

Committee(s)	Dated:
Performance and Resources Sub (Police) Committee	21 st June 2019
Subject: Internal Audit Update Report	Public
Report of: Head of Audit and Risk Management	For Information
Report author: 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) and the Police Authority since the last report in February 2019.

There were originally eight audits included within the 2018-19 Internal Audit Plan. Following the completion of the Police Key Financial Controls Audit (the outcome was reported to the February 2019 meeting), three audits were deleted from the plan: IT Technology Refresh Project (10 days); Police Performance Indicators (5 days); and Police Officers' Expenses (20 days). Two audits were deferred to 2019-20: Police Payroll and Overtime (20 days); and Police Premises Expenditure (15 days). Three audits have been completed to draft report stage: Interpreters Fees (5 days); Procurement Contract Management (10 days); and Front Offices (10 days).

An additional two Police Authority audits have been completed as follows: to draft report stage: Corporate Wide Police Accommodation (15 days); Final Report Issued Police Key Financial Controls Additional Testing (10 days). The interim outcome of both these audits was reported to your Committee in November 2018 and February 2019 respectively. A further audit requested by your Sub Committee to obtain assurance that the Fleet Street Accommodation Programme has been informed by the issues identified by the Police Accommodation Programme has been completed to draft report stage (15 days). In addition, a further audit testing Key Financial Controls was undertaken during January (10 days).

Following a recent meeting between the CoLP Assistant Commissioner, the CoLP Interim Chief Operating Officer, the Policy Manager (Town Clerks), and the Head of Internal Audit and Risk Management, the 2019-20 Audit Plan has been agreed. There is a total of 125 days for the plan comprising the carried forward audit of Premises Expenditure and the following audits: Payroll & Overtime (15 days) deferred from 2018-19 and currently being planned; Premises Expenditure (15 days) deferred from the 2018-19 plan and currently being planned; Transform Change Programme Phase 1 (6 days) and Phase 2 (14 days); Workforce Planning (15 days), and Financial Forecasting (20 days). A further 40 audit days are included for the Police Authority covering the Fleet Street Accommodation Programme (20 days) and Contingency (20 days).

There were eight planned corporate-wide audits completed within 2018-19. None of the recommendations arising from these audits referred directly to the CoLP.

At the November 2018 meeting Members requested sight of all recommendations made over the past three financial years 2015-16 to 2017-18 and 2018-19 to date. There were 79 audit recommendations made during the three-year period and 2018-19 to date, as follows:

	Red Rated	Amber Rated
Implemented	9	56
Implementation Evidence Required	0	2
Risk Accepted	0	3
Partially Implemented	0	1
Revised target date required	1	6
Revised target date provided	0	1
Total	10	69

Recommendation

Members are asked to:

- Note the report

Internal Audit Planned Work 2018-19 Planned Audit Days

1. The 2018-19 planned internal audit programme was approved by your Committee in February 2018. There were 95 planned audit days within the plan allocation, which included 20 days carried forward from the 2017-18 audit planned days (See Appendix 1). The Chamberlain and Assistant Commissioner of the City of London Police agreed that the audit programme be reviewed following an audit of the CoLP Key Financial Systems. The 2018-19 Audit Plan was discussed with the City Police and Police Authority. The following table provides Members with detail of the 2018-19 plan.

Internal Audit Plan 2018-19

Agreed Total Audit Planned Days		
Audit	Current Stage	Audit Days
Payroll and Overtime	Deferred	0
Interpreters Fees	Draft Report	5
Contract Management	Draft Report	10
Front Offices	Draft Report	10
Premises Expenditure	Deferred	0
Total Days		30

2. The following table provides details of Police Authority audit work undertaken and planned during 2018-19.

Audit	Current Stage	Audit Days
Police Accommodation Programme	Draft Report	20
Police Key Financial Controls	Final Report	20
Police Key Financial Controls – additional testing	Final Report	10
Fleet Street Accommodation Programme	Fieldwork	15
Total Police Authority Plan Days		65

3. This provides a total of 95 days of assurance work in relation to the City of London Police for 2018-19.

Final Audit Report Issued Since Previous Committee

Police Key Financial Controls – Additional Testing (10 days) – Amber Assurance

4. Audit testing has confirmed control improvements since the original audit in the following areas:
 - A mechanism has been introduced for identifying income due;
 - Debt management is the subject of regular discussion;
 - The total value of debt over 30 days old has reduced significantly;

- Invoice payment performance percentages have increased;
 - The percentage of AP invoices received in true PDF format has increased;
 - Un-invoiced receipts and Expected Receipts reports are now subject to regular review; and
 - Actions have been proposed by CoLP management to improve operational planning and reduce the instances of non-compliant waivers.
5. Whilst there has been improvement in the above areas, audit testing indicated that there remains scope to further strengthen the financial control environment and amber priority recommendations have been made in respect of new issues in the areas set out below.
 6. Whilst income due is now recorded on the Medium-Term Financial Plan (MTFP), reconciliations are not undertaken of income due to amounts invoiced and received.
 7. Audit sample testing in respect of Accounts Receivable transactions identified instances where the supporting documentation was not available detailing the basis of the invoice raised. Additionally, one invoice within the sample had not been raised on a timely basis and the payment received for a further invoice had not been applied in full to the relevant debtor account.
 8. Audit examination of AR aged debt information identified £708,388 of outstanding CoLP invoices over 30 days old which represents a significant reduction since the time of the original audit. Debts totalling approximately £342k relate to 2016 or earlier and it is understood that at least some of these are to be submitted for write-off (Recommendation 3). Audit testing in respect of a sample of overdue AR invoices identified limited evidence of debt recovery activities.
 9. Examination of corporate procurement statistics has highlighted below target performance in respect of procurement compliance. Audit examination of monthly corporate Management Information reports confirmed that whilst there has been improvement since the original audit, PO compliance, AP payment performance, and invoice format performance (True PDF invoices received) remain below corporate targets for December 2018.
 10. Audit sample testing in respect of AP transactions identified instances of invoices are being paid outside the defined timescales with no explanation supplied.
 11. Five Amber rated recommendations were made and the Commissioner agreed to implement these by 1st April 2019.

Internal Audit Plan 2019-20

12. Following a recent meeting between the CoLP Assistant Commissioner, the CoLP Interim Chief Operating Officer, the Policy Manager (Town Clerks), and the Head of Internal Audit and Risk Management, the 2019-20 Audit Plan has been agreed. There is a total of 125 days for the Plan.

Audit	Current Stage	Audit Days
City of London Police		
Premises Related Expenditure	Planning	15
Payroll and Overtime	Planning	15
Transform Change Programme Phase 1	Planning	6
Transform Change Programme Phase 2	Not started	14
Workforce Planning	Not started	15
Financial Forecasting	Not started	20
Police Authority		
The Fleet Street Accommodation Programme	Not started	20
Contingency	Not allocated	20
Total		125

Implementation of Audit Recommendations

13. At the November 2018 meeting Members requested sight of all recommendations made over the past four financial years 2015-16 to 2018-19. There were 84 audit recommendations made during the three-year period and 2018-19. There are currently 16 “live” recommendations: one Red Rated; and 15 Amber Rated. Full details of the status of recommendations is contained in Appendices 3 & 4.

	Red Rated	Amber Rated
Implemented	9	56
Implementation Evidence Required	0	7
Risk Accepted	0	3
Partially Implemented	0	1
Revised target date required	1	6
Revised target date provided	0	1
Total	10	74

The live Red Rated recommendation is as follows:

Audit Name	Recommendation	Assurance Rating	Status
Key Financial Controls 2018-19	MK02998 The budget-setting process should incorporate: <ul style="list-style-type: none"> Stakeholder input to ensure alignment with operational requirements; Clear linkage with the Medium-Term 	RED	This recommendation is currently under review by the new Director of Finance. At this time a revised date is not known as this is part of a wider budget management review. Revised Implementation Date Required

	Financial Plan and Workforce Plan; <ul style="list-style-type: none"> • Local arrangements for scrutiny; • Retention of documentation to reflect key elements of the process e.g. meetings between Finance Business Partners and budget holders and working papers to support budget calculations. 		
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Corporate Wide Audits 2018-19

The following corporate wide audits have been included within the Internal Audit Plan 2018-19. As agreed with your subcommittee in November 2017, where findings and agreed recommendations impact on the City Police, the subcommittee will be advised of the details. not resulted in any recommendations that directly impact on the City Police.

- IR35 – Use of Consultants and Specialists (Off Payroll Engagement)
- GDPR Readiness
- Suppliers Financial Health/Resilience
- Commercial Manager Scorecard Procedures
- Change Control
- Programmed Repairs and Maintenance
- Property Rents and Service Charges
- Projects Change Control Process

Conclusions

14. The total number of audit days coverage for 2018-19 including both City Police and Police Authority audit work was 95 days.
15. The Internal Audit Plan for 2019-20 has been agreed with the City Police and the Police Authority. The total audit coverage is 125 days.
16. One audit has been finalised since the previous Committee meeting with an Amber assurance.
17. There are currently 16 “live” Amber rated audit recommendations.

Appendices

- Appendix 1 - Schedule of Internal Audit Planned Work 2018-19
- Appendix 2 – Schedule of Internal Audit Planned Work 2019-20
- Appendix 3 - Internal Audit Recommendation Schedule of Implementation Progress 2015-16 to 2017-18 to June 2019
- Appendix 4 - Schedule of “live” audit recommendations as at June 2019

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