

# **Review of Internal Audit**

*Metropolitan Police Authority*

Audit 2000/2001

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## **Action Plan**

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*Jon Hayes*

*Paul Grady*

**Key** Priority ● ● ● High ● ● Medium ● Low

Date 00.00.00 Target completion date 00.00.00 Actual completion date

Recommendation	Priority	Responsibility	Agreed	Comments	Date
<b>Objectives and Scope</b>					
R1	●●	Treasurer	Agreed	The Financial Regulations will be reviewed following the completion of the 2000/01 external audit and all amendments made at that time.	Feb. 2002
<p>The Financial Regulations should be updated to fully reflect Internal Audit's terms of reference and status within the organisation. Specifically, they should refer to Internal Audit's rights of direct access to</p> <ul style="list-style-type: none"> <li>appropriate records, assets and personnel</li> <li>senior management (e.g. the Commissioner)</li> <li>Members</li> </ul> <p>and an unrestricted range of coverage of the organisation's operations.</p> <p>This will ensure all staff are aware of internal audit's role and rights of access within the organisation and will provide internal audit with organisational approval of such should they find their rights of access or range of coverage of the organisation's operations restricted in any way.</p>					

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<b>Staffing and Training</b>					
<p><b>R2 Internal Audit should continue to strive towards a full staff complement to ensure a timely completion of annual audit plans to CIPFA Internal Audit Code of Practice standards and ensure all systems are reviewed over the strategic five year period.</b></p> <p><b>Internal Audit should continue to take steps to ensure slippage in the plan is minimised.</b></p> <p>We acknowledge that Internal Audit has a high staff turnover and that some of the factors attributable to this are beyond the control of Internal Audit. However, the lack of a full staff complement, in conjunction with other factors, has contributed to slippage in audit plans in recent years. This has resulted in the postponement of audits to future years and there is a risk that some of the medium or low risk audits may not be reviewed over the five year period.</p>	...	<i>DIA</i>	<i>Agreed</i>	<p>The impending move to a more accessible location, coupled with the salary increases arising from the pay and grading review, should assist in the retention of existing staff and improve recruitment levels.</p> <p><b><i>An increased level of coverage should be evident in the 2002/03 Audit Plan.</i></b></p>	<i>April 2002</i>
<b>Relationships</b>					
<p><b>R3 Internal Audit should ensure that their risk assessments, objectives, strategies and corporate priorities are consistent with those of the organisation as a whole.</b></p> <p>The Authority, with the assistance of consultants, is currently evaluating its own corporate priorities and risks. Once this evaluation is complete, Internal Audit will need to ensure there is consistency with the Authority in respect of corporate goals, aims and objectives and if necessary amend or update its five year strategy, risk assessment and annual plans.</p> <p>Internal Audit's cumulative knowledge and experience of the Authority should be utilised effectively in evaluating organisational risks and priorities.</p>	...	<i>DIA</i>	<i>Agreed</i>	<p><b><i>The Director of Internal Audit will ensure that the Internal Audit Strategy and risk assessment are in line with those of the MPA and MPS.</i></b></p>	<i>Jan. 2002</i>

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<b>Due Care</b>					
R4	...	DIA	Agreed	<p><i>The peer review process as defined in the Internal Audit Directorate's performance management framework will be applied.</i></p> <p><i>The post audit performance evaluations will also be completed for each audit.</i></p>	Nov. 2001
<p>Informal arrangements currently exist, whereby senior internal audit management review reports and the findings contained within to ensure a consistent quality of output. A formal framework for quality and peer review of files would ensure consistency of standards across the directorate and identify development opportunities and training needs at an early stage.</p>					

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<b>Controlling</b>					
R5	...	DIA	Agreed	<p><i>Many of the areas reviewed have not been audited previously. As a result additional time is spent scoping reviews and many control issues tend to arise. The implementation of the performance management database will help auditors to improve the management of audits. Progress against the defined terms of reference will be continually evaluated as part of this process.</i></p> <p>Our review of times charged across a sample of audits showed that in many cases, the actual time charged seemed high compared to our experience of other comparable clients and often exceeded both the original and revised audit budget. Currently, auditors do not always evaluate their review to establish whether an additional, separate audit is required, or whether the work they are undertaking fulfils the requirements of the original scope.</p>	In place
R6	...	DIA	Agreed	<p><i>The budgeted and actual time and cost are recorded as part of the post audit evaluation process. The relevant documentation will be held on the appropriate file in future.</i></p> <p>Although details of time charged are maintained on a central database, our review of files found that not all files contained details of the actual time charged and the reasons for variance if appropriate. Each file should contain details of the budgeted time, actual time and reasons for variance.</p>	Nov. 2001

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<b>Recording and Evidence</b>					
R7	...	DIA	Agreed	<p><i>The process for cross-referencing working papers will be reviewed. All working papers will be appropriately indexed and the trail to the Permanent Audit file made clearer. Cross-referencing will also be reviewed as part of the peer reviews.</i></p>	Nov. 2001
<p><b>Internal Audit should ensure that working paper files achieve the standards set out in the CIPFA Code of Practice (paragraph G58).</b></p>					
<p><b><i>“Working papers should be sufficiently complete and detailed to enable an experienced auditor with no previous connection with the work to ascertain from them what work was performed and to support the conclusions reached.”</i></b></p>					
<p><b>Evidence obtained during the progress of audits should be fully cross-referenced into the working paper files and used to support the conclusions reached.</b></p>					
<p>Whilst the permanent audit files presented a clear and concise summary of audit work performed, control objectives, findings and subsequent recommendations, our review of the supporting working paper files found that they contained less referencing or cross-referencing. Although a significant amount of evidence is obtained and retained on file, the audit trail was not always clear and it was not possible to link the findings in the permanent files back to audit conclusions in the working papers. Working paper files appeared to have an inconsistent structure and it was therefore difficult to assess the relevance of the evidence contained within or the extent to which it supported the findings and conclusions recorded in the summary permanent file.</p>					

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<b>Reporting and Follow Up</b>					
<p><b>R8 Internal Audit should continue to take steps to improve the timeliness of reporting.</b></p> <p>We acknowledge that delays in the issuing of reports are often for reasons beyond the control of internal audit. However, internal audit should continue to take steps to minimise the delays between the completion of audits and the issuing of reports.</p>	...	DIA	Agreed	<p><i>Increased monitoring of performance is helping to achieve deadlines. The Director of Internal Audit and the Audit Panel will continue to monitor any significant delays in responding to Internal Audit Reports and appropriate action will be taken.</i></p>	In place.
<p><b>R9 Internal Audit should take steps to ensure follow up audits are undertaken on a timely basis in line with the prescribed timetable.</b></p> <p>Internal Audit acknowledges, due to the staff shortages, that it often falls short of undertaking high risk follow up audits within six months, and other audits within 12 months. The lack of a follow up presence may be a contributing factor to the fact that as at the date of the audit, only 63% of high risk recommendations from the 2000/2001 audit year have been implemented. The lack of implementation weakens the effectiveness of internal audit reviews and means improvements and savings identified by internal audit may not be realised within the organisation.</p>	...	DIA	Agreed	<p><i>A temporary auditor was employed specifically to undertake follow up audits. The level of coverage in this area should increase this year.</i></p>	In place