

| | |
|---|------------------------|
| Committee(s) | Dated: |
| Performance and Resources Sub (Police) Committee | 31 May 2016 |
| 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 since the last report in February 2016.

Work on the City of London Police 2015-16 planned internal audits is being completed; nine full reviews and one brought forward from 2014/15 have been completed to a minimum of draft report stage. Five audits are complete, two are at final report stage and three are at draft stage.

The audits currently in draft are due to be finalised by early June following the agreed four week response period for management responses. There has been some delay in responses from the City Police, which has resulted in reports remaining at draft stage longer than anticipated. This issue is being addressed with the Force by ensuring that all draft report recipients are included within the exit meetings, so that early “buy in” to recommendations can be achieved.

Internal audit undertook seven corporate reviews within 2015-16. There were two of these reviews that generated recommendations which impact on the City Police: Insolvency Procedures and Main Accounting.

There are currently two 2015-16 audits to date and one 2014-15 audit which have been given a Red assurance level. It should, however, be noted that recommendations made for improvements in respect of the PBX Resilience and Disaster Recovery have been implemented for areas of weakness identified.

Work has started on the 2016-17 planned internal audit work; there are seven full reviews included in the plan and fieldwork on three of these reviews is now underway.

Recommendation(s)

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. Ten full assurance reviews were undertaken during the year; seven of which have been completed to final stage. Three reports are currently in draft and are due to be finalised by early June following the agreed four week response period for management responses. Internal audit work since February 2016 has resulted two Red assurance opinion ratings in respect of: Interim Follow Up of PBX Resilience and Disaster Recovery; and Police Supplies and Services & Third Party Payments Two Amber assurance opinions ratings were made in respect of: Gifts and Hospitality; and Interpreters Fees.
3. There were a total of 21 recommendations made in the audits finalised in 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 |
| Total | | 8 | 8 | 5 | 21 |

4. All recommendations were agreed with Management. These recommendations will be followed up in the coming month and the outcomes will be reported to the next meeting of the Sub-Committee.
5. The following reviews have been finalised since the last update report to your committee in February 2016.

Internal Audit work 2014-15

Invoices on Hold (Assurance Level RED)

1. Comensura, the City Corporate supplier for temporary staff, had not been used for the appointment of a temporary Project Manager Economic Crime Unit (ECU). This resulted in an absence of important benefits which could potentially have been useful to the ECU in reducing costs, authorising payments and controlling rates of pay.
2. No orders had been raised for any "invoices on hold", including those for Morgan Law; these payments also required approval via the waiver process (Financial Regulation Part 2 Section 9.1) because there was insufficient budget available to fund the appointment. The consultant had also been signing his own timesheets, but when he was told not to do this on 31st March 2015 he had ceased.
3. Invoices on hold for Morgan Law totalled £80,547.60 and legal proceedings against the City were started for payment of this outstanding debt. After the intervention of the City Solicitor and the approval of a waiver by the Chamberlain, the debt was paid in full and legal action averted.
4. At the 10th February 2015, there were invoices on hold to the total value in the region of £1.3 million. None of the invoices had purchase orders and some of the suppliers were for goods and services that it would appear should have been straightforward to confirm receipt. For example, catering, or regular payments for the archiving of records.
5. There was a failure to monitor invoices on hold and to resolve the reasons for these holds in a timely fashion. No specific reason for this failure was identified, other than an absence of supervision exercised by the Head of Finance to ensure that all invoices on hold were cleared as soon as possible. There was also a related failure in budget monitoring. The budget holder should, however, have been checking the budget and noticed that no payment was made for the services of the Morgan Law consultant.
6. An incorrect rate of pay had been paid to the consultant since November 2014. The Police HR officer should have liaised with Morgan Law to ensure that the reduction was made. As a consequence the ECD paid £21,000 more than they anticipated for the period 1st November 2014 to 30th January 2015.

Internal Audit Plan 2015-16

Police Supplies and Services, Including Third Party Payments (30 days) RED Limited Assurance

7. Whilst there are contracts in place which are being used, Internal Audit was unable to clearly determine the terms under which some procurement

arrangements were agreed, as contract paperwork has not been made available and some appeared to be out of date.

- a. 15 suppliers were used for the procurement of new police officer uniforms under a two-year agreement. There was no contractual documentation supporting these arrangements. Current spend was perceived as a breach of OEJU procurement rules.
- b. Hospitality catering was being procured on a procurement card basis. This resulted in paying non-negotiated prices and could result in poor value for money.
- c. There is evidence to suggest that the existing Police vehicle fleet was not being fully utilised, whilst spending was incurred under the existing contract with Enterprise vehicle hire on hire vehicles.
- d. There was no contract in place for professional services. Some 76 suppliers have been used in the current financial year. An absence of rationalisation of this type of expenditure could lead to poor value for money, as well as, a lack of transparency for procurement of these services.

Corporate Reviews 2015-16

6. There were two corporate reviews 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 3.
 - Insolvency procedures – there was a lack of documented guidance; and, insufficient information recorded on CBIS.
 - Main accounting - not all departments sampled took a structured approach to monitoring meetings or kept a record of month-end discussions.

Internal Audit Plan 2016-17

7. Three reviews included within the 2016-17 internal audit plan have progressed to fieldwork stage: Standard Operating Procedures; the International Fraud Academy; and Community Consultation. A schedule of work and the planned date for completion is included within Appendix 2.

Conclusion

8. Work is nearing completion on the 2015-16 internal audit plan. There were nine reviews included in the plan, five of these have been fully completed, one review is currently completed to Final report stage and draft reports for consultation have been issued for the remaining three reviews. A further review carried forward from 2014-15 was also completed. Three reviews were given a RED limited assurance rating: Invoices on Hold (2014-15); Interim Follow Up of PBX

Resilience and Disaster Recovery (2015-16); and Supplies and Services (2015-16). Recommendations for improving controls have now been implemented.

9. There have been two corporate reviews undertaken by Internal Audit where recommendations that impact on the City police have been made: Insolvency Procedures (Liquidations); and Main Accounting. Action to improve controls and processes will be implemented by 30th June 2016.
10. The 2016-17 internal audit plan is now underway and the fieldwork is in progress for three reviews.

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

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