

Committee(s)	Dated:
Performance and Resources Sub (Police) Committee	30 May 2017
Subject: Internal Audit Update Report	Public
Report of: The Chamberlain	For Information
Report author: Pat Stothard, Head of Audit and Risk Management Jeremy Mullins, Audit Manager	

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 February 2017.

Work is progressing on the 2016-17 planned internal audit work and it is anticipated that all audits will be completed to a minimum of draft report stage by 30th June 2017. There were seven full assurance audits included in the plan: five audits (CoLP Community Consultation; CoLP Policies and Procedures; the Economic Crime Academy; SKYNet Grants Audit Verification; and Governance Framework and Performance Measures) have all been completed to Final Report Stage. A further unplanned audit: Leavers - Salary Overpayment has been completed to draft report stage. The fieldwork is in progress for the remaining two planned audits: Police Budget Monitoring, and Income Streams and Income Generation, although completion of these has been delayed due to work undertaken on the unplanned audit mentioned above and, CoLP finance staff involvement in year end accounts.

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

The previous report made to the February 2017 Committee included the results of the recent CoLP audit recommendations follow-up exercise. There are four outstanding recommendations, one Red rated, and three Amber rated, the Red rated recommendation is in respect of the CoLP Supplies and Services Audit 2015-16 with a revised completion date of May 2017.

Work has now begun on the Internal Audit Plan for 2017-18. There are eight full assurance audits planned for the financial year 2017-18. The fieldwork for two audits (CoLP Project Management and CoLP Seized Goods) is underway. The CoLP Project Management audit has been added to this year's plan since the plan was agreed by your Committee at the request of the Town Clerk.

Recommendation

Members are asked to:

- Note the report and provide any comments.

Main Report

Internal Audit Plan 2016-17

1. There were seven full assurance audits included in the plan: five audits (CoLP Community Consultation; CoLP Policies and Procedures; the Economic Crime Academy; SKYNet Grant Verification Audit; and Governance Framework and Performance Measures) have all been completed to Final Report Stage. The draft report for an unplanned audit of Leavers – Salary Overpayments has been issued recently. The fieldwork for the remaining two audits: Police Budget Monitoring; and Income Streams and Income Generation is in progress, but has been delayed due to work on the unplanned audit mentioned above and CoLP finance staff involvement in year-end accounts. Details of these audits and progress against the 2016-17 Internal Audit Plan are contained in Appendix 1.
2. As previously agreed with your committee, where findings and recommendations from corporate-wide audit reviews impact on the City Police details will be reported at the next committee meeting. There were four planned corporate audits for 2016-17, work on these audits to has not resulted in recommendations that impact on the City Police.

SkyNet Grant Claim 2016-17 (Green Assurance) (5 Audit Man Days)

3. The SkyNet project aims to improve the understanding of e-crime in the payments sector in order to identify how the law enforcement approach needs to evolve and focus to have the greatest impact on this type of crime. This includes development of digital crime detection and investigation skills and new policing tactics. Once this insight has been achieved and skills gap addressed, intelligence opportunities will be identified to enable law enforcement to embed these skills and tactics through joint investigations with other EU law enforcement agencies.
4. The objective of this audit was:
 - To review and evaluate the adequacy of the Grant's financial management arrangements and to determine whether the submitted accounts are accurate, reliable and substantiated by adequate supporting documents.
 - To provide an assurance opinion to the Chamberlain to facilitate sign-off of the Assurance Statement.

5. Testing in respect of accuracy of the grant claim compared to transactions posted to CBIS General Ledger and sample testing of training invoices, subsistence claims and conference delegation proved generally satisfactory, with claims found to be in accordance with the Scheme. No recommendations were required as a result of this audit.

Governance Framework and Performance Measures (Amber Assurance) (15 Audit Man Days)

6. In order to meet strategic aims and ensure the delivery of services, it is essential that the Force has effective governance which is fit for purpose and provides effective communication between Force management and to the Police Committee and its sub-committees to enable scrutiny of activities.
7. The objectives of this high level audit were to ascertain whether:
 - There is a clear governance structure in place;
 - Terms of Reference for committees, sub-committee and boards have been prepared, approved and reviewed on a regular basis;
 - Arrangements are in place to ensure that senior management receive the information necessary to discharge their duties;
 - Arrangements are in place to ensure that the Police Committee receives all relevant information from the Force for sound decision-making.
8. For the purposes of this audit any reference to the City Corporation implies joint responsibility of the Police Force and the City of London, otherwise the City of London (CoL) and the Police Force are referred to separately where there is individual responsibility.

Governance Structure

9. Audit testing established that a documented governance structure is in place. A diagrammatic representation of the governance structure is included within the documented Force corporate framework. The diagram shows the complexity of the Police organisation and greatly assists towards clarifying the Police governance arrangements and interactions. The framework document is in draft format and should be formally approved.

Terms of References

10. Terms of Reference (ToR) were available for the sample of ten management groups (Committees and Boards) selected from the governance structure. Audit findings concluded that they contained the 'expected' ToR sections in line with good practice. However, there is some scope for improvement as some terms of reference require updating, have not been reviewed in accordance with timescales set out within the ToR, or require formal agreement and approval. For instance, the Senior Management Board ToR was last reviewed in May 2015 and has now exceeded the next revision date of January 2016.

Senior Management Team Arrangements

11. The Senior Management Board annual schedule of meetings for 2017 was found to be in place and the Board's ToR clearly outlines the purpose and the means for the rest of the force to submit papers to the board (for discussion/decision or for information). The ToR explicitly specifies that the Board meets to provide decisions on Force business.

Police Committee Arrangements

12. Audit testing included a review of the Police Committee minutes for the last quarter (October – December 2016) and established that the Police Committee is kept updated through the minutes provided by various sub committees/boards. Audit findings from the quarter inspected identified minutes provided by the Performance and Resource Sub Committee, Professional Standards and Integrity Sub Committee and the Corporate Projects Board.
13. It was noted that the Police Committee is informed of decisions taken under delegated authority or urgency powers in the minutes of the Police Committee. The minutes verified that a recent urgency decision had been taken in the September 2016 minutes and details of the urgency decision documented in the "Request for decision under urgency – standing Order 19."
14. Two Amber rated and one Green rated recommendations were made and the Commissioner agreed to implement these by 30th September 2017.

Internal Audit Recommendations Follow-up Exercise Update

15. There are four outstanding recommendations: one Red rated, and three Amber rated. The Red rated recommendation is in respect of the CoLP Supplies and Services Audit 2015-16 with a revised completion date of May 2017.
16. In accordance with the Chairman's request at the November 2016 meeting, the following table includes details of the current progress in implementing recommendations and the position concerning the planned implementation dates. The following information has been received from the City Police in respect of each recommendation shown as outstanding as at 23rd February 2017.
 - Police Seized Goods (2013-14). The outstanding recommendation has been completed and the foreign currency has been banked. This is no longer reported on at PMG as considered to be completed. (This will be confirmed during the planned audit 2017-18 of seized goods).
 - Police Defendants' Accounts (2015-16). The reconciliation process has been defined by head of finance. This review has been reported as completed at PMG and is no longer monitored. (This will be examined during the planned audit 2017-18 of Defendants' Bank Accounts).
 - Telecoms PBX Fraud (2014-15). On-going: The PBX system is being reviewed in line with the ASC system, both telephony systems require work to upgrade and increase resilience. The AC met with Estates & Services and

PSD on the 19th April to define the plan for completing the work. The PBX functionality is ready to use but has not been activated due to decisions required about process ownership and how the system can be deployed as well as who owns the reports when completed and the correct process for taking any corrective action. (Progress will be monitored as part of the Internal Audit Corporate-Wide audit recommendation process during 2017-18).

- Supplies and Services, and Third Party Payments (2014-15). Completed but remaining open for monitoring implementation: The Force strategy to procure uniform is to implement the National Uniform/Managed Service (NUMs).. However, this action will continue to be reported to the Sub Committee as the implementation of the NUMs has not yet taken place nationally. CoLP now has a regular conference call weekly with the supplier. This is a positive and also includes CoL procurement .

CoLP is still reliant on the offer and timeframe of the national roll out for NUM's. A detailed update and timeframe was presented to the Police Committee on the 18th May.

(Progress will be monitored as part of the Internal Audit Corporate-Wide audit recommendation process during 2017-18).

Table 1: Recommendations as at 5th May 2017

Audit	Recommendation	Rating	Implementation Status
Police Seized Goods (2013-14)	The Property and Records Manager should develop formal written guidance for the recording and banking of income received from the disposal of property (e.g. Seized, stolen, or lost items) via auction.	Amber	Completed
Police Defendants' Bank Accounts (2013-14)	The Head of Finance should perform a quarterly reconciliation of the suspense account (Defendants Bank A/C).	Amber	Completed
Telecoms PBX Fraud (2014-15)	6.1 Check the telecoms bill regularly including itemised calls, international calls and calls outside of business hours 6.2. Ensure monitoring is occurring in all possible areas (e.g. CoLP IT team, Daisy) 6.3. Ensure monitoring is	Amber	On-going

	<p>followed by 'as soon as possible' alerts.</p> <p>6.4. The 'back stop' daily reports all calls in excess of an amount (e.g. £2) that occurred during 'out of hours' (17:00 to 08:00, plus all day Saturday and Sunday. This is a key detection mechanism and should be in operation).</p> <p>6.5. Formally establish the 'alert' procedure, for suspected fraudulent calls, provided by third parties and evaluate if this is adequate.</p>		
Supplies and Services, and Third Party Payments (2015-16)	City of London Police with Corporate Procurement should formalise a strategy for all uniform spend.	Red	Completed

Internal Audit Planned Work 2017-18

17. Work has now begun on the Internal Audit Plan for 2017-18. There are eight full assurance audits planned for the financial year 2017-18. The fieldwork for two audits (CoLP Project Management and CoLP Seized Goods) is underway. The CoLP Project Management audit has been added to this year's plan since the plan was agreed by your sub-committee at the request of the Town Clerk. Details of all these audits and progress against the 2017-18 Internal Audit Plan is contained in Appendix 2.

Conclusions

18. The 2016-17 Internal Audit plan is scheduled for completion to draft report stage for remaining audits by 31st May 2017.
19. Following on from the previously reported audit recommendation implementation follow-up exercise, three recommendations have been implemented (One RED and two AMBER rated recommendations). One AMBER rated recommendation as a result of the Telecoms PBX Fraud audit (2014-15) is on-going. Implementation and progress for all four recommendations will be examined by audit during 2017-18.
20. Work has now started on the 2017-18 Internal Audit plan, an additional audit of CoLP Project Management is underway.

Appendices

- Appendix 1 - Schedule of Internal Audit Planned Work 2016-17
- Appendix 2 - Schedule of Internal Audit Planned Work 2017-18

Pat Stothard, Head of Audit and Risk Management
T: 07796 315078 E: pat.stothard@cityoflondon.gov.uk

Jeremy Mullins, Audit Manager
T: 020 7332 1279 E: jeremy.mullins@cityoflondon.gov.uk