MPA METROPOLITAN POLICE AUTHORITY

Director of Audit, Risk and Assurance

Annual Report 2009/10

Met Forward: the MPA mission statement for London's police

Annual Assurance

Introduction

This Annual Report contains my opinion as Director of Audit, Risk and Assurance for the Metropolitan Police Authority (MPA) on the effectiveness of the internal control environment within the Metropolitan Police Service (MPS) and the MPA. It also summarises the activities of the Directorate of Audit, Risk and Assurance (DARA) for the period April 2009 to March 2010.

I am required to give an opinion at least annually and this is based on an assessment of the systems of governance, including risk management and the adequacy of the internal control framework. The evaluation of the adequacy of control noted from our systems audits, advisory work and the results of our investigations carried out during the year informs that opinion. I also take account of relevant HMIC reports, Audit Commission reports and the work of internal review agencies within the MPS.

The financial year 2009/10 has been a time of significant change for the MPA, MPS and MPA Internal Audit. The MPA published its mission statement, Met Forward in April 2009 setting out three strategic outcomes; to fight crime and reduce criminality, increase confidence in policing and give better value for money. This was followed by a restructuring of the MPA and my appointment as the new head of audit. Membership of the MPS Management Board has changed significantly during the year with several key appointments including a new Deputy Commissioner and Assistant Commissioner Territorial Policing. A major change programme under the banner Service Improvement has also continued to be developed responding to the challenge of delivering effective frontline services within a reduced budget.

Annual Assurance

There continues to be an increased emphasis on good governance both in the MPA and MPS. Risk management is not fully embedded and operating effectively throughout the organisation but a clear plan driven by senior management is in place to take the MPS to the next stage in its development. This year has also seen an improvement in the assurance score for internal control in the MPS, 2.6[1] from 2.8 in 2008/09. My overall opinion for 2009/10 is as follows.

> The internal control environment has improved and there is a positive direction of travel with clearly defined plans in place to address areas identified for further improvement but overall the control environment is not yet fully effective

[1] On a scale of 1 to 5 where a score of 2 reflects a system with adequate control and 3 to 5 reflects increasing degrees of the need to improve. Appendix 1 contains the definition of assurance scores.

Governance Framework

Police Authority Inspection

This year saw the first series of Police Authority Inspections conducted by Her Majesty's Inspectorate of Constabulary (HMIC) and the Audit Commission. The MPA was one of the first authorities to be inspected and was assessed as 'performing adequately'. In summarising the outcome of the review the joint team concluded 'The Authority is performing adequately and has made significant improvements in its governance of the MPS in the past three years, it is well placed to improve further. The Authority is self aware. It recognises strengths and areas of improvement and it has strong political and official leadership to drive change. The Authority is strengthening systems, processes and governance. It has recently restructured the executive office to focus its activities to deliver priorities.' The MPA SMT monitor the areas identified for improvement as part of its strategic quarterly reviews and performance monitoring framework.

MPA Corporate Governance Committee

The co-opted member for audit and risk management conducted a review of the effectiveness of the MPA Corporate Governance Committee reported in December 2009. The overall conclusion was that the Committee is dealing with the key areas expected of it and in compliance with its terms of reference and CIPFA Guidance. A number of suggestions for increasing effectiveness of the committee were made including; gaining a clearer picture or map of inherent risks across the organisation and assurance activity, receiving and reviewing briefings on key emerging strategic and financial risks and more concise reporting. Initiatives were taken to address these issues in the latter part of the year and further progress is planned for 2010/11.

MPS Corporate Governance Framework

The MPS has developed a corporate governance work programme managed and monitored by the MPS Governance Board. Progress is also regularly reported to the MPA Corporate Governance Committee. Developing resource management is a key part of the programme aiming to improve effective governance and reduce control failures within the MPS. Stage 1 has delivered an increased level of compliance with the corporate purchase to pay system, identified all key contracts and streamlined the corporate decision making processes. A framework to support the scheme of delegation is also being developed and rolled out across the MPS and the finance modernisation programme is about to enter stage 2 of its development.

Governance Framework

Risk Management Framework

The effectiveness of the framework for assessing and managing risk within the MPA and MPS continues to develop. Key improvements have taken place in the year including; increased oversight by the MPA Corporate Governance Committee, MPA Business Management Group and MPS Governance Board; continued development of the MPA and MPS corporate risk registers and the introduction of a risk maturity model in the MPS which during 2009/10 was applied to Specialist Operations, Specialist Crime Directorate and Directorate of Resources. There is also a greater transparency around the risk management process and a clear plan to support its improvement. The MPS initial assessment against a recognised risk maturity model places it at the upper end of level 2[2] (with some pockets of the organisation such as SCD and SO operating at the higher level of 3). The evidence gathered as a result of our review and advisory work supports this assessment, which in summary shows that the MPS has established an effective framework for taking risk management forward but it is not yet embedded and operating consistently across the organisation.

Assurance Framework

The MPS has a significant number of internal inspection and review functions and although a number of these functions have a clearly defined role and operate to defined standards, there is a need to develop a corporate assurance framework. A review is currently underway led by the MPS which will assist in mapping the assurance functions. It aims to eliminate any duplication, develop and set standards and ensure appropriate management action is taken to address issues identified through internal review activity. I have taken account of the outcome of internal review activity, where appropriate, in reaching my annual opinion. I would hope to increase the level of reliance placed on internal review activity in future years as the assurance framework develops.

Local Control Environment

Our reviews of boroughs and specialist command units have shown some improvement, in particular in the control framework now being developed for crime property, but in general there remain issues with applying controls consistently at a

[2] On a scale of 1 to 5 where level 1 is engaging risk management and level 5 risk management is driving the business.

local level. Finance modernisation and Transforming HR will impact on the local control environment, however, the former is in the early stages of implementation and the latter will not now be introduced until later this year. Our B/OCU review activity in the coming year will evaluate the effectiveness of these developments in improving the internal control framework.

Procurement and Contract Compliance

Work continued during the year to strengthen the control environment around procurement, a key risk area for the MPA and MPS. Significant progress has been made in identifying and recording MPA contracts with the MPS central Procurement Services team noting that they have now captured 95% of current MPA contracts on the corporate database. The staff vacancy rate within Procurement Services has reduced from 40% to 15% and the monitoring of single tenders has improved. Further progress has also been made in implementing the MPA/MPS Procurement Strategy, including developing strategic procurement plans to identify and deliver savings. In compiling the database the MPS identified significant issues regarding contract compliance and monitoring. The MPA Monitoring Officer subsequently issued a report under Section 5 of the Local Government and Housing Act to the Full Authority in January 2010. The MPA Resources and Productivity Sub Committee has monitored progress on the steps being taken to improve contract compliance and at the year end good progress had been made.

Our review activity during the year has raised a number of issues around contract management. This included, in particular, the need to conduct post implementation reviews for major contracts and to ensure good value for money is being achieved. There also continues to be examples of ineffective planning which on occasion has limited the Authority's ability to tender for goods and services competitively. During the latter part of the year steps were taken to strengthen the contract management framework. It will, however, take time for these processes to become fully embedded and this is an area that we will focus on in 2010/11.

Internal Control Framework

Annual Assurance Score

We finalised 29 system audit reviews during the year and 35 follow ups. Appendix 2 contains the opinion for each systems audit (leading to the assurance score), areas of effective control and areas for improvement. The follow up summary shows progress made since the original audit and highlights any further areas for improvement. Details of our systems advisory work and counter fraud activity are also included.

The overall assurance score for 2009/10 is 2.6, an improvement on last year's score of 2.8 (and the highest since the assurance score was introduced in 2001/2). In particular, first time system audit reviews have improved from a score of 3.1 to 2.9 and follow up reviews from 2.5 to 2.4. This shows that although the internal control framework has not yet reached an adequate score of 2, improvements to the governance framework are now having a greater impact on the control environment.

Systems Reviews

The improved assurance score for this area of work is to be welcomed and in the majority of systems we reviewed an adequate control framework was in place. There remains, however, a lack of consistency in the application of controls which is impacting on the adequacy and effectiveness of the control framework. Key systems audits included:

- Environmental Policy and Procedures (assurance score 2)
- Corporate Data Warehousing (assurance score 2)
- SCD Business Support (assurance score 2.5)
- Management of Outsourced Financial Services (assurance score 2.5)
- Police Officer and Staff Pensions (assurance score 2.5)
- Capital Budget, Preparation, Approval and Monitoring (assurance score 3)
- Hounslow BOCU (assurance score 3)
- SO15 Counter Terrorism Command (assurance score 3)
- Vehicle Fleet Management (assurance score 3)
- Management of Outsourced Property Services (assurance score 4)
- Review of the Management of Anti-Social Behaviour Orders (assurance score 4)

Internal Control Framework

Follow Up Reviews

The annual assurance score for follow up audits reflects that for 43% of reviews we conducted a significant improvement was made since our original review. This included the high risk areas of Treasury Management, Police Officer and PCSO Recruitment and the Use of Covert Resources in DPS. There has been, however, a lack of progress in addressing the issues we previously raised on the adequacy of the security and vetting control framework. The planned amalgamation of the units responsible for vetting has not taken place and as a result the majority of our recommendations, including two categorised as high risk, have not been implemented. Key follow ups included:

- PCSO Recruitment (assurance score 2)
- Police Officer Recruitment (assurance score 2)
- Missing Persons Linked Indices System (assurance score 2)
- Treasury Management (assurance score 2)
- Kensington and Chelsea BOCU (assurance score 2.5)
- Strategic and Budgetary Planning and Performance (assurance score 2.5)
- Croydon BOCU (assurance score 3)
- SO17 Palace of Westminster (assurance score 3)
- Security Clearance and Vetting (assurance score 4)

Systems Development and Control Advice

Key areas of advice included:

- Contract Compliance
- Suppliers and Tenderers Risk Assessment Group
- Risk Assessment and Management
- Covert Control Environment
- Language Programme Board
- Corporate Charge Card System
- Property Services Contract Payment Process
- Risk and Control Awareness Training
- Developing Resource Management work strands

Internal Control Framework

Counter Fraud

Fraud Prevention

Working in liaison with the MPS our drive on fraud prevention continues. We have jointly responded to the Audit Commission Raising Fraud Awareness Report issued following the completion of the first series of fraud awareness workshops. The outcome of this report and our updated fraud risk assessment are being used to inform a joint fraud and corruption prevention strategy going forward. We also continued to develop our analytical analysis of key systems supporting our fraud prevention and investigation activity.

Investigation

A total of 114 investigations were conducted by the counter fraud team during the year (66 last year). The increase on last year is due to the activity generated by the National Fraud Initiative (NFI) an exercise conducted every two years that resulted in 57 cases for investigation. Injury benefit pensions and Companies House data was also reviewed for the first time as part of this exercise. Other key areas of investigation included:

- Examining the award of a number of contracts
- Over claiming fees, allowances and expenses
- Theft of funds and/or property
- Supporting MPS Directorate of Professional Standards in a number of areas including a six person conspiracy to defraud case involving a corporate charge card.

Implementing DARA Recommendations

Detailed analysis of the recommendations made and accepted for the last two calendar years is shown at Appendix 3. The MPS have implemented 436 recommendations for reports issued in the 2009 calendar year, 74% of those accepted by management (and a 10% rate of increase on last year). An additional 172 recommendations have also been implemented for those recommendations that were outstanding for 2008. There is now more effective oversight of the implementation of recommendations both by the MPA Corporate Governance Committee and the MPS Performance Board. However, ten high risk recommendations remain outstanding that have passed their original target date for implementation. This will be an area for additional focus for the MPA and MPS in 2010/11.

Internal Control Framework

Underlying Control Issues

DARA and the MPS Quality Assurance Team are developing the process for analysing the underlying control issues that lead to audit recommendations. Analysis conducted for those reviews completed in the second half of the year shows that 32% relate to control issues around supervision and review, 17% ineffective reconciliation and 14% guidance and training. Our analysis also shows that 30% of recommendations were made as a consequence of a control being absent and 70% refer to controls that were not operating effectively or not being consistently applied.

MPS Internal Review Activity

In reaching my overall opinion I have taken account of internal review activity conducted by the Human Resources Evaluation Team, Health and Safety Inspections and the DoI Quality Assurance Teams that was concluded in 2009/10.

DARA Performance

Independent Review

Police Authority Inspection

In conducting the Police Authority inspection the HMIC and the Audit Commission concluded the MPA has a highly effective audit function with an audit programme designed to provide assurance on the adequacy of the Authority's and MPS internal control framework.

Audit Commission

The Audit Commission review of MPA Internal Audit was presented to Corporate Governance Committee on 15 September 2009. They concluded that MPA Internal Audit is an effective audit service that meets the required professional standards. The Audit Commission have continued to place reliance on the work of the Directorate in reviewing key financial systems in 2009/10.

Planning and Delivery

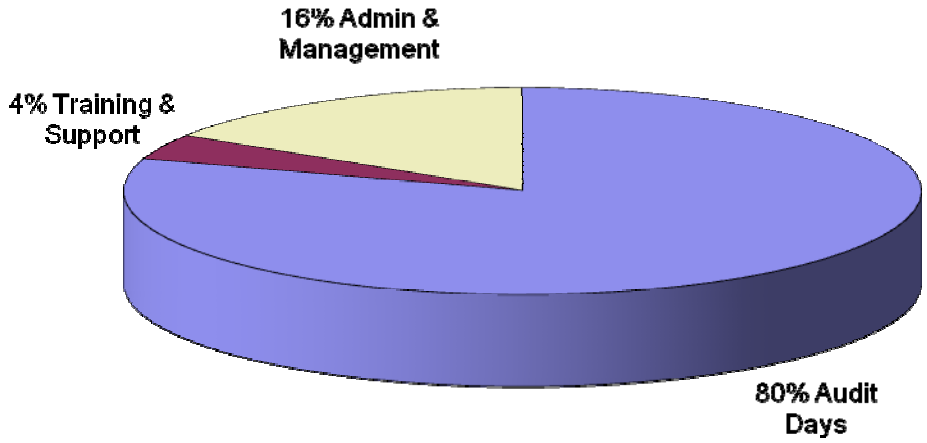
We completed 88% of the systems audit plan to report stage against a target of 90%. The table below shows that time has been spent broadly as planned. There is a slight variance in systems development time due to increased requests for assistance and less time was spent on B/OCUs than planned (one review was postponed as it was covered in the scope of our TPHQ review and another is now due for completion in 2010/11). Overall fewer days were available for audit work due to long term staff illness and carrying a vacant post for the period of the restructuring of the Directorate.

Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2,287	46%	2,170	45%
Investigations	1,766	35%	1,668	34%
System Advice	514	10%	660	14%
BOCUs	448	9%	353	7%
Total	**5,015**	**100%**	**4,851**	**100%**

DARA Performance

Productivity

We achieved 80% productivity over the year exceeding the planned target of 75% and our performance in the previous year.



Timeliness of Reporting

We issued 96% of our discussion draft reports within three weeks of completing the fieldwork and 84% of draft reports were within a week of discussion, both areas exceeding the 80% target. One area of improvement for us during 2010/11 will be to issue our final reports more promptly, on average we are taking two weeks against a target of one week from receipt of a response. We will also be working with the MPS to improve their response times, currently running at 11 weeks against a target of four weeks.

Acceptance and Implementation of DARA Recommendations

We continue to achieve a high acceptance of recommendations of 95% against a target of 90%. The level of implementation has increased to 74%.

Customer Feedback

We issue customer satisfaction questionnaires following each audit review. In 2009/10 we met our overall target of 80% satisfaction in all aspects of our work. Our most effective area of performance was judged to be in the conduct of reviews where 90% satisfaction was achieved, consultation and reporting achieved 80% overall.

Positive comments on our work during the year included:

'May I take this opportunity to thank you and your team, and Rob Davies, in particular, for the work that has gone into producing an informative and balanced report.'

'Can I thank you for the way the audit was conducted and in particular how you put my staff at ease when dealing with them in what is always a challenging time.'

Less favourable comments included:

'Fairness of findings – 18 items of the control assessment are corporate issues, but criticise the BOCU. The assurance rating system is not generous and will be misread by partners.'

'This was a helpful audit that was professionally conducted and extremely thorough. It did take much longer than envisaged, but that was the only minor issue which distracted from the quality of the overall product. It could also be more useful to update management more frequently during the course of a long audit.'

We will be looking to increase consultation during the coming year and I have appointed leads in my Directorate for each of the business units in the MPS. This will help in progressing audits and the subsequent implementation of audit recommendations.

Equalities and Diversity

Auditors and investigators receive appropriate training in equality and diversity issues and their performance within the MPS is monitored. Our work is designed to provide as wide a range of coverage of MPS staff and systems as is possible and practicable. The MPA commitment in relation to equality and diversity is also considered in all audits and investigations.

External Liaison

External Review Agencies

We have continued our close working relationship with the Audit Commission, meeting monthly to exchange audit findings and co-ordinate our review activity. We

also meet on a regular basis with HMIC to co-ordinate our work programmes and discuss any emerging issues.

Audit Groups

We influence the development of audit in the policing environment and in the wider audit world by attending regional and national groups. I now chair the National Police Audit Group. The annual conference for the National Group was attended by internal auditors and contractors representing two-thirds of the police authorities in England and Wales. We also attend the London Audit Group and a sub group set up to review particular issues around auditing procurement and major contracts.

Counter Fraud Groups

We also work with other public sector bodies in London to influence the development of counter fraud activity. We are represented on the steering group of the London Public Sector Counter Fraud Partnership, which brings together over 120 local authority, central government and NHS bodies to promote counter fraud activity and share good practice. The Head of Counter Fraud or our Fraud Prevention Manager chair the crime prevention working group of the Partnership. We are also a member of the joint public and private sector London Fraud Forum.

Our Fraud Prevention Manager represents the Directorate on a Chartered Institute of Public Finance pilot group examining the opportunities for benchmarking counter fraud activity across public sector bodies nationally.

Key Objectives for DARA in 2010/11

The Directorate of Audit, Risk and Assurance has been through a period of significant change in the last six months following my appointment. This has included developing a new strategic approach and staff structure, and a more dynamic plan and annual work programme. The coming year will be an important stage in our development. The MPA and MPS will continue to face significant challenges in responding to the need to maintain frontline services within a reduced budget. Our key objectives for the coming year, therefore, include:

- Meeting our commitments under Met Forward
- Working with the MPS to improve the internal control framework
- Seeking opportunities to increase value for money and productivity
- Driving forward risk management in the MPA and MPS
- Conducting effective reviews of high risk/cost areas
- Delivering a dynamic DARA plan
- Embedding the new strategic approach
- Maintaining professional standards in all areas of our work

In contributing to the change agenda we will also be looking to ensure defined benefits are realised in support of frontline policing. I look forward to the challenges and opportunities of the year ahead.

Julie Norgrove

MPA Director of Audit, Risk and Assurance

Assurance Criteria

SCORE	ASSURANCE RATING	ASSURANCE CRITERIA
1	The system is performing particularly well to achieve business objectives.	There is a sound framework of control operating effectively to achieve business objectives.
2	The system is adequate to achieve business objectives.	The framework of control is adequate and controls are generally operating effectively.
3	Some improvement is required to ensure that business objectives are met.	The control framework is adequate but a number of controls are not operating effectively.
4	Significant improvement is needed before business objectives can be met.	Adequate controls are not in place to meet all the system objectives and controls are not being consistently applied.
5	Unacceptable level of control.	The control framework is inadequate and controls in place are not operating effectively. The system is open to abuse, significant error or loss and/or misappropriation.

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
Corporate Data Warehouse Draft: April 2009 Final: July 2009	Control framework for the Integrated Information Platform Corporate Data Warehouse Project was effective and controls were generally operating effectively, although some controls could be improved.	• Governance structure, roles and responsibilities clearly defined. • System access monitoring and control. • Review of financial and performance management information for the project. • Ensuring integrity of transferred records.	• Funding for 2009/10 not secured risk, therefore, system may not deliver organisational needs. • Documenting and testing business continuity arrangements. • Review use of consultants for economy and efficiency. • Segregation of duties over procurement of goods and services not always operating effectively.	Management accepted 5 of the 6 recommendations made. 1 high risk, accepted and implemented 3 medium risk, 2 implemented 2 low risk, 1 accepted and implemented <u>Ailsa Beaton, Director of Information</u> The one remaining medium risk recommendation requires a process for management of consultant performance and following a successful pilot this is now scheduled to be in place by the end of June 2010.
Environmental Policy, Strategy and Procedures Draft: April 2009 Final: August 2009	Control framework adequate and controls operating effectively.	• Approved MPA/MPS Environmental Policy. • Governance and planning arrangements. • Effective Environmental Management System based on continual improvement and sustainable strategic environmental objectives that are planned, implemented and monitored. • Reporting arrangements.	• MPA implementation of Environmental Management System developed and used by the MPS. • Existing MPA and MPS report templates to include 'environmental sustainability implications' to ensure all elements of the Corporate Social Responsibility (CSR) agenda are covered.	Management accepted all three recommendations made. 3 medium risk, 0 implemented <u>Catherine Crawford,MPA Chief Executive</u> The revised date for implementation of the recommendations for the MPA is September 2010 following a review of its environmental management procedures. <u>Anne McMeel, Director of Resources</u> The recommendation which rests with the MPS relates to the inclusion of a section on 'Environmental Sustainability Implications'. Environment and Sustainability is included in the business case/Contracts Board template and

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
				guidelines. Environmental performance indicators are also reported to Performance Board quarterly. Work is ongoing to fully integrate environmental elements of sustainability throughout corporate planning and decision making processes.
Messenger and Mail Services Draft: April 2009 Final: August 2009	Effective controls in some areas, however, adequate controls were not in place to meet all of the system objectives.	• Authorised payments made in accordance with contract terms and conditions. • Monitoring performance of the messenger and mail services contract. • Screening of external mail from Royal Mail, and for its prompt collection and delivery.	• Service delivery information provided by the contractor is limited and needs to be independently verified. • Access to mailrooms was not always restricted. • Scanning of hand/courier deliveries.	Management accepted 11 of the 12 Recommendations made. 12 medium risk, 11 accepted and implemented Jane Bond, Director of Property Services All actions were completed within timescale.
Covert Finance Support/Accounts Control SCD12 Draft: November 2009 Final: January 2010	The overall control framework was adequate but a number of controls were not operating effectively or consistently.	Restricted Report.	Restricted Report.	Management accepted all 21 recommendations made. 20 medium risk, 17 implemented 1 high risk, implemented Cressida Dick, Assistant Commissioner Specialist Crime Two recommendations are 'Work in Progress' and refer to an extensive review of reporting systems between the CFU and Corporate Finance. This is the joint responsibility of the Head CFU and Director of Exchequer Services. The original implementation date was 31/3/10. Much progress has been made, however, there are still a few areas that we need to review and this

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
				will occur over the coming months. The other recommendation is the responsibility of Finance business support. It should have been implemented by end January 2010 and we are working on getting this progressed.
SCD Business Support OCU Draft: May 2009 Final: August 2009	Although there were effective controls in some areas, adequate controls were not in place to meet all the business and financial objectives of the OCU.	• Documented guidance. • Separation of duties in the majority of systems. • Authorisation of payments for goods and services. • Security of records.	• Separation of duties within the budgetary control and inventory systems. • Authorisation of police overtime. • Reconciliation of expenditure to main budget heads and individual lines of expenditure. • Supervision and review within business and financial processes. • Security of assets held needed to be improved.	Management accepted all the 20 recommendations made. 20 medium risk, 20 implemented <u>Cressida Dick, Assistant Commissioner Specialist Crime</u>
Receipt and Banking of Income Draft: August 2009 Final: September 2009	Control framework was adequate but a number of controls were not operating effectively.	• Documentation, approval and distribution of guidelines and procedures. • Bank reconciliations. • Provision and review of management information.	• Payment of POCA cash into third party accounts and authorisation of closed POCA accounts. • Opening and recording of the contents of valuables bags. • Maintenance of up-to-date record of cash and cheque receipts.	All nine medium risk recommendations accepted and implemented. <u>Anne McMeel, Director of Resources</u> All nine medium risk recommendations were fully implemented within the agreed target date.
Management of Outsourced Financial Services	Control framework adequate but some improvement required to	• Contract management teams adequately resourced with experienced staff.	• Post implementation review against original business case. • Documentation of payment	Management accepted 14 of the 16 recommendations made.

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
Draft: June 2009 Final: November 2009	enhance existing controls.	• Payroll CMT effectively supervised the payroll processing undertaken by LogicaCMG. • Payments to the contractor properly approved in line with terms and conditions.	processes for pay and pensions. • Testing of business continuity plans. • Independent verification of the performance data reported by the contractor.	1 high risk, accepted and implemented 11 medium risk, 10 accepted, 7 implemented 4 low risk, 3 accepted and implemented <u>Anne McMeel, Director of Resources</u> All 11 fully implemented recommendations were achieved within the agreed target date. Two of the three outstanding medium recommendations require further detailed analysis of the membership data and work should be concluded by the end of May 2010. Work on the other began in April 2010.
Estates – Property Leasing, Rent and Rates Draft: October 2009 Final: November 2009	Control framework adequate, but a number of controls were not operating effectively.	• Policy and procedures in line with estates strategy. • Documentation and approval of leases and subleases. • Calculation and receipt of rental income. • Provision and review of management information.	• Documentation of authority to generate income from sub leases of property. • Documentation of the identification and acquisition of leased property and conducting post acquisition reviews. • Payment and accounting for rent, rates and service charges and independent check of payment process. • Reconciliation of lease details from property database to corporate accounting system.	Management accepted all 19 recommendations made. 18 medium risk, 12 implemented 1 low risk implemented <u>Jane Bond, Director of Property Services</u> Two recommendations to be implemented by Financial Services. Four recommendations remain outstanding and will be implemented by Property Services.

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
Police officer and staff pensions Draft: January 2010 Final: March 2010	Controls are adequate and generally operating effectively.	• Deductions from police salaries. • Transfers in and out of pension schemes. • Lump sums and pensions paid to police staff correctly calculated, approved and paid. • Setting up new recruits on the pension scheme and payroll and pensions system.	• Ensuring that data held on legacy systems is secure and accurate. • Independent check on data sent to provider. • Testing of the Paymasters business continuity plan.	Management accepted all 14 recommendations made. 11 medium risk, 11 implemented 3 low risk, 3 implemented Anne McMeel, Director of Resources All 11 medium and three low risk recommendations were fully implemented within the agreed target date.
Capital Budget Preparation, Approval and Monitoring Draft: December 2008 Final: July 2009	Control framework not fully effective.	• Capital strategy and programme properly approved by MPS and MPA. • Funding streams managed within the capital programme approved budget. • Processes for forecasting capital spend developed further and improved.	• Review of Capital strategy. • Implementation plan and documented procedures to support the strategy. • More effective monitoring of capital budgets following improved forecasting. • Robust monitoring systems to identify and report the status of each project, highlight potential trends and variances.	Management accepted 28 of the 29 recommendations made. 29 medium risk, 28 accepted, 15 implemented Anne McMeel, Director of Resources A Follow Up audit commenced in January 2010 and has reached the formal draft stage. Further evidence has been requested by DARA and if accepted may reduce further the numbers of recommendations outstanding. Five of the outstanding recommendations are linked to a SAP upgrade which has been bid for and included in the Developing Resource management 2 programme of works.
Hounslow BOCU Draft: April 2009	A number of controls in the BOCU for key business and financial systems were not operating effectively.	• In general, adequate control over the physical security of cash and crime property. • Adequate records maintained to support local bank accounts,	• Ensure consistent approach to use of local and corporate documented guidelines and procedures. • Segregation of duties	Management accepted all the 21 recommendations made 21 medium risk, 21 implemented

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
Final: August 2009		purchases and expense claims.	particularly within budgetary control, partnership, local accounts, purchasing systems, and verification of expenditure. • Authorised signatory lists. • Reconciliation and supervisory procedures. • Source crime property records. • Management of the inventory.	<u>Ian McPherson, Assistant Commissioner Territorial Policing</u> <u>BOCU Commander</u> Hounslow B/OCU will revisit the actions around risk management, overtime management and prisoner exhibit handling to ensure that all measures that were put in place at the time of the audit are still working effectively.
TSG OCU Draft: June 2009 Final: August 2009	Control framework adequate but a number of controls were not operating effectively to meet all the business and financial objectives of the OCU.	• Segregation of duties across key systems including local accounts and purchasing. • Systems for EPB and Government Procurement Card. • Security of records across most systems, including procurement and police overtime.	• Local guidelines for purchases and police staff overtime/expenses. • Authorising overtime. • Reconciliation and review of local accounts • Management of assets and inventories system.	Management accepted all 31 recommendations. 26 medium risk, 21 implemented 5 low risk, 4 implemented <u>OCU Commander</u> Work is under way to address the remaining recommendations.
Works and Engineering Maintenance Draft: July 2009 Final: September 2009	Adequate control framework in place but a number of controls were not operating effectively.	• Maintenance work effectively planned and the completion of ad-hoc reactive work properly monitored. • Planned and reactive maintenance works properly costed, allocated and monitored. • Appropriate management information provided and reviewed to monitor performance.	• Significant backlog of payments to outsourced contractors being addressed through a formal contract mediation process. • Increased level of supporting evidence for payment of invoices. • Reconciliation of payments made between the corporate accounting system and the contractor's database.	Management accepted all 18 recommendations. 18 medium risk, 17 implemented The one outstanding recommendation has passed the due date for implementation. <u>Jane Bond, Director of Property Services</u> The remaining recommendation cannot be completed until the backlog of orders

Summary of DARA Activity 2009/10

Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
		• Payments properly approved in line with terms and conditions.		in our FMS suppliers is sorted out. This has not happened yet and consequently the outstanding recommendation is not yet implemented.
Vehicle Fleet Management Draft: June 2009 Final: September 2009	Adequate control framework in place but a number of controls were not operating effectively.	• Clear, approved and up to date policies and procedures were in place. • Procurement of vehicles complied with the approved policy. • Payments for vehicles properly authorised and recorded. • Vehicles deployed according to operational need/user requirements and asset allocation monitored. • Disposal of vehicles properly approved and recorded.	• Approval of vehicle replacement programme at a senior level. • Disposals - setting and approving reserve prices at auction and approving the acceptance of offers below the reserve price. • Clarification and approval of contracts. • Review of business continuity plan for the sourcing of vehicles, parts and equipment. • Review of the disaster recovery plan for SAP transport accounting system.	Management accepted 25 of the 26 recommendations made. 23 medium risk, 22 accepted, 18 implemented 3 low risk, not implemented The remaining recommendations have passed the due date for implementation. <u>John Whitaker, Director of Logistical Services</u> Work in progress on 2 medium risk recommendations, a further 2 are reliant on SAP changes from the DoI ERP team and this work is still to be completed.
Uniform Services Stores and Stock Control Draft: July 2009 Final: September 2009	Effective controls in some areas, but adequate controls were not in place to meet all of the system objectives.	• Clearly documented, up to date and approved guidelines and procedures for the ordering and receipt of items. • Physical security and storage arrangements at main property store at Mandela Way. • Ordering, receipt and issue of stock. • Provision and review of management information.	• Security at Peel Centre warehouse. • Confirmation of deliveries at B/OCUs. • Handover and disposal of stock. • Stock taking and valuation to validate accuracy of stock figures.	Management accepted all 9 recommendations made. 9 medium risk, 4 implemented. <u>John Whitaker, Director of Logistical Services</u> Electronic keypads fitted at Peel Centre to improve security and controlled opening times. A Directive concerning confirmation of deliveries at B/OCUs was placed on the EBP notice board. However, Asset tracking will complete this control. Due

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
				to be introduced if approved late 2010 early 2011. SOP in progress to go in line with asset tracking with regards to collection and safe disposal of stock. A complete stock check has been completed and a certificate is being prepared by the Inventory manager to pass on to Finance.
Major Works Draft: October 2009 Final: October 2009	Control framework adequate, but a number of controls were not operating effectively.	• Identification, prioritisation and approval of projects. • Tender process and award of contracts under the approved framework. • Project management and contract monitoring. • Budget management. • Provision and review of management information.	• Recording all stages of the approved gateway process for managing projects. • Authorisation of interim certificates for work carried out. • Level of detail recorded on contractor invoices. • Scheme of delegated authority and approval of payments.	Management accepted all 11 recommendations made. 11 medium risk, 9 implemented <u>Jane Bond, Director of Property Services</u> The remaining recommendations will be implemented in year.
Write Offs and Losses Draft: January 2009 Final: November 2009	Effective controls in some areas, however, adequate controls were not in place to meet all of the system objectives.	• Clear and comprehensive local guidelines and procedures for requesting write offs due to irrecoverable debt and overpayment of salary and pension. • Identification of write offs for bad debts.	• Documentation and approval of policies and procedures for write offs and losses. • Referral of all individual cases of losses due to theft and or fraud to the MPA Treasurer for approval. • Promptly identifying and authorising losses for write off action in accordance with MPA regulations. • Reporting to MPA Finance Committee on losses in excess of delegated limits.	Management accepted all 14 recommendations made. 14 medium risk, 6 implemented <u>Anne McMeel, Director of Resources</u> There remain eight medium risk recommendations outstanding and these have exceeded their agreed target implementation date due to ongoing discussions with the MPA. The MPS has produced a draft SOP (revising the MPA's Special Notice) and this is currently under review by the MPA's Fraud Prevention Officer. Other

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
				recommendations, such as the process for reporting fraud to the MPA Treasurer and procedures and guidelines for use by B/OCUs are dependent upon this SOP. A Follow Up previously scheduled for March 2010 has been included in the proposed plan for 2010/11.
Identity Access Management Draft: August 2009 Final: November 2009	Control framework adequate, but some improvement required in the application of controls.	• Documented programme strategy aligned to the MPS corporate objectives and supported by an implementation plan. • Relevant policies and procedures were being developed in line with MPS Security Code (METSEC code). • Approved budgets controlled and monitored effectively. • Accurate and effective management information and reporting of project progress, issues and targets.	• Periodic review of project documents by programme manager. • Increasing the frequency of the IAM Programme Board meetings to improve the - effectiveness of the governance arrangements.	Management accepted all 9 recommendations made. 8 medium risk, implemented 1 low risk, implemented <u>Ailsa Beaton, Director of Information</u> The 1 remaining medium risk recommendation required a process for management of consultant performance which is now in place in the relevant area of DoI and this recommendation is considered closed by DoI.
Firearms Licensing Draft: October 2009 Final: November 2009	Framework of control was adequate but a number of controls were not operating effectively.	• Approved policy and Standard Operating Procedure. • Firearms licences and permits issued and revoked in accordance with the relevant statute and criteria. • Charges levied in accordance with statute and the MPS policy and controls over collection of income were adequate. • Provision of advice to licence holders and applicants. • Provision of management	• Provision of a strategic business plan, business continuity plan and risk register for Firearms Enquiry Teams. • Recording supervisory checks performed locally. • Separate summary of details of complex cases to facilitate monitoring of standards. • Delegated levels of authority. • Reconciliation of income collected to accounting	Management accepted all 23 recommendations made. 23 medium risk, 10 implemented <u>Chris Allison, Assistant Commissioner Central Operations</u> The majority (of recommendations) have been implemented as far as they reasonably can be; there are one or two where slippage has occurred which might have been avoided, but most are on track, save for those which are

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
		information.	system. • Improvements needed over access to the armouries, the security of controlled stationery used for issuing licenses and data storage.	beyond CO19's current control. There is a revised implementation date of 30 June 2010.
Forensic Medical Examiner Payments Draft: October 2009 Final: December 2009	Adequate controls were not in place to meet all the system objectives, and controls were not being consistently applied.	• Policy and Standard Operating Procedure in place. • Authorisation of claims and payments. • The payments system had been subject to recent fundamental changes and the FHS were developing and adapting to new working practices.	• Update Policy and SOP. • Countersigning FME contracts and formalising contracts with the agencies providing FME cover. • Monitoring and review of FME expenditure. • Budget setting and monitoring. • Validating process for rota and timeliness of payments. • Management information and review of FME performance.	Management accepted all 16 recommendations made. 16 medium risk, 5 implemented Ian McPherson, Assistant Commissioner Territorial Operations Ch Insp TP Emerald Work is under way to address the remaining recommendations responsibility for which lies with FHS, Procurement and Finance.
Review of SO15 Counter Terrorism Command Draft: April 2009 Final: March 2010	Control framework for the key business support systems was adequate but a number of controls were not operating effectively.	• Expenditure on corporate charge card statements properly reconciled and monitored. • Regular monthly reviews of the overall budgetary position performed. • Physical security of cash and crime property. • Recording inventory items. • Adequate records to support budgetary submissions/forecasts.	• Inconsistent approach to the use of local and corporate documented guidelines and procedures. • Segregation of duties. • Authorisation processes. • Reconciliation procedures for expenditure. • Regular, evidenced supervision and review within the financial processes. • Completion of police and police staff overtime, crime property records and assets/inventory registers.	Management accepted 16 of the 17 medium risk recommendations made. 17 medium risk, 16 accepted 6 implemented The remainder are due to be implemented by August 2010. Stephen Kavanagh, OCU Commander SO15 I am satisfied that this reflects the position in the Counter Terrorism Command.

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
			• Review of housing/rent allowance records.	
MPA Members Expenses Draft: January 2010 Final: April 2010	Some improvement was required to ensure that business objectives for Members Allowances and Expenses are met.	• Approval of member allowances. • Annual allowance uprating was in line with the Police Support Staff Council award. • Scheme for the payment of members' allowances reviewed annually. • Documents relating to allowance and expense claims held securely with access restricted to authorised officers.	• Countersigning of all claims. • Adherence to the deadline for claim submissions. • Claims forms to show more detail in support of the claim. • Insurance certificates presented for examination. • Introduction of financial limit for business entertaining. • Requirement for receipts to be produced for all expenditure.	Management accepted all 14 medium risk recommendations made. 14 medium risk, 10 implemented Nick Baker, MPA Head of Business and Member Support The auditors were clear, supportive and had a sound knowledge of the issues and how they should be best resolved/improved.
Criminal Justice Processes Draft: March 2010 Final: May 2010	Control framework was adequate but a number of controls were not operating effectively. Some improvement was required to ensure that the business objectives are met.	• Policies and procedures • Protocols agreed in a joint Integrated Prosecution Team process manual. • Definition of roles, responsibilities and working relations. • Security of files. • Budget monitoring.	• Ensure all case files are quality checked and appropriately signed off before passing to the CPS. • Processing of the contents of files to meet the minimum standards. • Retaining evidence of file review by CPS. • Controls over the request, processing and receipt of additional evidence. • TPHQ liaison with the CPS to identify cases where pre charge advice is required. • Training on the requirement for pre charge advice.	Management accepted 17 of 19 medium risk recommendations made. 19 medium risk, 17 accepted, 0 implemented The recommendations are to be implemented by September 2010. Joanna Young, OCU Commander, Emerald Although none of the recommendations have been completed since the recent issue of the final report, work is under way and significant progress has been made. Examples of progress include agreement with the CPS on the management of case build activity, a modernisation of charging agreements across London and arrangements at each borough to improve the quality of

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
				case file supervision.
Data Protection Draft: Jan 2010 Final: May 2010	Control and enforcement framework was adequate but a number of controls were not operating effectively.	• Compliance with DPA and FOIA legislation. • Clearly defined roles and responsibilities. • Management checks and reviews to ensure statutory obligations are met. • Key Performance Indicators have been set and timely, accurate and complete management information is provided and acted upon as appropriate.	• Route requests through the Public Access Office for consistency. • Consider full or partial centralisation of FOIA service in the MPS. To ensure all request are considered by trained personnel. • Increase compliance with requirements at a local level. • Update MPS operating procedures.	Management accepted all 14 medium risk recommendations. 14 medium risk, 7 implemented Ailsa Beaton, Director of Information The remaining 7 recommendations are scheduled for completion by September 2010.
Management of Outsourced Property Services Draft: March 2010 Final: April 2010	Significant improvement is required to strengthen existing processes and controls to ensure that the business objectives are met.	• The payment processes for planned maintenance and other soft services are based on satisfactory delivery against agreed specifications. • Complete, accurate and timely information on the delivery of each contract against the agreed specification is available.	• Conduct post implementation review to ensure the vision and benefits set out in the outsourcing strategy are being achieved. • Review of contract management structure and review. • Monitoring and assessing risks transparently. • Budget monitoring. • Monitoring and imposing penalties as outlined in the contracts.	Management accepted 24 of the 26 medium risk recommendations made. 26 medium risk, 24 accepted, 4 implemented Jane Bond, Director of Property Services The remaining recommendations to be completed by September 2010.
Use of Mobile Resources	Adequate controls were not in place to meet all the system objectives	• Adequate policies in place covering security and procurement of mobile	• Policies, procedures and objectives covering the allocation, use and disposal of	Management accepted 27 of the 28 medium risk recommendations made.

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
Draft: November 2009 Final: February 2010	and controls were not being consistently applied.	resources. • Many of the recommendations will be addressed by the systems recently introduced to support the modernisation of finance and resource functions. It is expected that the control environment should improve as a result.	mobile resources need to be developed further. • Allocation, use and security of mobile resources. • Budget setting and management. • Provision and review of management information	28 medium risk, 27 accepted, 24 implemented <u>Ailsa Beaton, Director of Information</u> The remaining 2 recommendations for which DoR is responsible are scheduled to be completed by the end of June 2010. The remaining recommendation for which DoI is responsible relates to implementation of inventory management processes and the first business group (SCD) are scheduled to be completed by end of June 2010. At this point the recommendation will be considered closed whilst activity will continue across remaining business groups.
Review of Management of ASBOs Draft: January 2010 Final: March 2010	Adequate controls are not in place to meet all the system objectives for the management of ASBOs and controls are not being consistently applied.	• Applications for ASBOs in accordance with legislation and supported by adequate evidence.	• Updating operating procedures and standardised recording of ASBO information. • Overview of the implementation of recommendations assigned to the MPS under the London Anti-Social Behaviour Strategy for 2005-2008. • Overseeing performance on ASBOs to ensure consistency across the MPS. • Monitoring and enforcement of ASBOs. • Independent checking of	Management accepted all 14 medium risk recommendations made. 14 medium risk, none implemented The recommendations are due to be completed by January 2011. <u>Ian McPherson, Assistant Commissioner Territorial Operations</u> <u>Commander TP Neighbourhood Policing and Partnership</u> Work is already under way to address the issues raised and implement the recommendations made. Examples

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Systems Audit	Audit Opinion	Areas of Effective Control	Controls for Improvement	Recommendations Update
			records of ASBOs and regular reconciliation between MPS records and PNC.	include updating operating procedures; providing corporate guidance; instigating steering group; reviews of management systems; improvement to the provision and analysis of management information.
NPIOU Draft: November 2010 Final: May 2010	Adequate controls were not in place to meet all the system objectives and controls were not being consistently applied.	Restricted Report.	Restricted Report.	Management accepted 8 of the 9 recommendations made. 1 high risk, 1 accepted, 0 implemented 8 medium risk, 7 accepted, 0 implemented The recommendations are due to be completed by September 2010. John Yates, Assistant Commissioner Specialist Operations

Follow Up Audit	Audit Opinion	Areas of Improved Control	Controls for further improvement	Recommendations Implemented
Use of Covert Resources (DPS) Draft: February 2009 Final: June 2009	Control framework has improved and is now adequate to mitigate the majority of risks identified. Some improvement is needed.	Restricted Report.	Restricted Report.	Thirteen of the 18 recommendations had been implemented and 5 partially. Those that had been partially implemented are awaiting corporate guidance.
Use and Deployment of Volunteers – Met Volunteer Programme	Significant improvement in the control framework.	• Recruitment process. • Funding arrangements. • Monitoring of expenses. • Reviews of effectiveness of the volunteer scheme.	• Recording exit interviews. • Monitoring of the volunteer database.	All of the 17 agreed recommendations had been fully implemented.