

<b>Committee(s)</b>	<b>Dated:</b>
Resource Risk and Estates (Police) Committee	27/05/2022
<b>Subject: Internal Audit Update</b>	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of: Head of Internal Audit</b>	<b>For Decision</b>
<b>Report author: Matt Lock</b>	

### Summary

This report provides an update on Internal Audit activity since the last update provided to the September 2021 meeting of this Committee. Four Audit reviews have been completed during this period, resulting in two Limited, one Moderate and one Substantial Assurance opinion. Overall, satisfactory progress is being made in implementing Audit recommendations, although not always within anticipated timescales.

### Recommendation(s)

Members are asked to:

- Note the outcomes of completed Internal Audit work and the forward programme of Internal Audit work

### Main Report

#### Background

1. This report provides an update on the work of Internal Audit since the last update to this Committee in September 2021, details of Audit reviews in progress and of intended future coverage.

#### Work Completed to 31 March 2022

2. Four Audit reviews have been completed since the last Internal Audit update was provided to this Committee, two of which resulted in Red (Limited) Assurance ratings one in an Amber (Moderate) Assurance rating and one Green (Substantial) Assurance Rating. The overall outcomes from the recently completed Audit reviews are summarised in the following table:

Department/Audit	Assurance Rating	Recommendations Made		
		Red	Amber	Green
City of London Police - Funding	Red	2	1	1
City of London Police - IT Service Provision: Contract Management and Performance	Red	1	4	2
City of London Police - Key Financial Controls – Payroll	Amber	0	2	0
City of London Police – Governance Arrangements	Green	0	6	1

3. Further detail is provided below:

#### City of London Police – Funding – Limited Assurance

4. The objectives of this review were to obtain assurance that there were adequate arrangements in place for:
  - Devising the City Police’s 2021/22 to 2025/26 Medium Term Financial Plan (MTFP);
  - Determining the ‘Funding Gap’ in each of the 5 years to 2025/26 and devising income generation and savings activities to close the gap identified for the current financial year;
  - Monitoring the delivery of income generation and savings activities to ensure that they are on target for delivery.
5. The Audit review found that there were adequate arrangements in place for devising the 2021/22 to 2025/26 MTFP, the City of London Police established clear assumptions in relation to determining the funding, income, and expenditure forecasts. It was noted that the plan for 2021/22 was significantly reliant on income generation, which carries less certainty than securing operational efficiencies.
6. Progress against the proposed savings plan for 2021/22 was, at the time of the Audit, limited, although Senior Leadership were confident that the overall savings target of £5.6m would be achieved, albeit via alternate means such as staff vacancy savings. Internal Audit has not verified the year end outturn position.
7. Concern was also raised in relation to the extent to which the City Police will meet Home Office baseline requirements in respect of the headcount of Officers, it was recommended that a more transparent approach be adopted for monitoring and reporting against this.
8. Recent benchmarking has identified that the overall level of Local Authority funding allocated to the City of London Police is proportionately lower than that provided to other Police Forces. While not examined as part of this Audit review, this is certainly something for the Force to examine further with Police Authority colleagues.
9. A follow-up Audit review will be undertaken in July to assess implementation of recommendations made.

## City of London Police – IT Service Provision: Contract Management and Performance – Limited Assurance

10. This review was undertaken to examine the control framework in place to govern the provision of IT services to the City of London Police on a shared service basis.
11. The Audit established that there are some fundamental control weaknesses which, unless resolved, will continue to prohibit the effective operation of the shared service. Of most note is the absence of any clear and agreed definition of the relationship between the City of London Police (as service recipient) and the City Corporation IT team (as service provider), there was no consistent understanding of this relationship. A service level agreement (SLA), or some equivalent, is essential for the effective operation of such an engagement.
12. Dialogue on the development of an SLA for IT Services recommenced during the time the Audit was in progress and both parties are working to reach an agreed position. As part of this process, it is important to determine service requirements, evaluate whether these can be delivered within existing capabilities (financial and otherwise) and then to seek to define the relationship and service parameters in an appropriate document.
13. Various other issues were raised in the full report, for example the quality and frequency of management information provided to the City of London Police is not sufficient to enable effective oversight of IT Services. Again, it should be noted that this situation is improving as colleagues work together to better understand requirements.
14. A follow-up Audit review was undertaken in March 2022 to assess progress in implementing recommendations made. 3 recommendations were found to be partially implemented, all of which related to the documented agreement which is due to be completed in May 2022. The overall conclusion was that satisfactory progress was being made.

## City of London Police - Key Financial Controls – Payroll

15. The objective of this review was to provide assurance that the key controls in place within payroll processes are effective in their application and operation to ensure that:
  - ‘Starters’ and ‘Leavers’ are processed promptly and accurately;
  - Temporary payroll variations to pay (e.g. overtime, bonus payments, absence payments, expenses) are valid and accurate
  - Other permanent adjustments are valid and accurate.
16. On the basis of transactional testing, an overall opinion of moderate assurance was provided in respect of the payroll controls. The outcomes in individual areas were as follows:
  - Limited assurance was provided that the controls in place are effective to ensure that Starters are processed accurately.
  - Controls in respect of processing leavers were found to be operating effectively, ensuring both timely and accurate adjustments are made

- Controls in respect of temporary variations to pay were found to not be operating effectively. Compliance was confirmed in respect of a sample of Maternity, Paternity, Bonus and Overtime payments, but testing of Employee Expenses identified instances where claims submitted and authorised were not supported by valid evidence of expenditure.
- Sample testing undertaken in respect of the validity and accuracy of payments made in respect of permanent adjustments confirmed full compliance. Substantial assurance was provided here accordingly.

17. A follow-up Audit review will be undertaken in July 2022.

#### City of London Police – Governance Arrangements

18. Whilst the Policing Protocol Order 2011 (the Protocol) does not legally bind the City's Court of Common Council (which, more specifically, forms the Police Authority for the City of London through its Police Authority Board), it is encouraged to abide by its working principles.

19. The purpose of the audit was to evaluate the extent to which the Police Authority:

- meets the relevant governance requirements of the Protocol.
- undertakes periodic self-assessment exercises or equivalent to determine its compliance with the Protocol.

20. The Audit review found that although, in the main, the Police Authority complies with the requirements of the Protocol, it is for this reason a Substantial Assurance rating was given. nonetheless, there is scope to enhance governance arrangements, in relation to:

- the Authority's legal power to remove the Commissioner of Police from Office.
- assessing the extent to which the City of London Police delivers value for money.
- oversight of the Risk Registers for both the Police Authority Board and the City of London Police.
- Member training and development.
- Establishing a Local Criminal Justice Board or equivalent.
- Monitoring the City of London Police's compliance with Data Protection Legislation.
- Overseeing the allocation of Crime and Disorder Grant funding, distributed by the Safer City Partnership.

21. The Police Authority has not, so far, undertaken any periodic self-assessment to determine its compliance with the Protocol, something that is identified as good practice.

22. The Interim Director of the Police Authority will be exploring the above in more detail with the Police Authority Board.

## **Work in Progress**

### Draft Report stage:

- City of London Police and Police Authority - Governance Arrangements

### Fieldwork stage:

- City of London Police - Transform Programme – The "Golden Thread"

## **Internal Audit Follow-up Reviews**

23. In addition to the IT Contract Provision follow-up Audit, follow-up was completed in relation to:

- Front Desks – Amber Assurance, 3 recommendations raised; 2 implemented, 1 outstanding. Further follow-up to be undertaken.
- Payroll and Overtime – Amber Assurance, 4 recommendations raised; 3 implemented, 1 outstanding. No further follow-up, superseded by the rolling programme of compliance work.

## **Forward Programme of Work**

24. While timescales for delivery of further work have yet to be determined, the forward programme of Internal Audit work for the City of London Police includes the following:

- Employees (Including Overtime)
- Key Financial Controls
- Premises Related Expenditure
- Income Generation and Income Collection (Including Demand Policing)
- FOI Request Management

25. It should be noted that it is not expected that all listed above will be completed during the course of 2022/23. The subsequent Internal Audit update to this Committee will provide further information in relation to work completed, in progress and proposed.

## **Corporate & Strategic Implications**

26. The Internal Audit Plan is designed to provide assurance as to the adequacy of the City of London Corporation's systems of internal control and governance arrangements.

## **Conclusion**

27. Members should note the findings of recently completed Internal Audit work.

## **Matt Lock**

Head of Internal Audit, Chamberlain's Department

E: matt.lock@cityoflondon.gov.uk

T: 020 7332 1276