in place in terms of change control; the arrangements ensure that new and revised Policies are uploaded to the intranet on a timely basis.

7. A total of six audit recommendations were made to deliver control improvements (one Amber and five Green rated) and the Commissioner has agreed to implement these by 31st December 2016.

Recommendations	Red	Amber	Green	Total
Number Made:	0	1	5	6
Number Accepted:	0	1	5	6

Economic Crime Academy (Amber Assurance Rating)

Pricing

8. The Academy has a pricing structure based on full cost recovery and audit testing has confirmed that prices are calculated to achieve full cost recovery. However, the Academy has not achieved full cost recovery to date; this is attributed to the lack of trainers restricting the number of courses that can be provided, resulting in reduced income, as well as, costs for casually employed trainers and accommodation hire exceeding budget estimates. The Director has stated that she would prefer some flexibility to the pricing structure, whereby more discretion can be applied on pricing ad hoc courses. In order for the pricing structure to become more flexible, advice from the CoLP Head of Finance would be beneficial.

Cost Recovery

9. The 2016-17 and previous years' budgets have been set on the basis that the Academy is able to operate at full capacity. Total budgeted expenditure for 2016-17 is £1,001,000, and budgeted income is £1,000,000 (see Table One above), which results in an estimated net expenditure outturn of £1,000 at year end. It is, however, noted that past years' performance indicates that both expenditure and income are likely to be less than this. Although there has been a year-on-year improvement in performance (£31,000 net expenditure at year-end 2015-16, compared to £451,000 net expenditure at year-end 2014-15). There are a number of factors which have resulted in the outturn position each year. These are as follows:

- Staff vacancies;
- Hiring ad hoc trainers over and above budgeted costs;
- Additional costs of rented accommodation; and
- Reduced income due to inability to run courses.

The Academy currently produces a range of indicators for management information presented to the Economic Crime Academy Steering Group, including: income levels; courses delivered; and course attendance figures. Audit testing revealed that not all of this information had been completed for 2015-16. It was noted that indicators record trend year on year and that there are no targets, for example

income generated, for comparison. The Director of the Academy stated that this is due to a Force-wide instruction that targets should not be employed. It is, however, pertinent in the case of the Academy to use targets, because as a commercial venture, it is important measure against budgeted outturn.

Business Model

10. It is the intention of the CoLP's Economic Crime Co-ordinator to create a trading company for the Academy. There are a number of reasons why it is considered by the Commander advantageous to pursue this course of action.

- Greater flexibility over decision-making – being able to take decisions in response to changing market demands;
- The ability to recruit staff on pay and conditions that can be negotiated with candidates, outside of the CoLP pay and conditions structure;
- Reduces the risk of breaching the City of London Corporation's VAT partial exemption limit.

11. There are, however, some related issues which the Commissioner needs to take into account that have an impact on the costs for the Academy becoming a trading company:

- Existing staff will be subject to TUPE legislation, which means that their current pay and conditions of service remain the same on transfer;
- TUPE affected staff will retain their Local Government Pension Scheme (LGPS) benefits and entitlement, which means that the Academy needs to take out a bond to guarantee existing benefits and seek "Admitted Body Status" with the City of London LGPS for on-going pension employer and employee contributions;
- The Academy will have to meet a proportion of accommodation costs, CoLP senior management costs and other central expenditure recharges;
- The Chamberlain's Financial Services Director has advised that the Academy will not be able to utilise the City's main accounting system CBIS, which means that an additional cost for accounting software will be incurred.

12. The Academy Business plan was last presented to the Economic Crime Board in 2014 for the period 2014 to 2017. It is now in need of a refresh and should reflect current performance and demonstrate the benefits of becoming a trading company. There are a number of issues that need to be addressed in order to promote the advantages of the creation of a trading account. These need to be considered within a revised business plan and solutions to overcome them explained. The business plan, therefore, needs to include action to deal with the following issues:

- With 2015–16 performance just short of breaking even (£31,000 net expenditure), what will be done to ensure that full cost recovery will be achieved in the short-term and a trading surplus realised in the medium to long-terms?
- The Director has cited a number of factors why it is difficult to recruit permanent training staff: lack of skills and knowledge held by potential

candidates; and the time it takes to process recruitment via the CoLP HR Recruitment Team; how will recruitment be managed going forward to attract and recruit the right staff within a reasonable time-scale?

- How will the Academy ensure that its prices are competitive given the additional overheads, for example, CoLP recharges, TUPE associated costs and accounting support costs?

13.A total of six recommendations were made for improvements in control, five Amber Rated and one Green Rated.

Recommendations	Red	Amber	Green	Total
Number Made:	0	5	1	6
Number Accepted:	0	5	1	6

Internal Audit Recommendations Follow-up Exercise Update

14. The last report to your committee made in September 2016 included full details of the recent recommendation implementation follow-up exercise. There are six outstanding recommendations: one Red Rated and five Amber rated. A further update exercise has now been undertaken and it has been established that two recommendations related to Gifts and Hospitality and Police Defendants Bank Accounts have been implemented, although Internal Audit have not been provided with any evidence to support this to date. The remaining four recommendations have yet to be implemented and the Assistant Commissioner will provide a verbal update concerning the recommendation related to Police Seized Goods at the November committee meeting. See full details of this update exercise in Appendix 2.

Conclusion

15. The 2016-17 internal audit plan is progressing, with three audits completed to final report stage; the fieldwork for a further audit is on-going; and the terms of reference have been issued for another audit.

16. Following on from the previously reported audit recommendation implementation follow-up exercise, four recommendations have yet to fully implemented and the evidence of implementation has yet to be seen by Internal Audit for two.

Appendices

- Appendix 1 – Schedule of Internal Audit Planned Work 2016-17
- Appendix 2 - City Police Recommendation Follow- Up update as at November 2016

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