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## **MPA Internal Audit - Annual Report 2008/9**

### **Introduction**

This Annual Report gives my opinion as Director of Internal Audit for the Metropolitan Police Authority (MPA) on the adequacy and effectiveness of the control environment<sup>1</sup> within the Metropolitan Police Service (MPS) and the MPA. It also summarises the activities of Internal Audit for the period from April 2008 to March 2009.

It is my duty to give, at least annually, an opinion on the adequacy and effectiveness of the control environment. This is based on the adequacy of control noted from a selection of risk-based systems audits carried out during the year and other advice work on control systems. The results of our investigation inquiries, relevant HMIC reports, Audit Commission reports and the work of internal review agencies within the MPS also inform my opinion.

My opinion on the adequacy and effectiveness of the control environment in the MPS is used to inform and should be read alongside the wider Annual Governance Statement incorporated into the Authority's Statement of Accounts for 2008/9.

### **Background**

Numbers employed in Internal Audit remained stable, with 34 staff in post at the beginning of the year and 35 staff at the end. The trend of recent years was reversed, with a first ever increase in funding for posts since the Authority was formed, reflecting recognition of the significant growth in the size of the MPS and the complexity of providing an adequate internal audit service.

With improved funding, a new Fraud Prevention Officer post was approved and has been filled. In addition, money available for a further analyst post was used to support both fraud awareness work and additional auditor cover to help achieve the agreed annual plan. The fraud awareness work has been

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<sup>1</sup> The control environment comprises the system of governance, risk management and internal control. (CIPFA Code of Practice for Internal Audit 2006)

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particularly valuable against the backdrop of concerns over police officer usage of corporate credit cards and also the likelihood of increased risks of fraudulent behaviour by those that do business with the MPS at the time of a recession and economic downturn.

Recruitment of auditors to fill two vacant posts was not so successful during the year, although I am pleased to report that two appointments have now been made. The budget for the two vacant posts in 2008/9 was used to buy in temporary professional audit staff to help cover the agreed audit programme. As a result, we were able to achieve 91% of the annual plan (our target is 90%), the best that we have managed in recent years.

The Forensic Audit Branch is the investigative arm of Internal Audit. It has continued to have a valuable impact on the MPS, both in identifying potentially fraudulent activity by staff, officers or contractors, as well as helping to prevent losses and identifying wasteful or nugatory expenditure.

In 2008/9 Forensic Audit contributed directly to the recovery of £20k, losses stemmed of £167k and savings of £11k. While this result is considerably less than we have managed in each of the last five years, it has to be remembered that for most of the year almost all Forensic Audit resources were diverted to analysing and processing thousands of documents referred by the MPS where concerns had arisen around the use of corporate credit cards by police officers. This significantly impacted on our ability to stem losses and make savings elsewhere but has at the same time led to over 300 individual cases of potential fraud being referred to professional standards for further investigation.

### **Assurance on the Control Environment**

For systems reviewed by Internal Audit in 2008/9 average assurance scores were 3.1 (unchanged from 2007/8) on a scale of 1 to 5 (where a score of 2

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reflects a system with adequate controls and 3 to 5 reflects increasing degrees of the need to improve).

Follow-up audits had an average assurance score of 2.5 (2.4 in 2007/8) and the MPS-wide high-risk systems average assurance score at 3.1 (2.9 in 2007/8) was the same as the average, although high-risk audit follow-ups at 2.7 were worse (2.1 in 2007/8). Borough and Operational Command Unit audits had an average assurance score of 3.3 (3.5 in 2007/8) and 3.0 on follow-ups (2.9 in 2007/8).

Across the board in 2008/9 there has been a slight worsening of the scores obtained from follow-up audits, but it has to be noted that through the introduction of the protocol with the MPS, we have been able to issue final reports sooner and undertake follow-up audits at an earlier date compared to the fieldwork than in previous years. The improved turnaround time is to be welcomed and is an issue that has been of concern to the Corporate Governance Committee in past years. As the MPS becomes better geared up to this approach, I would expect to see an improvement in the follow-up scores.

It is worth noting here that the time taken for MPS line management to respond to internal audit reports has been an issue in the past. In 2007/8 on average the MPS took 17 weeks to respond to each formal draft report. Although the protocol only operated from November, average response times for 2008/9 are already reduced to 12 weeks and we are expecting further improvements from the MPS in 2009/10. The target expectation is four weeks.

Taking systems reviews, follow-up audits and including the results of investigations where the underlying system has had a significant impact on control and including developing systems advisory work by Internal Audit gives an assurance score from all audit review activity of 2.8.

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When all relevant scored review work is taken into account the overall assurance score for 2008/9 remains 2.8 (also 2.8 in 2007/8). My overall score includes relevant review work by HMIC, Audit Commission, MPS Inspectorate and DoI Information Assurance. There were no relevant Health and Safety reviews in 2008/9.

A comparison of scores since the scoring system was introduced in 2001/2 shows the following:

<u>Year</u>	<u>Initial Score</u>	<u>Follow-Up Score</u>	<u>Final Score</u>
<b>2001/2</b>	3.5	2.8	<b>3.5</b>
<b>2002/3</b>	3.6	2.6	<b>3.3</b>
<b>2003/4</b>	2.9	2.1	<b>2.9</b>
<b>2004/5</b>	3.4	2.6	<b>3.4</b>
<b>2005/6</b>	3.3	2.5	<b>3.0</b>
<b>2006/7</b>	3.4	2.5	<b>2.9</b>
<b>2007/8</b>	3.1	2.4	<b>2.8</b>
<b>2008/9</b>	3.1	2.5	<b>2.8</b>

This table demonstrates that although there has been a small but steady improvement in internal control since 2004/5 and a clear improvement since 2001/2, the improvement reported in 2007/8 has not been sustained in 2008/9.

It is a little disappointing not to be able to report sustained improvement. However, it has to be seen against a backdrop of significant change at the very top of the MPS, with its inevitable cascade effect on middle management.

Although Management Board appointments remained stable within the support businesses of the MPS, there were a number of key senior and middle management changes over the same period, as well as reliance on interim managers in support roles.

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In conclusion, while a number of initiatives to improve control began in 2007/8 and were enhanced further in 2008/9, initiatives have taken longer to embed than intended and that is reflected in some of the continuing control weaknesses that my staff identified during the year.

Areas of concern in the control environment have included:

### ***Risk Management***

Last year I raised concerns about the lack of an effective and embedded risk management culture. Although the MPS has made strides in ensuring risks are appropriately analysed and dealt with at command unit level, there remains a disconnection between operational level risk management and risk management by the top of the MPS. Highest-level risks are inadequately identified and not linked to the key strategic drivers, for instance the five Ps set out by the Commissioner earlier this year. Top management have been developing a high-level Risk Register but at the time of writing the Register is incomplete and still 'work-in-progress'.

### ***Crime Related Property***

This is an area that has been of considerable concern to me over the lifetime of the Authority and has featured in a number of my annual reports. Our audit found that at a strategic level there was no corporate lead or clear strategy and no performance management framework. Internal controls over identifying, collecting, recording, storing and disposing of crime property were inadequate and the technology to support the system ineffective. Consequently there was a lack of appropriate management information to inform decision-making or detect theft and fraud.

Territorial Policing, through Operation Emerald has now taken ownership of Crime Property and the Metaphor system now has a module in development to address the IT weaknesses that we identified.

***Procurement***

Last year I expressed my concern about post-event and late procurement activities while noting also the benefits brought about by improvements in the scheme of delegation and the successful introduction of the purchase-to-pay programme.

I am pleased to note that there have been improvements in control around procurement, although there remain areas of significant concern. For the first time the MPS now has a comprehensive contracts database and can identify when contracts need re-tendering or renewing. A revised procurement strategy has been produced. Also e-procurement and purchase-to-pay have continued to make further progress.

However, the contracts database has identified a number of contracts that were either not let competitively or have had to be extended since on single tenders. It is also clear that difficulties in recruiting sufficient procurement professionals and the level of vacancies carried throughout the year have had an adverse impact on the ability of the MPS to keep on top of the tendering and contract management processes. This has been reflected in both audit and investigative work where we have come across inappropriately let contracts or contracts where there is questionable value for money.

***Management of Additional Funding***

This was a significant area reviewed for the first time, following on from concerns that had been found the previous year with controls around the funding provided by the Home Office for counter-terrorism activity. We found an inconsistent approach across business groups, ineffective and inconsistent controls over the allocation and use of the £150m plus in additional funds and a lack of effective monitoring that grant conditions were being met. The accounting system could not easily identify ad hoc and non-counter terrorism grants and funds.

***Security Vetting and Clearance***

I remain concerned at some of the fundamental weaknesses identified in this area, including the inadequacy of staff records, the failure to implement an appropriate aftercare process and the lack of clarity and consistency about the vetting levels required for specific posts. Issues around the link between police management vetting and the National system are also a cause for concern.

Although I welcome the planned merger of the vetting group in Specialist Crime with that in Specialist Operations, I am concerned that neither part of the organisation is an appropriate home for this function, any more than the short-lived OIS or Professional Standards before that. In my opinion the MPS has failed to deal effectively with this important issue and it is not an area where either senior police officers or ACPO should have any policy responsibility.

***Royalty and Specialist Protection Funding and Control***

I am concerned that we identified inadequate controls over funding and control here and in our related audit of Diplomatic Protection. The funding gap identified in the formula for Dedicated Security Posts was of concern and we found inadequate control over expenditure, including allowances, expenses, accommodation and travelling costs.

***Building Security – physical, technical and guards***

This is another area where I have had concerns for a number of years and our audit highlighted weaknesses that needed to be addressed as a matter of urgency. We made eight recommendations addressing high-risk areas as well as twenty recommendations around medium risks. All recommendations were accepted and a cross-business working group has been set up by the MPS to ensure implementation of our audit recommendations.



***Corporate Control Issues across BOCUs and OCUs***

Our review of the corporate control systems highlighted a general concern about the adequacy of internal control in command units across the MPS. We found that the overall control framework was not adequate or sufficient to mitigate the associated risks. There was a lack of support and monitoring of local finance systems, performance management, training, police officer and staff overtime and crime property systems. The current MPS reviews of finance/resources and HR systems are addressing a number of these issues.

***Police Staff Overtime***

Our review in this area has highlighted as many weaknesses in the system for police staff as we found previously and are currently finding with a review of police officer overtime. We found inadequate controls, including inconsistency around authorisation and supervisory checking as well as a lack of adequate supporting documentation, making it difficult to verify claims and to confirm that staff overtime payments were necessary, valid and within the rules.

Areas where I have been pleased to note the progress made include:

***Covert Policing***

On both the specialist sides (within SCD and SO) and professional standards covert business units, there has been good progress and an excellent working relationship between the senior management and my staff who deal with this sensitive area of review. I am grateful for the positive and co-operative comments from MPS management about the value of the support provided by Internal Audit.

***Developing Resource Management***

This programme has acted as a significant driver for change, not only within the Resources Management directorate, but also across all business groups. Its success is the key to ensuring a structured and effective enhancement of financial and business capability, governance and control within the MPS.

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### ***MPS overview arrangements for review activity***

The coordination of internal and external review activity and the reporting of performance both in implementing recommendations and in the review activity itself to Performance Board have as a consequence raised the profile of review activity with Management Board and are a welcome step in the right direction.

This has also been the first year of formal protocols in place between the MPS and HMIC, Audit Commission and MPA Internal Audit to encourage, as well as effective coordination on audit and review activity, appropriate and timely MPS response and action on accepted audit and inspection recommendations.

### **Overall Opinion**

***In my opinion, taking into account all available evidence, the adequacy and effectiveness of the control environment in the Metropolitan Police Service continues to fall below an acceptable standard. Key controls have either not been applied, applied inappropriately or not applied in time to provide an adequate and effective control environment.***

### **Equality and Diversity**

We have contributed to the MPA's objectives in this area both by the way we recruit, manage and train our staff and by the processes put in place to ensure that our staff behave appropriately in our dealings with the MPS. This is reflected in the measured feedback from the MPS that shows a high degree of satisfaction with the behaviour of our staff and their approach around equalities issues.

Internal Audit continues to reflect the diverse community that it serves through employing staff from a wide variety of cultural backgrounds and experience.

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As part of the risk-based audit programme we undertake regular reviews of the controls in place for systems dealing with equality and diversity, both in the MPS and the MPA. A summary of our 2008 audit of MPA and MPS equality and diversity application and monitoring can be found in Annex A.

### **Summary of Key Internal Audit Achievements during the Year**

#### **Preventative Advice**

##### Fraud Prevention

A fraud prevention officer was appointed in the course of the year and she has supported our initiatives to raise the level of fraud awareness in the MPS. Working in conjunction with the MPA and Audit Commission a survey on fraud awareness was sent to over four hundred targeted staff in the MPS, including the Commissioner and his senior team, and the results analysed by the Audit Commission. This data was used in the subsequent series of workshops, attended by two hundred senior and business staff, that were completed as planned by the end of March. The workshops were based on the Audit Commission 'Changing Organisational Culture' toolkit and presented jointly by Commission and MPA staff. The feedback from the events was very positive and has identified a number of areas for future training and organisational learning.

We have also assisted MPS Professional Standards in the revision of internal guidance around fraud. We also continue to support financial awareness training for middle and junior management where we promulgate messages about what can go wrong when internal control is not applied effectively. More than five hundred MPS middle and junior management attended our sessions in 2008/9.

My Assistant Director (Forensic Audit) provides ongoing advice and assistance to the Suppliers and Tenderers Risk Assessment Group (STRAG),

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which provides regular reports on high-risk contracts and outsourced services to senior MPS operational and business management.

### Systems Audits

(Details of all audits completed in 2008/9 are at Annex A)

Among other programmed work we carried out major reviews of the controls in high-risk systems for dealing with:

VAT Accounting and Control (overall rating of 1.5)

Covert Account Control - Professional Standards (overall rating of 2.0)

Strategic and Budgetary Planning (overall rating of 2.5)

Repair and Maintenance of Covert Vehicles (overall rating of 2.5)

External Data Communications (overall rating of 3.0)

Business Performance Management (overall rating of 3.0)

Vehicle Removal and Statutory Charges (overall rating of 3.0)

Police and Police Staff Support Outside the UK (overall rating of 3.0)

Creditor Payments System (overall rating of 3.0)

Equalities and Diversity Application and Monitoring (overall rating of 3.0)

Police Specialised Training (overall rating of 3.0)

There were also two medium-risk systems that are worthy of drawing out in my Annual Report. These are **Operation Jigsaw** (Multi-agency co-ordination

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on violent and sexual offenders) and **MERLIN**, the system for recording data about missing persons, in particular vulnerable children. In both instances we found an adequate control framework but had concerns that some controls were not being adequately applied. This was of particular concern with MERLIN where accuracy of data and the processes for updating and weeding data fell short of the expectations of the Information Commissioner and the Data Protection Act.

### **Control Advice for Developing Systems**

A number of major projects in the MPS have been supported and provided with audit advice, including:

#### *Developing Resource Management*

My senior team has proactively supported each of the six strands of this major project, offering audit and control advice as well as keeping an eye on progress and issues, particular emphasis on the revised finance and resource function and the MPS Scheme of Delegation.

#### *Risk Management*

My Deputy Director has personally overseen and contributed to efforts to move risk management forward, both in the MPS and at the Authority.

#### *Procurement*

We have advised and assisted on the development of the MPA/MPS Procurement Strategy for 2009-2012.

#### *Olympics/Paralympics*

We are involved at a senior level on the Authority's Olympics working group.

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### *Corporate Card Coordination Group*

We have provided advice and support to the group chaired by the Director of Exchequer services.

### *MPS Language Programme*

We were invited in to give advice to this significant HR project from its inception. The project aims to reform the system for dealing with linguists and translation services to the MPS, an area where we have found significant weaknesses in the past.

## **Forensic Audit Work**

### Background

Sixty-six new cases were dealt with during the year (seventy-four in 2007/8) ranging from concerns about misconduct and potential corruption in public office by a senior officer through to the identification under the National Fraud Initiative of a number of deceased pensioners still in receipt of their pension. Generally, the size and complexity of the cases being dealt with continues to increase. Seven calls were received on the 'Right Line' (three in 2007/8) although only one resulted in the need for an investigation.

During the course of the year the MPS launched an email facility to link to the Right Line.

### Corporate Credit Cards

In excess of a third of my investigative resource for 2008/09 has been allocated to the enquiry into the misuse of AMEX cards. This diversion of resource has impacted on other work that could not be undertaken as a result and directly explains the drop in casework handled from last year. The

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forensic audit team have now arrived at the end of their role in reviewing AMEX expenditure. In excess of 300 police officers have been referred to the Directorate of Professional Standards by my staff and forty-six of these have become formal investigations overseen by the Independent Police Complaints Commission. This has resulted in two prosecutions and convictions but most cases are still under investigation. The software tool acquired in the course of the year proved successful in identifying cases for referral to the Directorate of Professional Standards - 100% of the cases selected required further investigation or contained expenditure outside the MPS policy for use of AMEX cards. As a result of the ending of the AMEX work arrangements are in place to have the software tool re-programmed in order to process data from the replacement Barclaycard contract on an on-going basis.

### National Fraud Initiative (NFI)

The year spanned the closure of the NFI 2006 and the start of NFI 2008. All 58,389 data matches on creditor information and 566 of the data matches on non-creditor information from the 2006 exercise have been resolved - the 1,063 not resolved are not relevant to the MPA. This has resulted in a number of pension payments continuing after the death of the pensioner being identified and stopped, staff facing disciplinary action after being convicted for benefit fraud (or resigning prior to disciplinary action) and the standard of creditor data accuracy being improved by the correction of errors.

In February 2009 we received from the Audit Commission the data matches for the 2008 exercise. The total number of matches was less than 19,000. The decline in overall numbers is attributed to the improved data quality following the 2006 exercise (2006 was the first year the Authority was involved in creditor data matches). The matches have been prioritised by both the Audit Commission and ourselves and the high risk matches are currently being followed up.

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### Icelandic Bank Investments

In the course of the year we conducted an initial fact-finding review for the Finance and Resources Committee into the MPA investments in an Icelandic bank prior to its nationalisation in October 2008.

### Support to other investigations

Support has been provided to other investigations in the course of the year, these have ranged from Impact Plus and ACPO AMEX cards to investigations conducted by MPS Directorate of Professional Standards.

### Investigations

(A summary of the year's investigations can be found at Annex B)

Although the primary purpose of the Forensic Audit Branch is to identify whether fraudulent or wasteful activity has occurred, the financial benefits to the Authority continue to compare very favourably with the cost of providing an investigative service in Internal Audit (approximately £750k in 2008/9). For the last five years accumulated recoveries total £5.3m, savings £6.2m and losses stemmed £9m.

Investigations have been necessary where either Internal Audit has found evidence of a potential fraud or abuse by police staff or contractors that has required immediate investigation, or a discovered fraud has thrown up question marks about the system and employees/contractors.

Our support to the Directorate of Professional Standards and others has continued for those cases where the forensic or analytical skills of internal audit forensic staff can be of assistance.

My Head of Investigations has also provided support to the MPA Treasurer in acting as a reviewer of any significant or contentious single tender requests



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from the MPS. As a result we have been able to identify a number of non-compliant contracts that have needed rectification.

### **Lessons Learned from Investigations**

During the course of each investigation we have continually kept the senior line management concerned informed of our emerging findings, particularly where they have indicated management failures or poor controls or practices. Where appropriate, I have issued reports to senior management in confidence, which have made recommendations for actions to improve the controls to prevent or minimise the risk of further problems arising in these areas. We have also given specific advice to individual line managers who have sought our help to improve their controls where frauds or irregularities have occurred.

### **Follow-up Work**

During the year, we issued thirty-two final follow-up reports. Follow-up audits continue to be a valuable means to ensure that line management are making progress and that our originally accepted recommendations are still valid. They also enable me to measure the degree to which systems of control are improving in the MPS. Follow-up audits for main high-risk systems found a significant improvement in control from our initial audit. Although we found improvements for BOCU and OCU audits, these were not as significant as those found for higher-risk audits.

### **Measuring the Effectiveness of Internal Audit**

With effect from 1 April 2006 the Accounts and Audit Regulations 2003 were amended to include a requirement upon public authorities, including the MPA, to carry out an annual review of the effectiveness of Internal Audit. Meeting the Code demonstrates that the systems and processes in place for Internal

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Audit are adequate and effective. This is the main building block for measuring Internal Audit effectiveness.

The Corporate Governance Committee approved in 2006 a combination of the performance measures that I already use and summarise in my annual reports, coupled with any relevant opinion from the Commissioner and the Audit Commission and supplemented with the Chief Executive's opinion in order to measure Internal Audit effectiveness. This has been supplemented by two pieces of work for 2008/9, a review by the London Fire Brigade Chief Internal Auditor and a detailed review by the Audit Commission.

### **London Fire Brigade Review**

In accordance with CIPFA standards and best professional practice I asked my opposite number at the London Fire Brigade to carry out a peer review of MPA Internal Audit working practices. The peer review team examined a number of audit files and documents and I am pleased to report that they concluded MPA Internal Audit meets best practice standards in the way we carry out our field audits.

### **Audit Commission Triennial Review**

Every three years the Audit Commission are required to conduct a detailed review of the effectiveness of Internal Audit. Such a review took place at the end of 2008/9. The Audit Commission have commented generally very favourably, while identifying a few areas where further improvements can be made. The Audit Commission has concluded as follows:

***“We reviewed the Authority's Internal Audit service against each of the standards in the CIPFA Code of Practice and found that Internal Audit were compliant with each.”***

***“On the basis of this assessment, we have concluded that the Internal Audit service is effective, and that we are able to place reliance on***

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*Internal Audit's work in 2008/09. Our findings indicate that improvements have been made since our last full review in 2005/06, when we noted scope for improvement in the quality of recording and evidencing of Internal Audit work."*

The following paragraphs of this report summarise the outcomes from the planning and performance measures in place within MPA Internal Audit.

### Internal Audit Planning

The planned and actual splits of time this and last year were:

Internal Audit Planning				2007/2008
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2,075	41%	1796	40%
Investigations	1,822	36%	1597	36%
System Advice	580	12%	520	11%
BOCUs	553	11%	584	13%
<b>Total</b>	<b>5,030</b>	<b>100%</b>	<b>4497</b>	<b>100%</b>

Internal Audit Planning				2008/2009
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	1,927	38%	1,975	41%
Investigations	1,766	35%	1,688	36%
System Advice	690	14%	603	13%
BOCUs	630	13%	472	10%
<b>Total</b>	<b>5,013</b>	<b>100%</b>	<b>4,738</b>	<b>100%</b>

Our planned use of time has, in proportion, again accorded with our actual use of time, showing that where work has been substituted or postponed we

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have ensured that we have carried out equivalent work to that identified by our risk analysis for the year. Available audit staff days fell short of planned days by 275 days (5%) due to staffing shortages.

### **Audit Performance**

#### **Customer Satisfaction**

At the end of each systems audit I send out a customer satisfaction questionnaire to the senior line management of the area recently audited. Five key areas of audit work are tested: consultation with the auditee, conduct of the audit, the audit report, the value of recommendations we have made and, an overall assessment of the value of the audit.

This year the results indicate a 90% customer satisfaction rate with the performance of Internal Audit, a marginal improvement on last year's excellent 88% result.

In line with the MPA commitment to promoting equality and diversity, we test whether there was a perception of any discrimination in the conduct of the audit. Against a target of 80%, we achieved a 94% customer satisfaction rate.

In the other areas tested our highest satisfaction scores have been achieved in the value of recommendations made (90% satisfaction) and our professionalism (90% satisfaction). The lowest satisfaction scores have been around consultation over the terms of reference before the start of the audit (81%) and during the review (81%). One of the issues for us is that we often negotiate the initial terms of reference so far ahead of the audit that a significant line manager change happens before the audit commences. Inevitably this can cause some difficulties when we get in touch shortly before the audit is due to start. It is one of the areas where the audit protocol should work to our advantage and improve customer satisfaction.

Comments from senior auditees were also mainly very positive, for example:

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“The MPA Internal Audit team who are included in the DPS covert operation are great supporters of our work and we value their views and recommendations. There is an excellent working relationship between our two departments as a result of working together over a number of years.”  
(Head of DPS Covert Assets)

“...the auditor was very professional in his approach and made efforts to learn about acquisition and disposal issues separately.”  
(A/Director of Property Services)

“A very helpful and well-timed review”  
(OCU Commander, CO6)

“A valued partnership with advice as needed.”  
(PL Business Manager)

### **Input Performance**

#### Use of Internal Audit Resources

Staff resources were used in proportion to the intended plan. We had a slight financial underspend of £38k on our staff and resources budget of £2,414k.

#### Efficiency of Work

Staff are set targets for completion of audits, including time allocations for each audit, a target of three weeks to produce a working draft from completion of the fieldwork (96% achieved), one week to produce a formal draft after discussion with the senior line management (89% achieved) and one week to produce a final report once line management responses are received to the draft audit report (83% achieved). Our overall performance exceeded the 80% target set.

## **MPA Internal Audit - Annual Report 2008/9**

### **Output Measurement**

(see tables 1 - 3 below)

#### Recommendations Made and Accepted

The number of audit recommendations made reduced slightly from 727 in 2007/8 to 677, the acceptance rate by line management remained excellent at 96%.

#### Recommendations Implemented

The successful implementation of Internal Audit recommendations is key not only to ensuring adequate and effective systems in the MPS but also in measuring the effectiveness of Internal Audit in its pivotal role as an agent of change for the better in the business and financial systems of the MPS. This is particularly so for the small proportion of recommendations deemed high-risk and these are tracked throughout the year.

Of the 20 high-risk recommendations accepted during the calendar year 2008, 13 (65%) had been implemented at the time of writing this report. In all, out of 728 audit recommendations accepted during this period, 435 (63%) have now been implemented.

## MPA Internal Audit - Annual Report 2008/9

### Recommendations – Made, Accepted and Implemented

#### Year on Year Comparison

**Table 1**

Recommendations	<i>2006/7</i>	<i>2007/8</i>	<i>2008/9</i>
Made	764	727	677
Accepted	740	707	647
<b>Percentage Accepted</b>	<b>97%</b>	<b>97%</b>	<b>96%</b>

#### 2008/9 By Significance of Recommendations

**Table 2**

Recommendations	<i>High</i>	<i>Medium</i>	<i>Low</i>
Made	28	626	23
Accepted	28	597	22
<b>Percentage Accepted</b>	<b>100%</b>	<b>95%</b>	<b>96%</b>

**Source – Final Reports issued 2008/9**

#### Recommendations Implemented – Last two years

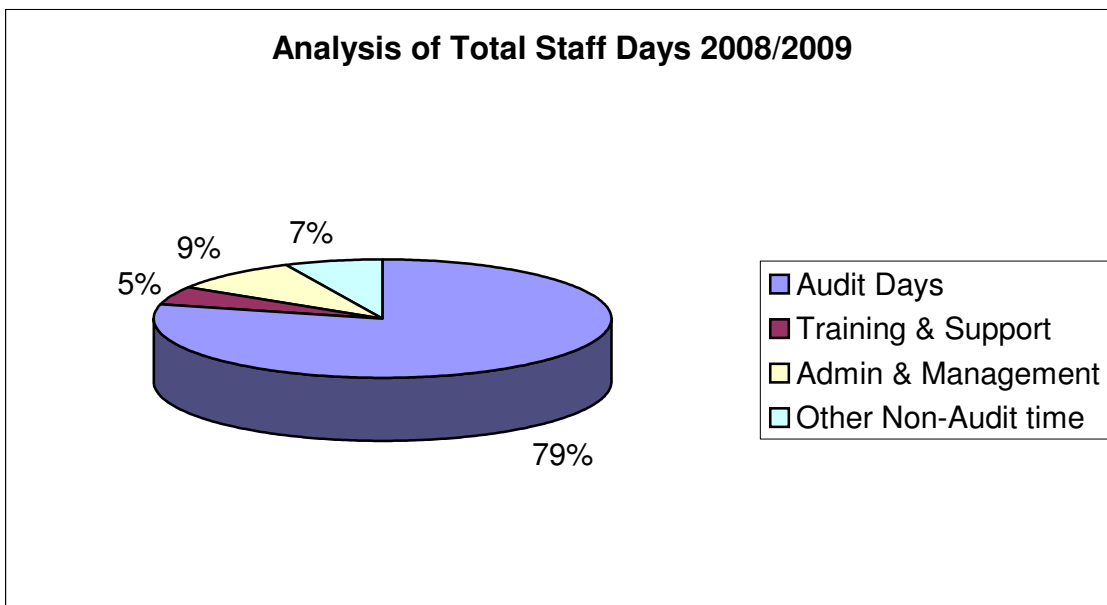
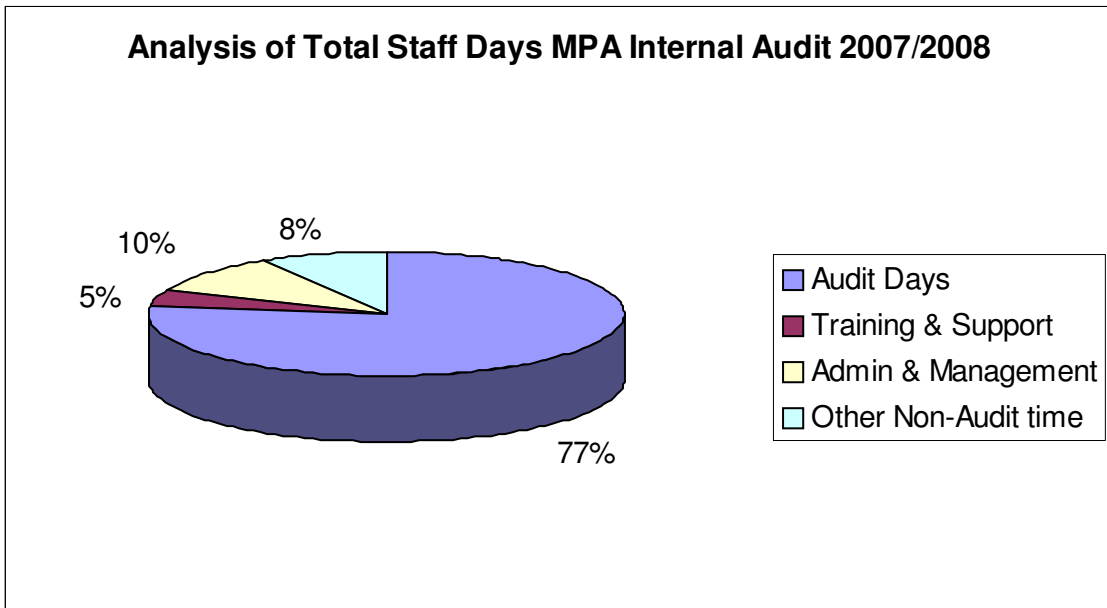
**Table 3**

Recommendations	Jan – Dec 2007			Jan – Dec 2008		
	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
Accepted	4	543	13	20	652	22
Implemented	3	391	9	13	415	15
<b>Percentage Implemented</b>	<b>75%</b>	<b>72%</b>	<b>69%</b>	<b>65%</b>	<b>64%</b>	<b>68%</b>

## MPA Internal Audit - Annual Report 2008/9

### Use of Internal Audit Staff Time

Our use of staff time has remained consistent year on year. Productive audit time is at a new high of 79%.





## **Relations with other Review Bodies and Auditors**

### **Internal MPS Review Bodies**

MPS Quality Assurance Team and Inspectorate

We have continued to provide regular input to the Quality Assurance Team Audit Liaison Unit. The MPS Quality Assurance Team is now merged under the same management as the central MPS Inspectorate and we are closely involved in dialogue with the team about their future projects and the best way to move forward on accepted audit and review recommendations.

Risk Management

It is a fundamental part of the role of Internal Audit to evaluate the adequacy and effectiveness of risk management as well as to contribute towards the management of risk in the organisation. As a result we maintain links with the MPS Risk Management team and advise and work with the Risk Management function at both the MPA and the MPS where appropriate.

### **MPA Review**

Internal Audit has been actively involved in assisting MPA Members to discharge their responsibilities for the governance of the MPS through sub committees and working groups.

### **External Review Agencies**

#### **Audit Commission**

We have continued our necessarily close working relationship with the Audit Commission. As well as a number of joint projects, we have contributed to their opinion through testing and work on material financial systems. Internal and External audit have a permanent presence at Empress State Building.

**Her Majesty's Inspectorate of Constabulary (HMIC)**

We have maintained an ongoing working relationship with HMIC, both from liaison with their officers on the ground reviewing the MPS and their financial advisers. We now hold regular joint meetings with HMIC and the Audit Commission to discuss progress and plans for review activity within the MPS.

**Home Office Internal Audit**

We keep a dialogue with Home Office Internal Audit around oversight of nationally and directly Home Office funded activities in the MPS. I am in the process of drawing up a revised Memorandum of Understanding with Home Office Internal Audit.

**External Relations**

**GLA**

Within the GLA there is a regular meeting of internal audit heads across the family at which we examine benchmarking and performance issues as well as potential areas for joint or partnership working.

**Police Audit Groups**

Throughout the year we were in regular contact with other police internal auditors, my Deputy Director is a member of one group and I am chair of the wider Police Auditors Group, which hosts an annual conference attended by internal auditors and contractors representing two-thirds of the police authorities in England and Wales.

## **London Audit Group**

We maintain our contacts and involvement with this group, which involves the internal auditors from all key local authorities in London.

## **Conclusions**

### **Opinion on the Control Environment in the MPS**

In my opinion, taking into account all available evidence, the adequacy and effectiveness of the control environment in the Metropolitan Police Service continues to fall below an acceptable standard.

The control environment is defined as three main elements, the overarching governance framework, the system of internal control and risk management.

### **The Performance of Internal Audit**

Internal Audit has had another effective year, building on the success of recent years. I am grateful to everyone for their contribution to our success not only in meeting or exceeding nearly every performance target, but also in major successes achieved through the professionalism and work of staff during the year.

It is particularly rewarding to be able to look back in this, my last report as Director of Internal Audit before I retire, noting the progress that has been made since I first took up the post of Director of Internal Audit in 1995.

In 1995, prior to the existence of the Metropolitan Police Authority, Internal Audit had reached a turning point. A major fraud in an area outside of internal audit's remit had remained undetected for six years, the then Head of Internal Audit had left shortly after its discovery in 1994.

## **MPA Internal Audit - Annual Report 2008/9**

Concern about criticism at the Public Accounts Committee persuaded the then Commissioner to consider improving the standing and effectiveness of MPS Internal Audit, including my appointment as the new Director of Internal Audit at DAC equivalent status in the autumn of 1995. When I took up post, in house staff consisted of nine assorted auditors and computer auditors and a secretary. One member of staff left within a few weeks, leaving me with four qualified auditors and four unqualified field staff, including my own deputy. I also had to challenge the poor quality of work that had been provided by the external accountancy firm. I persuaded my line manager, the Receiver of the MPS, that we needed an external review as a matter of urgency and that I needed to recruit my top team sooner than that.

From 1995/6 through to 1999/2000 Internal Audit continued to expand as I built a wholly professional service for the first time. We were still short of field auditors in the first three years and in each of my annual reports I was unable to offer any assurance about the adequacy of internal control in the MPS, I simply could not cover enough of the business systems with the resources available to me. Also, we found ourselves undertaking many audits for the first time and there were a steady stream of serious control weaknesses and system failures on which to comment, as well as a growing number of frauds being uncovered by my team. In the last two years of the MPS pre-MPA I was able to offer only limited assurance, but that was an improvement on none at all. The level of fraud uncovered in the business of the MPS in my first two years in post also led to the agreement in 1997 that I could form a separate small investigative team, the Forensic Audit Branch of Internal Audit.

By the time the Police Authority came into existence in July 2000 I was able to bring across to the MPA a professional internal audit and investigative service that operated on a sophisticated risk analysis and provided advice on developing systems, computer audits, systems audits, audits of command units and BOCUs and covert systems audits, as well as a fraud detection and investigative service.

## **MPA Internal Audit - Annual Report 2008/9**

Today I have an effective Internal Audit service with a level of professionalism that is recognised across the MPS and the wider GLA family. The MPS is an ever-growing and ever changing organisation, some 10% larger than it was in 2000 and has continued to restructure and constantly develop, adding to the challenge of providing a consistent and effective internal audit service.

Both the MPA and the MPS are stronger in control and governance than they were nine years ago. It is particularly pleasing to note the strength and quality of oversight now available through the Corporate Governance Committee. Within MPA Internal Audit there is a strong management team, whom have served with me for not less than eight and up to thirteen years. I cannot let this last Annual Report go forward without my personal thanks not only to all my staff but in particular my management team and others who have advised me so effectively.

**PETER TICKNER**  
Director of Internal Audit

**REPORT ON INTERNAL AUDIT ACTIVITIES APRIL 2008 TO MARCH 2009**

**REPORTING FRAMEWORK**

Audit reports are issued to management at various stages of the audit. These are summarised as follows:

**Draft issued for Discussion** - at the end of our fieldwork we issue a draft report to management for discussion. We then hold a meeting to clarify any points that are raised before issuing the formal draft.

**Formal Draft Report** - once the report has been discussed with the auditee the formal draft is issued together with a request for a formal response within three weeks.

**Final Report** - when a response is received from the auditee it is incorporated in the report and the final report is issued.

Each audit also has a summary of the main findings and an analysis of the recommendations made. Recommendations are classified as '**high**', '**medium**' or '**low**' risk. Any high risk recommendations rejected by line management are raised with the Management Board member responsible and if necessary the Corporate Governance Committee.

**Systems Audits**

**Accounts Control – SCD11 (C)**

***Draft Report issued March 2008***

***Final Report issued May 2008***

**Analysis of Recommendations**

Management accepted 14 of the 15 recommendations made:

15 Medium Risk (13 implemented)

**SCD5 Child Protection OCU**

***Draft Report issued March 2007***

***Final Report issued June 2008***

**Summary of Key Findings**

## MPA Internal Audit - Annual Report 2008/9

Our overall opinion was that adequate controls were not in place to meet all the system objectives of the OCU.

Documented guidelines to support the local business and financial systems of the Unit were inadequate. Segregation of duties within the OCU systems could be improved significantly particularly within the local accounts and assets and inventories systems. Although regular monthly reviews of the overall budgetary position were performed, the level of regular, evidenced supervision and review within most of the business and financial processes was inadequate. Supervisory processes within the local accounts, crime property and Police Staff overtime systems were not effective and there was no evidenced independent supervision.

Authorisation processes on the OCU were inadequate, independent reconciliations of local bank accounts were not signed and there was a lack of evidence of review. There were no reconciliations of individual lines of expenditure to source records and of assets held to inventories. Effective reconciliation of crime property on site was not possible due to the lack of an independent record of property booked in and out.

The security of primary records in the Finance and Resources Unit was generally adequate. However, security of property at remote sites and the accuracy of asset/inventory registers and crime property records needed to be improved.

### Analysis of Recommendations

Management accepted all 40 recommendations made:

39 Medium Risk (30 implemented)  
1 Low Risk

### Senior Line Management Comment (OCU Commander)

I am pleased to confirm controls have been introduced to overcome many of the risks that were identified within the OCU. The documented guidelines which support the local business and financial systems of the unit are now in place and available within the OCU.

Segregation of the duties are documented and held locally and processes are in place to monitor the Local Accounts, Budgetary Control, Inventories and Assets. These areas of the business are continuously tested alongside a monthly review to ensure the system and guidelines in place supports the business objectives.

Clear Standard Operating Procedures are in place regarding Crime Property, and line managers ensure that these are complied with. The Command no longer has a central Inspection capacity to test compliance but no issues regarding property handling have arisen through the CPS or criminal justice processes.

## MPA Internal Audit - Annual Report 2008/9

### **Pay Reconciliation (including Statutory Deductions)**

*Draft Report issued June 2008*

*Final Report issued July 2008*

*Follow Up Report issued March 2009 (Page 77 refers)*

#### Summary of Key Findings

Our overall opinion was that the control framework in place for the reconciliation of pay was not operating effectively. Steps had been taken to address a number of issues that arose during our review and these will improve the control framework going forward if they continue to be applied.

Controls were in place for checking and ensuring that monthly payroll payments were valid and complete. However, the validity of this check was undermined by the lack of reconciliation between MetHR and payroll records.

The process of reconciling the control accounts was not fully effective as errors and omissions had not been identified and promptly addressed during the year. The monthly reconciliations carried out in 2007/8 were also based on a carried forward position that had been determined by an end of year reconciliation for 2006/7 that was not fully complete. The monthly adjustments made to the Logica control accounts to ensure they agree with MetFin were also not adequately reviewed and supported by appropriate records.

#### Analysis of Recommendations

Management accepted 12 of the 13 recommendations made:

2 High Risk (2 accepted and implemented)  
11 Medium Risk (10 accepted, 7 implemented)

#### Senior Line Management Comment (Director of Finance Services)

The follow up report was completed in February 2009.

There were 12 recommendations, 2 High risk which have been confirmed as implemented and effective. There were 10 Medium recommendations, 7 of which have been confirmed as implemented and effective, 2 advised as improved with work in progress, and one not yet implemented.

An additional 2 key control recommendations were added as effective but requiring further improvement, one of which has undergone further improvement as recommended.



## **Systems Supporting Financial Reporting**

***Draft Report issued June 2008***

***Final Report issued July 2008***

### Summary of Key Findings

Our overall opinion was that the control framework for the systems supporting financial reporting was adequate but a number of controls were not operating effectively.

The support provided for MetFin (the corporate accounting systems, SAP), APEX and Business Warehouse was effective, however, policies and procedures did not adequately define the standards and framework for developing both corporate and local financial reports. Local finance staff had not been trained and developed to create local reports within a framework and this potentially hindered progress of providing reports to local Senior Management Teams.

There were effective processes in place and adequate support to ensure the MPS prepare and maintain accounting records in accordance with the current accounting regulations, standards and recognised professional good practice. There were also clear lines of responsibility within the systems. However, accounting for fixed assets and capital expenditure was no longer being reported in line with Financial Reporting Standard 15 but the SAP upgrade will ensure full compliance.

Control and monitoring the access and usage of the SAP systems super users needed to be more effective to improve the integrity of MetFin data. Administration of user accounts was also not clearly documented and there was a lack of an audit trail from request to action.

### Analysis of Recommendations

Management accepted all 15 recommendations made:

4 High Risk (4 accepted, 3 implemented)  
11 Medium Risk (11 accepted, 9 implemented)

### Senior Line Management Comment (Director of Information)

This is a fair reflection of the Systems Supporting Financial Reporting at the time of reporting. However, 3 high risk recommendations have been implemented as have 9 medium risk recommendations.

The SAP upgrade that is mentioned in the findings finished in March 2009, one month behind its planned date. The recommendations that could be addressed as part of the upgrade are complete, the remainder required the upgrade to be complete before they could be progressed.

## **MPA Internal Audit - Annual Report 2008/9**

As a consequence 1 High Risk and 2 medium risk recommendations remain outstanding but will be addressed by the end of May.

A follow-up audit is scheduled to take place in July 2009.

### **Lewisham BOCU**

***Draft Report issued May 2005***

***Final Report issued July 2008***

***Follow Up Report issued March 2009 (page 76 refers)***

#### **Summary of Key Findings**

Our overall opinion was that the control framework within the BOCU was adequate but a number of controls were not operating effectively.

The BOCU had a consistent, ordered approach to the use of local documented guidelines and procedures to support its business and financial systems. There was adequate control over physical security, and segregation of duties within the BOCU systems was generally operating effectively.

Authorisation processes were generally effective, although authorising officers were not always in a position to verify expenditure as they may not have line or budgetary responsibility or have insufficient information available to them. Reconciliation procedures were inconsistent and in need of improvement.

The level of regular, evidenced supervision within most of the business and financial processes was adequate. However, supervision of the housing allowance system and the level of documentation retained to support key business and financial processes needed to improve.

#### **Analysis of Recommendations**

Management accepted all 26 recommendations made:

26 Medium Risk (26 accepted, 24 implemented)

#### **Senior Line Management Comment (OCU Commander)**

The recent Follow Up raised a further 3 medium recommendations and the report issued 16th March 2009 confirms status as follows;

29 recommendations (all medium) raised;

24 fully implemented;

4 partially implemented

1 not implemented refers to sample checking by SMT and there needs to be a period of time for this activity to be undertaken to evidence full implementation.

## **Business Performance Management**

***Draft Report issued February 2008***

***Final Report issued August 2008***

### Summary of Key Findings

Our overall opinion was that at the time of our fieldwork, the control framework over Business Performance Management required some improvement before corporate objectives could be met. In particular, there was no corporate strategy and approach in respect of performance management for the business support functions across the MPS and roles and responsibilities had not been clearly defined. We appreciate that this issue was being addressed as part of the new integrated approach to performance management across the MPS.

### Analysis of Recommendations

Management accepted all 11 recommendations made:

11 Medium Risk (11 accepted)

### Senior Line Management Comment (Director of Business Strategy)

All 11 recommendations made were accepted and are due to be implemented June 2009. We have now implemented a performance management framework with a closed loop process linking strategy, business planning, and performance improvement and within this framework we have produced business group business plans for each of the support functions. From June 2009 the business performance team in S&ID will be monitoring performance against promises made and agreed targets in these business plans

The business performance team in S&ID is also reinforcing the need for the support functions to identify the key activities that they are undertaking which have a significant impact on the use of MPS resources. This is being done through the monitoring of performance of the 2009/10 business plans and through the budget and business planning guidance recently issued for the 2010-13.

Using HMIC MSF cost comparisons, we are currently carrying out a major cost reduction exercise involving the support functions.

## **Cash Security and Disbursement**

***Draft Report issued June 2008***

***Final Report issued August 2008***

***Follow Up Report issued April 2009 (page 77 refers)***

## MPA Internal Audit - Annual Report 2008/9

### Summary of Key Findings

Our overall opinion was that some improvement was required before the system objectives for cash security and disbursement could be met.

Properly approved and regularly reviewed guidance and procedures were in place for the various cash security and disbursement processes. Cash and financial instruments were held securely, and timely, accurate and complete reports on payments made were provided to Finance Services management on a monthly basis. Effective controls were in place for the authorisation of disbursements. Controls in place for the maintenance of vendor details were not operating effectively and needed to be improved.

### Analysis of Recommendations

Management accepted all 11 recommendations made:

1 High Risk (accepted and implemented)  
10 Medium Risk (10 accepted, 6 implemented)

### Senior Line Management Comment (Director of Finance Services)

The follow up report confirmed that the control framework had improved since the original review in August 2008.

Management accepted 1 additional recommendation made in the follow up audit and has since implemented further recommendations as follows.

1 High Risk (1 implemented)  
11 Medium Risk (6 implemented, 3 partially)

## **Use and Control of Firearms**

***Draft Report issued September 2007***

***Final Report issued August 2008***

### Summary of Key Findings

The control framework for the use and control of firearms was in need of improvement in some areas. Controls over policy, procedures and guidelines were operating effectively and controls relating to the training, roles and responsibilities of firearms officers were adequate. However, controls over the access to armouries were not fully adequate.

### Analysis of Recommendations

Management accepted 10 of the 12 recommendations made:

8 Medium Risk (7 accepted, 5 implemented)  
4 Low Risk (3 accepted and implemented)

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### Senior Line Management Comment (Acting Commissioner – Central Operations)

Five of the medium risk recommendations, and 3 low risk have been implemented, the 2 remaining medium risk are partially implemented.

### **Crime Related Property**

*Draft Report issued July 2008*

*Final Report issued August 2008*

### Summary of Key Findings

Our overall opinion was that the corporate control framework for crime related property was inadequate. The controls in place were not sufficient to mitigate the risks and they were not consistently applied across all business groups.

There was no strategic framework with clearly defined and appropriate policies and procedures to direct and support crime property activities throughout the MPS. There was also no performance management framework and no designated corporate system lead.

Controls to ensure that all crime property, including cash, was properly identified, collected, recorded, stored securely and disposed of in an appropriate manner were inadequate. Property was generally held in a secure environment but access was not always restricted sufficiently.

Effective controls were not in place to ensure that resources were allocated and used effectively and efficiently. IT systems and applications were not integrated and most lacked adequate search capabilities and functionalities. Roles and responsibilities at Borough/Operational Command Units were also not defined clearly.

Management information systems were not operating effectively to inform decision-making. There was a lack of corporate information showing the volumes and values of property held and the cost of service provision.

### Analysis of Recommendations

Management accepted all 16 recommendations made:

2 High Risk  
14 Medium Risk

### Senior Management Comment – DAC Territorial Policing

The METAFOR Project is currently in design phase. Its introduction will enable tracking of all property items and forensic submissions for the MPS and address all of the concerns raised by the MPA in relation to the current IT

## **MPA Internal Audit - Annual Report 2008/9**

systems on BOCUs. Roll out across all BOCUs and Central Property Services is scheduled between March and December 2010 and it is anticipated that it will provide considerable benefits linked to its property functionality. These include the provision of quality management information across the MPS, clear visibility of cash and high value/risk items, reduction in number of property related civil claims and streamlined processes for officers to review property.

In order to address the issues and recommendations raised by MPA Internal Audit and to ensure that TP business change will enable the successful introduction of METAFOR, the Commander responsible for Organisational Capability and Criminal Justice within TP has taken ownership of property and formed a new team (mid-February 09') to complement the ongoing work of the METAFOR Programme. This team is based within EMERALD and its costs have been absorbed within the TP Budget.

This team will ensure that TP addresses MPA Audit recommendations and is fully prepared for the implementation of METAFOR. A plan has been produced to introduce a series of new procedures and initiatives across TP, including the creation of a best practice property management model. This activity will focus initially on high-risk areas for the MPS before pursuing longer-term strands. Priorities include a new cash handling standard operating procedure to reduce organisational vulnerability and maximise visibility of Proceeds of Crime Act seizures, as well as reconciliation exercises to confirm the volume of items held in stores.

This work will also include the development of a resourcing and supervisory model, to ensure that there is appropriate staffing - based on volumetrics and activity analysis - and support, with clear guidance on governance, line management responsibilities, selection and risk assessment. A training needs analysis is under way to identify role specific training.

TP will be testing many of the new processes on Westminster BOCU for four weeks from 27th April 2009. The DPS, MPA Audit and MPS Inspectorate teams have been consulted throughout the METAFOR design period and their views will also be sought prior to promoting any lessons learnt and identified good practice to the rest of the MPS.

### **Senior Line Management Comment - Director of Human Resources**

A pilot is currently underway in Westminster to identify best practice that includes a resourcing model. The results will be fed into the SOPs that are being re-written. Consultation is also underway with SCD, CO and SO in preparation of a major review of exhibits held by the MPS.

### **VAT – Accounting and Control**

***Draft Report issued August 2008***

***Final Report issued September 2008***

## **MPA Internal Audit - Annual Report 2008/9**

### Summary of Key Findings

Our overall opinion was that the framework of control over VAT Accounting and Control was adequate and controls were generally operating effectively to achieve the business objectives.

The completeness, validity and accuracy of VAT transactions were checked and the calculations were reviewed and appropriately approved. Adequate controls were in place to ensure that input and output taxes were correctly identified, monthly reclaims from HMRC were made promptly and VAT was properly brought to account.

### Analysis of Recommendations

Management accepted all 3 recommendations made:

3 Medium Risk (3 accepted and implemented)

### Senior Line Management Comment (Director of Finance Services)

In his covering letter to the MPA Chief Executive and MPA Treasurer enclosing the final report, the Director of Internal Audit highlighted that the controls in place in respect of VAT were the closest to a 'top marks' score that any system had achieved since the formation of the MPA.

## **External Data Communications**

***Draft Report issued May 2008***

***Final Report issued October 2008***

### Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the system objectives for external data communications and controls were not consistently applied. There was no congruent organisational strategy encapsulating all the management and operational processes for delivering effective external data communications.

Controls to manage the risks and vulnerabilities were not reviewed immediately after a change was made to the firewall rules and/or settings. The Internet Content Management System (ICMS) had also not been upgraded during the past five years, proposals for a new ICMS to cope with increase data traffic and secure content management had been made. Management information was in place to monitor e-mail traffic in line with the MPS corporate personnel security. However, the ICMS is technology limited and did not provide key management information.

### Analysis of Recommendations

Management accepted 16 of the 17 Recommendations made:

## MPA Internal Audit - Annual Report 2008/9

17 Medium Risk (16 accepted, 12 implemented)

### Senior Line Management Comment (Director of Information)

The content of the above summary is accurate, 12 of the 16 accepted recommendations have now been implemented, albeit one of them is awaiting sign off by Internal Audit, namely:

Firewall call-off contract. This has been considered. However, the current framework contract with the NPIA is considered to offer the best value at this time. Penetration testing takes place 4/5 times a year.

The remaining 4 recommendations are being progressed as a matter of urgency. Specifically:

Corporate Strategy to endorse the MPS approach of managing internet, emails and firewall. Work on the Corporate Strategy is in progress and is going to METSAG and DPS at the end of May for agreement. The strategy will be agreed and in place by Q3 2009.

Review of the firewall handbook. Resourcing problems have delayed this work being carried out. It is anticipated that the review of the handbook and the contract will be completed by the end of Q2 2009.

Develop a management information system to capture details of all changes. Cost information is already captured by projects. A project summary will be produced for the TSAB Q2 2009. This will also form part of the Secure Systems Support Model.

Detailed costs / benefits analysis is prepared for senior management. This cost benefit analysis is already provided for management within the business case and 1049 process. DoI's Business Realisation Team and DoI's Service Delivery Group are working together to confirm the continuing benefits. Their report will be finalised by Q3 2009.

### **Financial and Accounting Advice**

***Draft Report issued July 2008***

***Final Report issued October 2008***

### Summary of Key Findings

Our overall opinion was that the control framework for financial and accounting advice was adequate and controls were generally operating effectively.



## **MPA Internal Audit - Annual Report 2008/9**

Policies and procedures were clearly defined and were largely in line with relevant accounting standards and recommended practices. Roles and responsibilities for providing financial and accounting advice were clearly defined and effective. Finance Service provides financial and accounting advice across the MPS by qualified, technical and professional finance staff. Written guidance and advice was communicated across all users both formally and informally.

Performance targets needed further development to measure the timeliness and accuracy of financial and accounting advice given to finance staff across the MPS.

### **Analysis of Recommendations**

Management accepted all 7 recommendations made:

6 Medium Risk (6 accepted, 2 implemented)

1 Low Risk (accepted and implemented)

### **Senior Line Management Comment (Director of Finance Services)**

Two further medium recommendations have been implemented as part of our 2007/08 Statement of Accounts and audited by the Audit Commission. The 4 remaining outstanding recommendations will be progressed in the near future as part of the review and re-structure of Finance Services.

### **Management of Additional Funding**

***Draft Report issued August 2008***

***Final Report issued October 2008***

### **Summary of Key Findings**

Our overall opinion was that the control framework for the management of additional funding was inadequate.

The Medium Term Financial Plan was used as a mechanism for medium term finance and resource planning, but there was no strategic framework with clearly defined policies and procedures in place to direct and support the management of additional funding. As a result, roles and responsibilities had not been defined clearly, there was a lack of information to support some of the decision-making processes and there was an inconsistent approach to the management of additional funding across business groups. The failure of other funding bodies to provide adequate guidance in this area also had a significant impact on the overall control environment.

Controls to ensure that all additional funding was identified, recorded, allocated and used appropriately, were not operating effectively or consistently. Mechanisms for ensuring compliance with grant conditions,

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where they existed, were not evident and responsibility was not formally assigned.

Management Information systems were in place but were not operating effectively across all business groups. The accounting system could not easily identify ad hoc grant funding received or match non-CT funding to expenditure incurred.

### Analysis of Recommendations

Management accepted all 9 recommendations made:

1 High Risk (accepted and implemented)  
8 Medium Risk (8 accepted, 5 implemented)

### Senior Line Management Comment (Director of Finance Services)

Of the 9 recommendations accepted by management, 1 high risk and 5 medium risk recommendations have been implemented. The 3 remaining medium risk recommendations are partially implemented. The MPA are advised of material additional income via the budget planning process and monitoring process which is in adherence to the Scheme of Delegation.

### **Vehicle Removal and Statutory Charges**

***Draft Report issued September 2008***

***Final Report issued October 2008***

### Summary of Key Findings

Our overall opinion was that the control framework for vehicle removal and statutory charges was adequate but a number of controls were not operating effectively.

A clearly defined and properly approved strategy for Vehicle Removal and Statutory Charges was in place. The controls over removal, recovery, retention and disposal of vehicles were adequate and effective. However, the data on Easy Link Vehicle Information System used to record vehicle details and transactions was not reliable as data transferred from the old system was not complete.

Controls to ensure that charges are levied according to the approved scale of charges were effective. The system to ensure that income was correctly recorded, reconciled, securely banked and accounted for was also adequate, although controls over the acceptance of cheques for restoration of vehicles needed to be improved. Management reports to the MPS/MPA were being provided regularly but there was no scorecard to measure performance consistently.

## **MPA Internal Audit - Annual Report 2008/9**

### Analysis of Recommendations

Management accepted 18 of the 19 Recommendations made:

19 Medium Risk (18 accepted, 12 implemented)

### Senior Line Management Comment (Director of Human Resources)

Twelve of the recommendations have been addressed and a further three partially addressed.

## **Strategic Planning, Budgetary Planning and Performance Management**

***Draft Report issued August 2008***

***Final Report issued October 2008***

### Summary of Key Findings

Our overall opinion was that an adequate control framework was in place to ensure that strategic planning and performance management were properly controlled. Progress continued to be made in aligning the financial planning process with business planning and further improvement was expected when the financial framework had been fully implemented.

### Analysis of Recommendations

Management accepted both of the recommendations made:

2 Medium Risk (2 accepted, 1 implemented)

### Senior Line Management Comment (Director of Business Strategy)

The Budget and Business planning guidelines have now been issued for 2010-2013. These guidelines and the follow-up meetings that have taken place between the business performance team S&ID and the Business groups have reinforced the requirement to show activities and deliverables for each key area of each Business Group alongside financial information in order to better understand how we are using our resources.

We are also establishing (starting in June 2009) a performance management approach where S&ID and the Finance Services team will be jointly assessing the performance of the Business groups in delivering their 2009/10 business plans. We will aim to better understand the relationship between business operational and financial performance and will aim to develop improvement actions to ensure the best use of resources.

## **Camden BOCU**

***Draft Report issued July 2008***

***Final Report issued October 2008***

## MPA Internal Audit - Annual Report 2008/9

### Summary of Key Findings

Our overall opinion was that the control framework at Camden BOCU was adequate but a number of controls were not operating effectively.

Segregation of duties across key systems such as local accounts and purchasing was adequate. However, for the recording of equipment and police overtime the degree to which duties were separated was not adequately evidenced. The systems for purchases and Government Procurement Cards orders were well controlled, supported by business cases and had clear levels of authority in the case of the Finance Team.

There were no local guidelines in respect of police overtime, local purchases, partnerships and police staff overtime/expenses. Controls over the reconciliations across the BOCU were inadequate. The level of supervision and review within most of the business and financial processes also needed to improve.

### Analysis of Recommendations

Management accepted all 44 recommendations made:

35 Medium Risk (35 accepted, 29 implemented)

9 Low Risk (9 accepted, 8 implemented)

### Senior Line Management Comment (OCU Commander)

Of the 44 recommendations made and accepted by management, 29 medium risk and 8 low risk recommendations have been implemented. Of the 6 remaining medium risk recommendations, 4 relate to the need for checking and reconciling at a senior level.

## **Police/Police Staff Support Outside the UK**

***Draft Report issued September 2008***

***Final Report issued November 2008***

### Summary of Key Findings

Our overall opinion was that the control framework for the provision of police and police staff support outside the UK was adequate but a number of controls were not operating effectively to meet business objectives. Since our previous reviews there had been some progress and a considerable amount of work had been put into providing support for officers before, during and at the end of the secondment. However, improvement in the application of system controls was needed.

## MPA Internal Audit - Annual Report 2008/9

### Analysis of Recommendations

Management accepted 7 of the 10 recommendations made:

10 Medium Risk (7 accepted, 6 implemented)

### Senior Line Management Comment (Director of Human Resources)

There were 10 medium risk recommendations, of which seven were accepted by management. Six of the seven recommendations have now been implemented. The implementation of the outstanding recommendation is linked to the development of the Standard Operating Procedures, which are being reviewed at present.

## **Key Financial and Business Systems at CO15 Traffic OCU**

*Draft Report issued July 2008*

*Final Report issued November 2008*

### Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that the control framework of the Traffic OCU was adequate.

The systems for purchases and Government Procurement Cards orders were well controlled, supported by business cases and had clear levels of authority. The security of records and assets and segregation of duties across key systems including local accounts, purchasing and recording of items was adequate. However, for some systems, e.g. police overtime, segregation of duties was not operating effectively. The Finance and Resource Teams maintained adequate records but records to support major income and partnerships could be improved.

There was insufficient evidence to confirm that the level of supervision and review within most of the business and financial processes was adequate. The Duty States used to record and approve Police Overtime were inadequate. There was no evidence to confirm effective reconciliation and review of systems, particularly for Partnerships, Local Accounts and Police Overtime. There were also no local guidelines for police overtime, local purchases, partnerships and income and police staff overtime/expenses.

### Analysis of Recommendations

Management accepted 42 of the 49 Recommendations made:

48 Medium Risk (42 accepted)

### Senior Line Management Comment (Central Operations Business Group Business Manager)

## **MPA Internal Audit - Annual Report 2008/9**

Out of the 49 Medium recommendations, only 42 were accepted by Management. Traffic OCU are currently undergoing a self inspection which has been delayed due to change in support structure.

### **Creditor Payment System**

***Draft Report issued August 2008***

***Final Report issued November 2008***

#### **Summary of Key Findings**

Our overall opinion was that the control framework for the creditors payment system was adequate but a number of controls were not operating effectively.

Controls in place over payments to bona fide suppliers were operating effectively. A formal reconciliation of the Creditors' General Ledger to the creditor accounts was performed every quarter to ensure that all transactions on individual creditor accounts were properly recorded.

Whilst payments made were accurate there were inadequate controls in place over the verification of delegated authority limits and authorised signatories. Despite improvements emanating from the P2P project a large proportion of creditor payments were being paid late by more than 30 days. Management information and performance statistics were provided to senior management. However, action taken by management was not evidenced in the Creditor Payment Performance Report.

#### **Analysis of Recommendations**

Management accepted all 9 recommendations made:

9 Medium Risk (9 accepted, 5 implemented)

#### **Senior Line Management Comment (Director of Finance Services)**

A follow up audit was undertaken and a Draft Follow Up Report issued in March 2009. The Final Follow Up Report confirmed that 8 recommendations had been implemented and 1 was not applicable. This completes all recommendations originally made in the Creditor Payments System Audit 2008.

Management accepted 2 additional recommendations as part of the Follow Up Audit and has since implemented one of the recommendations and is in discussion with Internal Audit regarding the other recommendation.

Since the audit there has been some significant process changes implemented in Exchequer Services Payments Section with enhanced management, PI and business reporting as part of P2P compliance reporting. In addition to this, in response to the Mayor's directive on Small and Medium

## **MPA Internal Audit - Annual Report 2008/9**

Enterprises 10 day payment initiative, the Payments section has introduced the following; a dedicated mailbox address for SME supplier's invoices; prioritising the processing of SME invoices; part automation of payments to Interpreters; new centralised invoicing process for Forensic Medical examiners; new 10 day payment term on SAP; new SME payment Performance indicators. All these improvements should deliver a more effective service.

### **Major Enquiries Systems (HOLMES)**

*Draft Report issued October 2008*

*Final Report issued December 2008*

#### Summary of Key Findings

Our overall opinion was that the control framework for major enquiries systems was adequate and controls were generally operating effectively, although a number of controls could be improved.

There was effective management of MetHolmes and effective processes in line with national standards and guidelines. There were clear policies and procedures, and roles and responsibilities in place.

The security, integrity, accuracy and completeness of data and the system were reviewed and maintained effectively. Effective logical and physical access controls were in place to safeguard the information and data held on the MetHolmes network. However, access to the MIR unit at Hendon and the security of data held on laptop computers could be improved.

There was regular and effective back up and restore of MetHolmes data. However, an adequate business continuity process had not been identified to ensure service delivery in the event of an operational failure.

#### Analysis of Recommendations

Management accepted all 3 recommendations made:

3 Medium Risk (3 accepted, 2 implemented)

#### Senior Line Management Comment (Director of Information)

The content of the above summary is accurate. Only two of the three recommendations relate to DoI, these are complete. However, whilst the DoI action on business continuity is complete in that all technical documentation regarding the HOLMES system business continuity has been provided to SCD, the HOLMES process business continuity has to be tested by SCD.

The other recommendation concerns security of data on laptops and is SCD's responsibility.

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### Senior Line Management Comment (Assistant Commissioner – Specialist Crime Directorate)

The recommendation regarding the use of laptops is currently being addressed by SCD12. At present all of the laptops have Guardian Angel v8. At the last Holmes Management Board it was agreed that the revised minimum standard should be Becrypt enhanced and the Security Accreditation Officer for Holmes asked for all laptops using Holmes data to be encrypted appropriately. SCD1, SCD5 and SCD8 now have the required security software on order and will be encrypted appropriately by the end of July 2009.

### **Fees and Charges**

***Draft Report issued August 2008***

***Final Report issued December 2008***

### Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives for fees and charges were met.

Fees and charges were set with the main objective of the recovery of total costs and they complied with the MPS policy and the 1996 Police Act.

Adequate controls were in place over the documentation, approval, annual review and distribution of MPS set fees and charges. There was a need to compare the fees set by statute with the cost of providing the service and to ensure that fees and charges income was properly monitored and correctly reflected in the accounts.

### Analysis of Recommendations

Management accepted 10 of the 11 recommendations made:

11 Medium Risk (10 accepted, 4 implemented)

### Senior Line Management Comment (Director of Finance Services)

Ten of the eleven recommendations were accepted, all medium. Four of the recommendations have been fully implemented and a further four are ongoing and partially implemented. Work to address the two remaining recommendations has been scheduled as part of agreed major review activity, and it has been agreed in the Final Report that these will be closed down along with other timetabled work to review charges for special police services in time for the next audit.



## **MPA Internal Audit - Annual Report 2008/9**

### **Equalities and Diversity Application and Monitoring**

***Draft Report issued September 2008***

***Final Report issued December 2008***

#### **Summary of Key Findings**

Our overall opinion was that although there were effective controls in a number of areas, adequate controls were not in place to meet all the system objectives for equalities and diversity application and monitoring.

An approved strategy for managing equality and diversity in the MPS was in place. However, four of the six equality strands had not been approved by the MPA and roles and responsibilities for managing equality and diversity had not been clearly defined. Adequate training and support was not being provided to all staff. Monitoring procedures for analysing the performance and progress of the implementation of the equalities strategy were also not operating effectively.

#### **Analysis of Recommendations**

Management accepted 10 of the 11 recommendations made:

11 Medium Risk (10 accepted)

#### **Senior Line Management Comment (Assistant Commissioner – Territorial Policing)**

The final report, published in December 2008 accurately reflected the position at the time of the Audit. Since that time the following points in particular are applicable:

- The MPS Equalities Scheme and action plan is still being revised, prior to submission to the MPA.
- Attendance by Diversity Board members has now been reinforced by the chairing of that body by the Acting Deputy Commissioner.
- The Equality Standard for the Police Service continues to be developed, with a three-month MPS field trial underway from April 2009 across Enfield, Greenwich and Richmond BOCUs and the Resources, Public Affairs and Professional Standards Directorates. The Standard will provide the impetus for local action plans.
- The Equality Impact Assessment process is under review, with a revised form and Standard Operating Procedures being formulated.

### **Health and Safety Legislation Implementation**

***Draft Report issued November 2008***

***Final Report issued January 2009***

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### Summary of Key Findings

Our overall opinion was that the control framework for managing health and safety was adequate but a number of controls were not operating effectively.

Properly approved health and safety policies and procedures were in place and reviewed on an annual basis. Roles and responsibilities for dealing with health and safety had been allocated to appropriately trained officers. There was, however, a need to ensure that sufficiently trained and designated fire safety officers are appointed.

Systems in place for the local management of health and safety were not always operating effectively. Controls over the provision of timely, accurate and complete information on health and safety management is provided to senior management also needed to be improved.

### Analysis of Recommendations

Management accepted all 20 recommendations made:

2 High Risk (2 accepted)  
18 Medium Risk (18 accepted)

### Senior Line Management Comment (Director of Property Services)

Where actions are owned by Resources (Property Services), plans are being put in place to address them.

### Senior Line Management Comment (Director of Human Resources)

All the recommendations arising from the final report are due to be reviewed at the Strategic Health and Safety Committee scheduled for June 2009. I have nothing further to report at this stage.

## **Covert Accounts Control ( Professional Standards) (C)**

***Draft issued November 2008***

***Final Report issued January 2009***

### Analysis of Recommendations

Management accepted all 10 recommendations made:

5 Medium Risk (5 accepted)  
5 Low Risk (5 accepted)

### Senior Line Management Comment

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Of the 15 recommendations made, management accepted 12. Six Medium Risks have been implemented. The remaining recommendations are reported on a monthly basis directly to the MPA.

### **Covert Human Intelligence Systems (CHIS) (C)**

***Draft issued October 2008***

***Final Report issued January 2009***

#### **Analysis of Recommendations**

Management accepted all 14 recommendations made:

14 Medium Risk (14 accepted)

#### **Senior Line Management Comment (Acting Assistant Commissioner – Specialist Crime Directorate)**

Management agreed 14 recommendations that require 20 separate actions. An Action Plan for this audit was approved in February 2009. Work has now commenced implementing the recommendations.

### **Police Specialised Training - Leadership Academy**

***Draft Report issued December 2008***

***Final Report issued February 2009***

#### **Summary of Key Findings**

Our overall opinion was that the control framework for the management of the Leadership Academy was adequate but a number of controls were not operating effectively.

The academy had an approved vision and aims document, which referred to the strategic objectives for 2008/09. However, a clearly documented strategy for wider circulation and consideration had not been published throughout the MPS.

There was no document mapping out the academy's organisational responsibilities and accountability to other units within the HR Directorate. The academy adhered to corporate HR training policies and procedures to manage and deliver the leadership programme. However, the leadership programmes had not been benchmarked in line with the MPS corporate training standards to ensure in-house programmes offer similar quality and content to outside training providers. The academy did not analyse statistics of attendance to ensure that courses reach and reflect key groups of personnel including those of ethnic minority and gender groups.

There were adequate controls over funding, budget setting, allocation, and monitoring. However, control over expenditure needed to be improved as

## **MPA Internal Audit - Annual Report 2008/9**

authorisation was not properly documented. Detailed training costs were also not captured to ensure the leadership programme was being run in a cost effective manner.

Management information was accurate, complete, valid, and reported on a timely basis. The academy's performance against agreed targets was monitored on a monthly basis by HR planning and Performance Unit. However, the evaluation of the academy's programmes to ensure they meet the MPS objectives, needs, and expectations of key stakeholders, was not performed regularly.

### **Analysis of Recommendations**

Management accepted all 18 recommendations made:

16 Medium Risk (16 accepted, 5 implemented)  
2 Low Risk (2 accepted)

### **Senior Line Management Comment (Director of Human Resources)**

There were 18 recommendations in total (16 medium risk, 2 low risk). Five of the medium risk recommendations have now been implemented. There are a number of recommendations where implementation was agreed to be the end of June 2009. These recommendations involve undertaking major pieces of work relating to strategy and new structure. A further update on all the outstanding recommendations from this audit will be available at the end of June 2009.

## **Diplomatic Protection Funding and Control**

***Draft Report issued November 2008***

***Final Report issued February 2009***

### **Summary of Key Findings**

Adequate controls were not in place to meet all the system objectives for Diplomatic Protection and controls were not being consistently applied.

There was adequate control over the policy, objectives and procedures within the Diplomatic Protection OCU. However, the formula for funding Dedicated Security Posts had resulted in the MPS being under funded to carry out its protection responsibilities. To address the funding deficiencies the MPA are participating in the Home Office further review of the funding process.

Adequate controls over budget management were in place, local budgets had been devolved to teams and a Resource Allocation Group formed. However, controls over expenditure were inadequate due to a lack of independent review and oversight to ensure all expenditure was valid and accurate. Expense claims were also consistently not supported by adequate documentation.

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### Analysis of Recommendations

Management accepted all 15 recommendations made:

1 High Risk (1 accepted)

14 Medium Risk (14 accepted and implemented)

### Senior Line Management Comment (Acting Commissioner – Central Operations)

I am content to confirm that your summary is an accurate reflection of the position at the time of the audit.

The 14 medium risk recommendations that were accepted in the final report have now been implemented. The 1 high-risk recommendation regarding the funding deficiencies for Dedicated Security Posts is still a matter of negotiation with the Home Office. Both The Commissioner and The Treasurer of the MPA have formally written in the last month to the Home Secretary on this matter and we are awaiting a response.

## **Induction and Assessment of New Recruits**

***Draft Report issued December 2008***

***Final Report issued March 2009***

### Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives for the induction and assessment of new recruits are met.

Controls in place to ensure that staff trainers and tutors are properly trained and that their performance is monitored were adequate and operating effectively. The control framework for the delivery of the training programme was also adequate. However, there was a need for the training programme to be independently assessed to ensure that it meets the National Police Improvement Agency curriculum.

Controls over evidencing the approval of changes to the strategy for delivering the training of police recruits needed to be put in place. The control framework for the assessment and testing of police recruits was adequate but required some strengthening to improve the level of independent quality assurance checks and ensure a consistent approach to the examination process.

### Analysis of Recommendations

Management accepted 29 of the 32 recommendations made:

32 Medium Risk (29 accepted, 8 implemented)

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### **Senior Line Management Comment (Director of Human Resources)**

There were 32 medium risk recommendations, of which management accepted 29. Eight of these recommendations have now been implemented. A number of the target dates for the outstanding recommendations have been extended by a couple of months; some of these extensions are as a result of a requirement to co-ordinate with the National Policing Improvement Agency (NPIA).

### **Security Vetting and Clearance (restricted)**

***Draft Report issued October 2008***

***Final Report issued March 2009***

### **Analysis of Recommendations**

Management accepted 17 of the 18 recommendations made:

2 High Risk (2 accepted)

16 Medium Risk (15 accepted)

### **Senior Line Management Comment (Acting Assistant Commissioner – Specialist Crime Directorate)**

Internal Audit intend to undertake a follow up audit in 6 months following the issue of the final report. Progress against the recommendations will be reported to Vetting Board, which is chaired by Commander Pountain.

### **Senior Line Management Comment (Acting Commissioner – Specialist Operations)**

The 2 high risk and 15 medium risk recommendations are on target to be implemented in line with the timescales set out in the action plan shown in the final report. The amalgamation of the SCD 26 Vetting Unit and SO15 National Security Vetting Unit has been delayed pending discussions with ACPO regarding the creation of a National Vetting Function within SO15. However, planning for the amalgamation of these units is ongoing and encompasses the implementation of the audit recommendations.

### **Police Staff Overtime**

***Draft Report issued August 2008***

***Final Report issued March 2009***

### **Summary of Key Findings**

Adequate controls were not in place to meet all the system objectives for police staff overtime payments and controls were not being consistently applied.

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There was adequate control over the policy, objectives and procedures for police staff overtime payments and the controls to be operated had been clearly set out. Adequate controls were also in place for the production of information on budgets and outturn. However, it was difficult to use this information locally to manage overtime effectively due to the quality of supporting information. Although the information on spend had improved since our last full review with the ability to identify high earners, documentation was not consistently maintained to show evidence of monitoring at local level and action taken to demonstrate compliance with Working Time Regulations.

There was inadequate control to confirm police staff overtime payments are necessary, valid and consistent with the rules for claiming. Effective authorisation and supervisory checks were not consistently being carried out and the standard of supporting records was often poor making verification of claims difficult. These were the key findings in our original audit in May 2003 and the follow up audit of October 2005 and since then, despite some improvements, the key controls of authorisation, supervisory checking were not being consistently applied and supporting records generally continued to be poor.

There was inadequate control over the management of police staff overtime budgets. At some locations expenditure had occurred where no budget had been put in place, and where budgets were allocated it was common for expenditure to be incurred without the prior approval of the budget manager.

### Analysis of Recommendations

Management accepted all of 21 recommendations made:

21 Medium Risk (21 accepted)

### Senior Line Management Comment (Director of Finance Services)

The Modernising Finance and Resources Project is addressing the majority of the recommendations of this recent audit, through the introduction of improved structures and processes, including the publication of desk training manuals, consistent ways of working, automating claims processing and robust monitoring and compliance systems.

### **Building Security – Physical, Technical and Guards (restricted)**

***Draft Report issued August 2008***

***Final Report issued March 2009***

### Analysis of Recommendations

Management accepted all 28 recommendations made:

8 High Risk (8 accepted, 2 implemented)

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20 Medium Risk (20 accepted, 8 implemented)

### Senior Line Management Comment (Assistant Commissioner – Specialist Operations)

The Head of the MPS Physical Security Unit has chaired a cross party working group to implement the 8 high risk and 20 medium risk recommendations contained in the final report. To date 2 high risk and 8 medium risk recommendations have been completed.

The remaining recommendations will be implemented shortly, but require the redrafting and publication of corporate documents and instructions which need to be authorised through the appropriate corporate governance process.

## **Royalty and Specialist Protection Funding and Control**

***Draft Report issued November 2008***

***Final Report issued March 2009***

### Summary of Key Findings

Adequate controls were not in place to meet all the system objectives for funding and control in Royalty and Specialist Protection and controls were not being consistently applied.

The formula for funding Dedicated Security Posts has resulted in the MPS being under funded to carry out its protection responsibilities. To address the funding deficiencies the MPA are participating in the Home Office further review of the funding process.

Specialist Operations have a properly approved three-year plan of operational and organisational objectives to contribute to the MPS Policing Plan. However, Police Regulations do not cover all duties that SO officers are engaged in and in consequence there was not full compliance. In other respects there was adequate control over the policy, objectives and procedures within SO1 and SO14.

There was, however, inadequate control over expenditure across SO1 and SO14. Insufficient oversight and supervisory checking was exercised over expenditure heads, including allowances, expenses and travel costs. Improved control was also required over expenditure incurred by SO in improving accommodation.

### Analysis of Recommendations

Management accepted 15 of the 19 recommendations made:

1 High Risk (1 accepted)

18 Medium Risk (14 accepted, 11 implemented)



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### **Senior Line Management Comment (Assistant Commissioner – Specialist Operations)**

Of the 19 recommendations made, 15 were accepted by management (1 high risk, 14 medium risk). Eleven medium risks have been implemented and three have been partially implemented. The one high risk recommendation regarding the funding deficiencies for Dedicated Security Posts is still a matter of negotiation with the Home Office. Both The Commissioner and The Treasurer of the MPA have formally written in the last month to the Home Secretary on this matter and we are awaiting a response.

### **Custody - Records and Procedures**

***Draft Report issued March 2009***

***Final Report issued April 2009***

#### **Summary of Key Findings**

Our overall opinion was that some improvement was required to ensure that business objectives of custody records and procedures are met.

Properly approved policies and procedures had been issued and were in place but they needed to reflect the changes in procedures following the roll out of the NSPIS custody application. Actions taken concerning detained persons were recorded properly and authorised although improvement was required in the recording of visits to detainees.

Access to custody records was properly controlled but controls over access to detainees' property needed to be improved. Controls for the provision and management of information over custody records and performance were adequate but inspection activity needed to be more consistent.

#### **Analysis of Recommendations**

Management accepted 11 recommendations made:

- 1 High Risk (1 accepted)
- 10 Medium Risk (10 accepted, 5 implemented)

### **Senior Line Management – DAC Territorial Policing**

The summary reflects the position at the time of the audit in December 2008. Progress has been made in respect of all recommendations.

There is only one recommendation rated as "high" in the report, relating to the importance of care plans, checks of detainees and the accuracy of associated records. In respect of this recommendation:-

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- A memorandum has been sent to BOCU Commanders to ensure that they and their staff are fully aware of the requirements in PACE Code C and the Custody SOP with regards to these issues and the accuracy and completeness of custody records.
- This is already addressed in depth in all custody related training, in particular the Safer Detention Learning Programme undertaken by sergeants prior to performing the role of Custody Officer.
- The Custody Directorate recommends Custody Managers have a checking regime of custody records. The system used at Merton BOCU has been identified as good practice and circulated to all other BOCU Custody Managers.
- Cell checks and PACE Code C, Annex H compliance forms a specific theme of inspections by the Custody Directorate during 2009.

The other recommendations have been rated as medium. Action has already been taken, or is being undertaken, to address the issues raised:-

- The Custody Directorate's inspection process already includes follow-up monitoring procedures to ensure that remedial actions are completed.
- Version 4 of the Custody SOP, due to be published in May 2009, reflects the use of NSPIS.
- Revised Custody CCTV procedures, including an inspection regime, are being developed.
- Good practice in respect of checking custody records has already been identified and circulated. This will be consolidated into a template for use by BOCUs.
- The Custody Directorate inspections process includes checking the presence of relevant posters in custody suites and a memorandum on this issue has been sent to all BOCU Custody Managers.
- BOCUs have been reminded that they must have robust procedures in place to take account of local conditions in compliance with MPS policy with regards to detainees' property.

### Senior Line Management Comment (Assistant Commissioner – Territorial Policing)

Of the 11 recommendations made and accepted by management, the 1 high risk recommendation is partly implemented. The High Risk recommendation is split into 4 different elements, 3 of which have been implemented. The remaining element requires a period of time for cell checks to be conducted. This is due for completion in December 2009.

5 of the medium risk recommendations have been fully implemented.

## **IT/IS Access and Usage Control**

***Draft Report issued February 2009***

***Final Report issued April 2009***

### Summary of Key Findings

Our overall opinion was that the control framework for IS/IT Access and Usage was adequate but a number of controls were not operating effectively. Some improvement was required to ensure that business objectives were met.

IS/IT access and usage policies and guidelines were in place and there were effective procedures to maintain, support and communicate them across the organisation. Roles and responsibilities were clearly defined to maintain effective logical access security of MPS systems. However, there was no strategy to refresh security awareness across the organisation and there was no database to enable security accreditors to plan, prioritise and report systems at risk. There were around 900 unregistered systems connected to AWARE that had not been security accredited.

There were effective controls in place for creating AWARE accounts but procedures needed to improve for managing privileges and closing inactive accounts. There was no regular housekeeping to reduce multiple or inactive accounts. There were also no monitoring tools to identify unusual patterns involving high or regular access of specific systems and associated data.

Effective policies and procedures were in place to review compliance and report legal and regulatory requirements. The Data Protection Office (DP) has procedures to ascertain and report the organisation's overall compliance with the Data Protection Act.

### Analysis of Recommendations

Management accepted 12 of the 13 recommendations made:

- 1 High Risk (1 accepted)
- 12 Medium Risk (11 accepted, 4 implemented)

### Senior Line Management Comment (Director of Information)

Work is in hand to implement the recommendations to the agreed timetable. The one high risk recommendation is outstanding. This relates to the need to develop a strategy for delivering security awareness training. There are currently a number of initiatives in place concerning security awareness training e.g. 'Computers and You'. Information Compliance are undertaking a review of current training deliverables to establish whether a gap exists and to make recommendations to the METSEC Board where appropriate. If necessary a business case will be developed for consideration by the MPS Training Board this is scheduled for completion by end of October 2009.

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Four of the 11 accepted medium risk recommendations are complete. Of the three recommendations which affect access to our information systems involving the management and monitoring of user accounts, one recommendation is already complete and work to resolve the other two will be completed by the end of July 2009.

### **BOCU Review - Corporate Issues**

*Draft Report issued June 2008*

*Final Report issued April 2009*

#### Summary of Key Findings

Our opinion was that the overall control framework was not adequate to meet all the business and financial objectives of individual B/OCUs and was not sufficient to mitigate the associated risks. In particular, there had been a lack of strategic direction, support and monitoring in respect of key business support activities including local finance systems, performance management and training, police and police staff overtime and crime property systems.

Roles and responsibilities within Finance Services and business groups were not clearly defined or understood at a local level. This had led to confusion and an inappropriate and inefficient use of resources. The current reviews of Finance/Resources and HR service provision will address a number of these issues.

#### Analysis of Recommendations

Management accepted 11 of the 12 recommendations made:

2 High Risk (2 accepted)

10 Medium Risk (9 accepted)

#### Senior Management Comment – DAC Territorial Policing

Issues raised in this report on crime property are being addressed as detailed in the response to the Crime Property Review (page 37 refers).

#### Senior Line Management Comment (Director of Finance Services)

Of the 11 accepted recommendations (12 recommendations, 1 not accepted), we have progressed with implementation in all areas.

#### High Risk

The high risk recommendation around Police Overtime has been responded to by the Director of Business Support as part of the MPA IA Police Overtime audit.

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In addition to this, the work ongoing as part of the Finance and Resources Modernisation project which involves clustering finance support activity will provide a more consistent approach to financial management generally and will mitigate the risk outlined in this report.

The high risk recommendation relating to crime property is being progressed by Central Property in HR Logistics. Head of Central Property Services has contacted MPA IA to agree in principle to the revised target date for implementation of this recommendation.

Finance Services has been involved in the development of NSPIS with regard to the financial aspects of crime property management and this work will go towards the management of this high level risk.

### **Medium Risk**

All medium risk recommendations are being addressed and it is anticipated that completion will be as per target dates.

The Finance and Resources Modernisation project, which is currently well underway will help to mitigate many of the risks outlined in this report. The finance cluster model which is being rolled-out across all Business Group finance and resource communities will enable the provision of finance services that are fit for purpose; management action will be consistent and timely, all Finance and Resources staff will have assigned and documented responsibilities, appropriate KPI measures will be in place and Performance Needs Analysis (PNA) and Training Needs Analysis (TNA) will be used to identify training requirements for Finance and Resources staff.

### **Property Acquisitions and Disposals**

***Draft Report issued December 2008***

***Final Report issued April 2009***

#### **Summary of Key Findings**

Our overall opinion was that the control framework in place for property acquisition and disposal needed to be improved in a number of areas to ensure that all the system objectives are met. However, steps have been taken since our review to address a number of points that we had raised and the control environment has strengthened as a result.

Separate strategies had been developed and subsequently approved by the MPA for the operational and residential estate. However, there was a need for greater clarity around the interdependencies between the two and to ensure that they are supported by detailed plans in relation to property acquisition and disposal. The Authority's standing orders define the regulations around property acquisition and disposal and these are supported by documented local guidance.

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Adequate controls are in place for the authorisation of property acquisitions and operational properties. The controls in place for the valuation of property needed to be improved. There was no valuation of commercial properties prior to purchase and although valuations were performed prior to disposal of commercial properties the review of valuation reports is not evidenced. There is also a lack of consistency in the valuation reports provided for the disposal of residential properties. The methodology used to set reserve prices for residential properties at auction may also have impacted on the MPA's ability to achieve current market values given by the external valuer.

Improvements have been made in the presentation of management information for property acquisitions and disposals. The introduction of a more detailed disposal and acquisition plan supporting the estate strategy will add to the existing level of review and oversight.

### **Analysis of Recommendations**

Management accepted all 17 recommendations made:

16 Medium Risk (16 accepted, 4 implemented)

1 Low Risk (1 accepted)

### **Senior Line Management Comment (Director of Property Services)**

Out of the 17 recommendations detailed in the IA Acquisition and Disposal report, four recommendations have been completed, two require future MPA approval and the remaining recommendations are ongoing and are being implemented.

## **Repair and Maintenance of Covert Vehicles (C)**

***Draft Report issued March 2009***

***Final Report issued April 2009***

### **Analysis of Recommendations**

Management accepted 26 (including 2 partially) of the 28 recommendations made:

28 Medium Risk (26 accepted)

### **Senior Line Management Comment (Director of Human Resources)**

This was a useful review of our contract management process and we fully accept the recommendations made, which will be implemented in full.

**Systems Supporting Shared Services Operation Jigsaw - MAPPA**

***Draft Report issued March 2009***

***Final Report issued April 2009***

**Summary of Key Findings**

Our overall opinion was that the framework of control for Operation Jigsaw and MAPPA was adequate but a number of controls were not operating effectively.

Whilst approved policy and procedures were in place to meet the statutory requirements, a clearly defined and properly approved MPS strategy relating to Operation Jigsaw and MAPPA was not in place. Objectives defining the roles and responsibilities and the service to be provided were being developed to incorporate the necessary governance and accountability requirements.

Adequate resources were in place to support and meet Operation Jigsaw objectives. However, the role of a MAPPA co-ordinator for London had not been assigned.

**Analysis of Recommendations**

Management accepted all 16 recommendations made:

16 Medium Risk (16 accepted, 5 implemented)

**Senior Line Management Comment (Assistant Commissioner – Territorial Policing)**

Of the 16 medium risk recommendations made and accepted by management, 5 have been implemented. Work is ongoing to implement the remaining 11 recommendations by April 2010.

**Missing Persons Linked Indices System (Merlin)**

***Draft Report issued November 2008***

***Final Report issued April 2009***

**Summary of Key Findings**

Our overall opinion was that the control framework in place for the use and control of MERLIN was adequate but controls were not being consistently applied.

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An approved MERLIN strategy was included within the wider Every Child Matters strategy and was supported by appropriate procedures. A Senior Responsible Officer (SRO) for MERLIN had been appointed and was responsible for managing business changes to the system, however, there was no clear ownership of the MERLIN standing operating procedures.

The security of data input into MERLIN was adequate. However, adequate controls to ensure the accuracy and completeness of data were not in place. Although audit trail functionality was effective, there was no quality assurance process and access rights were not reviewed. Weeding of data was also not taking place and the Data Protection Act was not being complied with as a result. The data retention policy was being reviewed in consultation with the Information Commissioner to address this issue. Management information functionality needed further development to ensure appropriate reports were produced and reviewed. The business continuity procedures for MERLIN had also not been formally tested.

Effective project management was in place to ensure MERLIN is developed to meet the requirements under Every Child Matters. Training arrangements in the use of MERLIN for different role profiles were adequate and training materials were updated to reflect enhancements to the system.

### Analysis of Recommendations

Management accepted all 11 recommendations made:

11 Medium Risk (11 accepted, 2 implemented)

### Senior Line Management Comment (Director of Information)

Work is in hand to implement the recommendations to the agreed timetable. Merlin data quality reporting was incorporated into the MPS DQ reporting system on 4th March 2009. The data quality reports include both monthly DQ metrics and daily exceptions for each borough, with the aim of improving the most valuable data entered by the borough. Significant improvements to the quality of Merlin data have already been achieved in the first month of reporting.

### Senior Line Management Comment (Assistant Commissioner – Territorial Policing)

We welcome the report by the MPA into Merlin and the recommendations that they have made. Most of these are being addressed directly through the Merlin enhancement program, that is due to roll out at the end of June 2009, or are already identified as priorities for the system that will be introduced should funding become available. Most notable of those within the latter category is the requirement for management information. The system does now provide limited data that is being used to improve data quality standards and compliance. However, a more robust system is highly desirable. The



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need to restrict Merlin is also a priority with an interim fix in place. With the end of the ECM Program Board that took over the governance of Merlin to implement the relevant changes required, the Merlin Strategic Board is in the process of being re-established to maintain oversight and delivery of these recommendations as well as the continued development of the Merlin system.

**Follow-Ups**

**Management Training and Development**

***Draft Report issued November 2007***

***Final Report issued June 2008***

**Summary of Key Findings**

There has been significant improvement in the control framework but further improvement over Management Training and Development is required before the business objectives can be achieved.

Seventeen of the nineteen recommendations have been implemented. However, leadership/management training needs to be mandatory for all newly appointed managers, the audit trail to confirm the Programme is delivered to all managers improved and awareness of the availability and accessibility for job related and promotion related training promoted more widely.

**Tower Hamlets BOCU**

***Draft Report issued June 2008***

***Final Report issued August 2008***

**Summary of Key Findings**

There has been significant improvement in the control framework since the original review in August 2006 and our initial follow up in November 2007. At the time of the fieldwork, of the forty agreed recommendations, twenty-one had been fully implemented, sixteen partially and two remained outstanding. One recommendation no longer applied. Further improvements are required over the supervisory controls of the divisional accounts and there is a lack of documented independent senior management review of crime property.

**Haringey BOCU**

***Draft Report issued April 2008***

***Final Report issued August 2008***

**Summary of Key Findings**

There has been significant improvement in the control framework since the original review in August 2006. At the time of the fieldwork, of the forty-two agreed recommendations, fifteen had been fully implemented, twenty-two partially and five remained outstanding. Since the conclusion of the follow up fieldwork, action was taken to implement twenty-one further recommendations and a timetable had been set for the remaining six. We made twelve further recommendations.

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A Budgetary Guide has been published, containing instructions to budget holders including their roles and responsibilities. Supervisory controls within the local accounts system have improved. The system for authorising, monitoring and reconciling police overtime has also improved and is although this would be enhanced with the development of a corporate solution. Supervisory controls within the crime property, inventory and partnership systems need to be improved.

### **Catering Sales and Trading**

***Draft Report issued April 2008***

***Final Report issued August 2008***

#### **Summary of Key Findings**

Significant progress has been made to enhance the control framework although, further improvement is required before the business objectives of the Catering Sales and Trading can be achieved. Sixteen of the twenty-three agreed recommendations have been implemented and control is now adequate in these areas. Progress is being made to implement the remaining seven recommendations:

- Issuing the policy and procedures, clearly incorporating the responsibility for monitoring, ensuring compliance and providing assurance.
- Resolving the issues relating to amount of float, safe custody of cash and banking.
- Ensuring compliance with procurement procedures for the purchase of all goods and services within Catering Services.

### **Catering Special Events**

***Draft Report issued April 2008***

***Final Report issued August 2008***

#### **Summary of Key Findings**

The control framework over Catering Special Events is now adequate to achieve the business objectives. All the seven recommendations have been implemented.

### **Human Resource Planning**

***Draft Report issued July 2008***

***Final Report issued August 2008***

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### **Summary of Key Findings**

There has been significant improvement in the Human Resource Planning control framework since the original audit was undertaken in 2006/07. All of the ten agreed recommendations have been fully implemented. The control framework in place is therefore now adequate to meet the business objectives.

### **Systems Supporting Visual Identification**

***Draft Report issued July 2008***

***Final Report issued August 2008***

### **Summary of Key Findings**

Significant improvement has been made since the original audit was completed. Out of twenty-five recommendations, twenty-four have been fully implemented. Progress is also being made in reconciling and checking expenditure, however, there continues to be no independent verification of payments and no independent supervisory checks completed. Since our original review we were informed that a further BOCU is operating its own ID Suite system and there is a possibility that others may be developed. We have, therefore, made a further recommendation that any BOCUs operating their own system are reviewed to ensure that they comply with MPS ID Suites Policy and that there is effective use of MPS resources.

### **Traffic Criminal Justice Unit**

***Draft Report issued May 2008***

***Final Report issued August 2008***

### **Summary of Key Findings**

There has been significant improvement in the overall control framework. Of the eighteen recommendations made, sixteen have been fully implemented. The control over budgets, income recovery, and the payment of overtime and expenses has been improved. Written procedures have been introduced for local account control and the imprest account is now reconciled monthly and checked by senior management. All non-AWARE systems in the OCU have service support agreements and security of assets is adequately controlled. A review of external recruitment has been completed and the recommendations have been implemented. Building security has improved through the installation of physical access barriers in the foyer and also in the car park. There is now restricted access to the assets register to ensure it is protected.

## **Resourcing and Management of Specials**

***Draft Report issued August 2008***

***Final Report issued September 2008***

### Summary of Key Findings

There has been a significant improvement in control since our original review. Of the thirty-four recommendations previously accepted, thirty-three have been fully implemented and one is no longer applicable. We have recommended that the Service Level Agreements between the MSC and B/OCUs are implemented across the whole of MPS.

## **Provision and Disposal of Fixtures and Fittings for Covert Properties (C)**

***Draft Report issued August 2008***

***Final Report issued September 2008***

### Summary of Key Findings

At the time of our fieldwork, of the twenty agreed recommendations one had been implemented fully, seven partially and twelve remained outstanding. Since the conclusion of our review a further four recommendations were implemented.

## **SCD7 Serious and Organised Crime OCU**

***Draft Report issued September 2007***

***Final Report issued September 2008***

### Summary of Key Findings

Although progress has been made to improve the control framework, further improvement is needed before all system objectives can be achieved. Of the thirty agreed recommendations, fifteen have been implemented fully, fourteen partially and one remains outstanding.

The control over budgets, police staff overtime, police expenses, local accounts, sponsorship and income generation has improved by more effective authorisation, checking and the issue of written instructions. Some improvements in the control over two imprest accounts have taken place, however, control over the Kidnap unit imprest remains inadequate as formal independent reconciliations are not undertaken.

Control over the SCD7 property stores has improved. However, there needs to be consistency in the application of standard procedures, management checks, reconciliation and maintenance of records. A new corporate system, MetAfor that will track all forensic submissions and property items is to be

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released MPS wide in due course. Controls over assets and inventories continue to be inadequate.

### **Islington BOCU**

***Draft Report issued May 2008***

***Final Report issued September 2008***

#### **Summary of Key Findings**

The overall control framework has improved, however, further improvement is required to ensure the system objectives of the BOCU can be met. Of the forty-five agreed recommendations twenty-two have been implemented fully, fourteen partially and nine remain outstanding. We have made seven further recommendations. The control framework has improved in the monitoring of budgets by the SMT, clearing imprest balances and checking police officers' entitlements of rent and housing allowances. Improvements are required in respect of:

- Finalisation and approval of local policies and guidance reflecting foreseeable changes in Finance and HR functions
- Allocation and monitoring of budgets
- Police officers and staff expenses and overtime
- Assets and inventories
- Partnerships and income generation
- Crime property, but an Inspector has been assigned to address weaknesses in this area.

### **Complaints, Monitoring, Statistics and Records**

***Draft Report issued 2008***

***Final Report issued September 2008***

#### **Summary of Key Findings**

The control framework over complaints – monitoring, statistics and records has significantly improved to achieve the business objectives. All nineteen agreed recommendations have been implemented and control is now adequate in these areas.

### **Imaging Services, Identification Services, DNA and Fingerprints**

***Draft Report issued May 2008***

***Final Report issued September 2008***

#### **Summary of Key Findings**

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There has been a significant improvement in control since our original review. Of the fifteen recommendations previously accepted, fourteen have been fully implemented and one partially.

### **Attendance Management**

***Draft Report issued June 2008***

***Final Report issued September 2008***

#### **Summary of Key Findings**

There has been significant improvement in the control framework since our original review in March 2007. Thirteen of the eighteen agreed recommendations have been implemented fully and five partially. However, there are areas where improvement is required before all the business objectives of the Attendance Management system can be met. We have made one further recommendation. There have been improvements in the management of staff absences, recovery of incapacity benefit, the introduction of the leadership academy courses for new line managers and setting up of performance indicators to monitor staff absence.

Further improvement is required in the following areas before effective controls are in place and system objectives are achieved:

- Updating the attendance management policy to reflect changes in procedure of incapacity benefit recovery.
- Evidencing the full risk assessment of the duties a police officer on recuperative duties or restricted duties is to carry out.
- Documenting the quarterly reviews carried out by line managers within the attendance management files.

### **Public Relations – Funding and Control**

***Draft Report issued July 2008***

***Final Report issued September 2008***

#### **Summary of Key Findings**

There has been a significant improvement in control since our original review. Of the fourteen recommendations previously accepted, thirteen have been fully implemented and one partially. At the time of the follow up audit, DPA were working with Finance Services on finding a solution to the outstanding recommendation, which relates to invoices subject to early payment discount being fast tracked.

## **Police Operational Training**

***Draft Report issued June 2008***

***Final Report issued September 2008***

### Summary of Key Findings

There has been significant improvement in the control framework since our original review in April 2006. Thirteen of the sixteen agreed recommendations have been implemented fully, two partially and one is no longer applicable. There have been improvements in the following areas:

- Approval of the MPS training strategy by the MPA;
- Completion and review of PDR's;
- Introduction of training and development for Police Officers;
- The provision of information on training to the MPA.

## **Systems for Intelligence and Detection**

***Draft Report issued October 2008***

***Final Report issued November 2008***

### Summary of Key Findings

There has been some improvement in the controls over the Systems for Intelligence and Detection since the original audit was completed and the final report issued in November 2007. Three of the six recommendations have been fully implemented, two are work in progress, one of which is in a high-risk category, and one has not been implemented.

## **Hackney BOCU**

***Draft Report issued June 2008***

***Final Report issued October 2008***

### Summary of Key Findings

Our opinion is that although the overall control framework has improved, further improvement is needed before system objectives can be achieved. Of the twenty-eight recommendations made, eight have been fully implemented, thirteen partly including one in the high-risk category and four remain outstanding. Three of the previous recommendations made are no longer applicable due to system changes.

There has been improvement within the budgetary control, police staff overtime and local accounts systems but there is scope for further enhancement. Key budget lines including police and police staff overtime are devolved to budget managers but further devolvement will not be achieved



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until corporate decisions are made in respect of FMEs and Interpreters. Police overtime recording and monitoring systems have improved but further improvement is necessary. An authorised signatory list to verify the authenticity of claims has not been introduced. We recognise that this area is affected by the lack of an agreed corporate solution and this is being addressed separately. Crime property systems have improved through the introduction of local instructions and revisions to key handling and monitoring arrangements. There is, however, a need to ensure that any new control procedures are fully embedded into the systems and address the key areas of risk.

### **Bexley BOCU**

***Draft Report issued August 2008***

***Final Report issued October 2008***

#### **Summary of Key Findings**

Our opinion is that although the overall control framework has improved, further improvement is needed before system objectives can be achieved. Of the twenty-eight recommendations made, eight have been fully implemented, sixteen partly and four remain outstanding. One new recommendation has been made in relation to specimen authorised signatories.

There have been improvements within the budgetary control system including revisions to the financial reporting processes resulting from Workforce modernisation. Key budget lines including police and police staff overtime have been devolved to budget managers and the process is documented. Further devolvement will not be achieved until corporate decisions are made in respect of FMEs and Interpreters. Police overtime recording and monitoring systems have improved but further improvement is necessary. Local systems have improved but corporate revisions are required before they can become fully integrated, efficient and effective. Crime property systems have improved through an ongoing management overview of the crime property system.

### **Greenwich BOCU**

***Draft Report issued November 2007***

***Final Report issued October 2008***

#### **Summary of Key Findings**

The overall control framework has improved, however, further improvement is needed before system objectives can be achieved. Of the twenty-seven recommendations made, six have been fully implemented, fourteen partly and seven remain outstanding.

There have been improvements within the budgetary control system although there is still scope for further devolvement. The systems for recording police

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overtime have improved through the revision of the overtime sheets but further improvement is required. Crime property systems have improved and local instructions have been produced.

### **Common Police Services – Support Inside the UK**

***Draft Report issued September 2008***

***Final Report issued November 2008***

#### **Summary of Key Findings**

There has been improvement in the control framework since our original review in March 2007. Seven out of the ten agreed recommendations made have been fully implemented, two partially and one is outstanding. We have also made two further recommendations. Areas which need to be improved before effective controls are in place and system objectives are achieved include the following:

- Use of the checklist designed to facilitate review and approval of secondments.
- Retention of signed copies of the Statements of Agreement.
- Confirmation and recording of invoices for comparison with list of secondments.

### **Management of Outsourced Transport Services**

***Draft Report issued November 2008***

***Final Report issued November 2008***

#### **Summary of Key Findings**

There has been significant improvement in the control framework since our original review in January 2008. Seven of the eight agreed recommendations made have been implemented and the only outstanding recommendation awaits the completion of the SAP development work in January 2009.

### **Kingston BOCU**

***Draft Report issued August 2008***

***Final Report issued December 2008***

#### **Summary of Key Findings**

The overall control framework has improved, however, adequate controls are not in place to meet all the system objectives. Seventeen recommendations were implemented fully although three of these have recently lapsed, twenty-one have been partly implemented and three remain outstanding. Two new recommendations have been made in relation to authorised signatory lists and

crime property record keeping.

Budgetary control, authorisation and reconciliation processes, management review and the monitoring of expenditure have improved through the use of a new Standard Operating Procedure that clarify budgetary roles and responsibilities. There is, however, scope for further improvement but this can only be achieved within an appropriate corporate framework. Risk management processes have improved and now include business support systems.

The systems for processing local accounts and police staff overtime payments have also improved. Reconciliation processes for police staff overtime are working effectively. Control over the authorisation of police overtime however, corporate improvements are required before the local systems can become fully integrated, efficient and effective.

Some of the improvements made to the crime property system following our original review have now lapsed. Revised procedures include roles and responsibilities for cash handling and property disposal but there remains a need to re-introduce regular, documented, independent supervision and reconciliation as specified by these procedures. Housing allowance processes have not improved due to continuing staff shortages and there remains a need to document some of the decision-making and approval processes within the partnership system.

## **Energy Policy and Procedures**

***Draft Report issued November 2008***

***Final Report issued December 2008***

### **Summary of Key Findings**

Although there has been improvement in the control framework since the original review in October 2007, further improvement is needed before system objectives can be achieved. Changes to procedures have been recently formally signed off, but these have not been fully embedded into processes. Of the eight agreed recommendations, four have been fully implemented, three partially and one no longer applies.

The control framework has improved in the following areas:

- Documented verification and monitoring of utility bills and dip sampling of utility bills by management
- Formal clarification of roles and responsibilities for utilities supplies and billing addresses for new properties via the PSD Gateway process
- Monitoring of income and expenditure of energy conservation projects from Salix and Climate Change Action Plan funding

## **Major Incident Response**

***Draft Report issued November 2008***

***Final Report issued January 2009***

### Summary of Key Findings

There has been improvement in the overall control framework and the system is adequate to achieve its business objectives. Fourteen of the fifteen recommendations made have been implemented and one is no longer applicable.

## **TPHQ**

***Draft Report issued September 2008***

***Final Report issued March 2009***

### Summary of Key Findings

There has been improvement in the control framework since our original review in July 2007. However, further improvement is required before the business objectives of the TPHQ can be achieved. At the time of the fieldwork, of our forty-seven agreed recommendations, fifteen had been fully implemented, seventeen partially and fifteen remained outstanding. Since the conclusion of our review a further three recommendations have been fully implemented and all but two of the remaining will be actioned by September 2009. The control framework has improved over the TP risk register, review of the budgetary control and implementation of local policies and guidance. Improvements are required in respect of:

- The submission of clear business cases in support of local expenditure
- Monitoring compliance with local policies and guidance
- Police officers and staff expenses and overtime
- Checking of police officers' entitlements of rent and housing allowances
- Assets and inventories

## **Waltham Forest BOCU**

***Draft Report issued December 2008***

***Final Report issued March 2009***

### Summary of Key Findings

There has been improvement in the control framework since our original review in November 2007. However, further improvement is required before the business objectives of the BOCU can be achieved. At the time of the fieldwork, of the forty agreed recommendations, fourteen had been fully

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implemented, fourteen partially, eleven remained outstanding and one was no longer applicable. Since the conclusion of our review a further ten recommendations have been fully implemented and this will improve the level of control in place. The control framework has improved over crime property, clearance of Divisional Account and imprest balances and checking of police officers' entitlements of rent and housing allowances. Improvements are required in respect of:

- Finalisation and approval of local policies and guidance reflecting foreseeable changes in Finance and HR functions
- Allocation and monitoring of budgets
- Police officers and staff expenses and overtime
- Assets and inventories
- Partnerships and income generation

### **Lewisham BOCU**

***Draft Report issued February 2009***

***Final Report issued March 2009***

#### **Summary of Key Findings**

The overall control framework has significantly improved. Of the twenty-six agreed recommendations, twenty-one have been implemented fully and four partly. Improvements have been made in the following areas:

- Budgetary control - corporate and local financial awareness training is used to improve the knowledge and skills of budget holders particularly around police overtime.
- Supervisory controls over aspects of local accounts and record keeping within Partnership.
- Authorisation of police overtime, police staff overtime and MSC officer expenses.
- Reconciliation of police housing allowance is ongoing and the Resources and BIU inventories have also been reconciled.

### **Pay Reconciliation (including Statutory Deductions)**

***Draft Report issued February 2009***

***Final Report issued March 2009***

#### **Summary of Key Findings**

The overall control framework for payroll reconciliation has improved. Of the twelve previously agreed recommendations, ten have been fully implemented, including the two categorised high risk. Two recommendations are work in progress. Improvement remains to be made in reducing exceptions reported for pay codes not mapped to MetFin GL codes and preventing overpayment to

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staff and officers.

A further three recommendations have also been made to improve controls over reconciliation of leavers, management of overpayments to staff and officers and reporting monthly pay above £5,000. Control and reconciliation has improved in the following areas:

- MetHR and Logica Payroll employee records.
- Matching and updating starters and leavers on MetHR and Logica/Payroll
- Agreeing the overpayments database to the MetFin GL accounts

### Analysis of Recommendations

Management accepted 12 of the 13 recommendations made:

2 High Risk (2 accepted, 1 implemented)  
11 Medium Risk (10 accepted, 5 implemented)

### **Cash Security and Disbursements**

***Draft Report issued February 2009***

***Final Report issued April 2009***

#### Summary of Key Findings

The control framework over Cash Security and Disbursements has improved since the original audit was carried out and the final report issued in August 2008. Of the eleven agreed recommendations made seven have been fully implemented, three partially and one remains outstanding.

### **Use and Control of Mobile Resources - SCD**

***Draft Report issued February 2009***

***Final Report issued April 2009***

#### Summary of Key Findings

Significant improvement has been made since the original audit was completed by the establishment of policy and procedures and carrying out independent reviews to ensure compliance. Out of twenty-five recommendations, twenty-two have been fully implemented, one partly and two remain outstanding. The partly implemented recommendation relates to the tax implications of using MPS vehicles for home to work travel and corporate guidance has yet to be issued. There is a need for evidenced independent checks of expenditure.

## **Systems Development and Control Advice**

### **Developing Resource Management (DRM)**

The MPS is running a programme of resource management modernisation across the MPS to build on the developments made in the way financial management operates and to drive further improvements in the way the MPS does business. The overall aim of DRM is to improve MPS services through effective governance by minimising the risk of control failures and maximising cashable efficiencies to support frontline services. We advised on the key controls being built into the new systems developed under the developing resource management programme. Key areas of development include;

- Scheme of Delegation
- Corporate Decision Making
- Contracts Compliance
- Strategic Procurement Plans
- P2P
- Finance and Resource Modernisation
- Partnerships

We have been involved at various stages of these developing systems, including representation at the Modernisation of Finance and Resources Management Project Board, the P2P Steering Group and various working groups feeding into the programme. In particular, we have advised on the controls developed for; the Scheme of Delegation, the monitoring and use of the Contracts Database and the systems supporting the revised structure for the finance and resource function to be introduced in 2009.

### **Finance Process Improvement Group**

The group meets on a monthly basis to discuss a range of issues relating to financial systems, including DRM, SAP upgrades, FMEs and Interpreters. All business groups are represented. IAD attend this group each month to give an update on audit issues that may affect these financial systems and also provide control advice where necessary.

### **Risk Management**

We advised on the development of the Authority and MPS risk management strategy and supporting implementation plans. In liaison with the MPA Treasurer and Assistant Chief Executive the Deputy Director of Internal Audit is responsible for overseeing the MPS and MPA management of risk ensuring, risks are properly identified, evaluated and managed.

### **Procurement**

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We advised on the revision and development of the MPA/MPS Procurement Strategy 2009 to 2012 developed by the MPS Director of Procurement and the MPA Deputy Treasurer. The MPA spends £850m annually on the procurement of goods and services the Strategy has been developed in line with best practice and aims to ensure all procurement activity is conducted to meet the objectives and principles agreed by the Authority.

### **Olympics and Paralympics**

We are represented at a senior level on the Authority's Olympics working group which supports the work of the MPA Olympic sub committee. In particular, we have advised on the Authority's risk register for the Olympics and Paralympics and the development of the scrutiny arrangements.

### **Covert Finance Working Group**

The group consists of representatives from Finance Services, SCD 12, DPS and Internal Audit and meets quarterly to discuss governance issues in the covert area. The group also discusses the status of current and planned audits and the progress of agreed recommendations.

### **Fraud Prevention Workshops**

A series of fraud awareness events for MPS staff were run in conjunction with the MPS Finance Directorate and the Audit Commission and the programme of seventeen events completed as planned by the end of March 2009. The events used a toolkit devised by the Audit Commission and feedback from attendees was been very positive. The aim of the events was to raise the level of awareness of internal fraud in senior and middle managers making business decisions. These fraud awareness events were the first stage in a wider internal fraud prevention workplan.

### **Financial Awareness Training**

We continue to be involved with the Financial Awareness Training courses run by Finance Services for staff and officers across the MPS. Our input, through presenting sessions on the courses, helps to inform key personnel of their responsibilities around risk and control, the need for financial and business controls and the consequences of inadequate controls. We have presented at twelve workshops in 2008/9, with between 30 and 40 people attending each one, over 400 members of the MPS have received the training this year.

### **National Fraud Initiative**

We have the MPA/MPS lead for participation in this nation-wide fraud prevention and detection strategy. We are the liaison point between MPS colleagues, the Audit Commission and other public sector participants. MPS payroll, pensions and creditor data was provided to the NFI in October 2008 for data matching with that of local authorities and central government



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databases. We received back the matched data in February and March 2009 and are working through over 19,000 matches to identify any potential irregularities.

### **Crime Related Property**

The scope of the Metafor project includes operational and computer system issues. We have been giving regular advice and assistance on crime related property matters, including updates of the property manual, through attendance at various workshops and contact with project representatives.

### **MPS IT Security Policy and the METSEC Project Board**

We attend the quarterly METSEC Project Board meetings to advise and participate in discussions on matters of physical security (personal, asset and building security) and also logical controls for information systems. We comment on drafts of METSEC policies and proposed METSEC Standards. We share the results of investigations and audits and also provide advice and support. This is a permanent committee.

### **Transforming HR**

The Transforming HR (THR) Programme has been established to deliver a new, more efficient and effective HR service for the MPS. We have continued to advise the THR Programme on control issues through attendance at various process workshops.

### **MetHR/Payroll Interface project**

This project was set up to develop an interface between MetHR and the LogicaCMG payroll system replacing a paper based system, reducing re-keying and data entry errors and realising savings. We attend the project board as advisors to the project focussing on control aspects of electronic data authorisation and transfer. This project is scheduled to go live following implementation of the THR Programme.

### **METAFOR**

The METAFOR Project addresses two key MPS business functions – forensics data capture and case management, and central and local property store management – and seeks to provide tools and systems to improve quality and meet increasing demands in these areas. We attend the METAFOR Programme and Project Boards and provide input into relevant working groups.

### **Corporate Card Co-ordination Group**

The group consists of representatives from all Business Groups and is chaired by the Director of Exchequer Services. It meets on a monthly basis to discuss issues arising from the transition from AMEX to Barclaycard. It also

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reviews the current position in relation the new governance processes and outstanding claims across business groups. We give control advice in respect of the Barclaycard system and other related systems including temporary imprests and overseas travel. Any claims that considered outside policy are referred to our Forensic Branch for further review. The latest progress report was submitted to the Corporate Governance Committee on 23 March 2009.

### **Dol Efficiency and Effectiveness Board (Previously known as IMSG Audit and Benefits Realisation sub-group)**

We attend and advise this board which is chaired by the Deputy Director of Information and reports to the Information Management Steering Group and Information Board. The board now meets monthly, with a larger meeting held quarterly to which Internal Audit is invited, to track the progress of audits and monitor the implementation of internal audit recommendations pertinent to the Department of Information. This is a permanent committee.

### **MPS Infrastructure Programme Board**

This Board provides strategic oversight of projects and activities within the IT infrastructure and estates programme. The Board aims to meet every two months and we attend as advisors on control issues and respond to discussion papers when appropriate.

### **MPS Language Programme**

The MPS Language Programme was created following the discovery of flaws in the delivery of linguistic services in the MPS. The current system is no longer fit for purpose. The programme will put in place a fully integrated and managed service by the commencement of the 2012 Olympic Games.

The major strands of the programme are as follows:

- The establishment of a Management Service Centre;
- The installation of a video conferencing platform;
- The creation of a language training programme;
- The direct employment of interpreters;
- The development of an initial contact tool for the identification of languages.

At the request of the Director of Logistical Services Internal Audit are attending the quarterly Language Programme Board meetings and are also involved in the provision of control advice to the project team.

### **AWARE Senior User Assurance Group**

The MPS continues to upgrade and standardise its corporate IT system. This group represents users of the MPS corporate Intranet and we attend monthly

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meetings as users and also to advise on controls. Significant internal audit resource is devoted to this developing corporate system.

### **The Suppliers and Tenderers Risk Assessment Group (STRAG)**

We participate in the work of STRAG. STRAG was established to monitor on behalf of the Director of Resources the risk of failure of major contractors, particularly those involved in outsourced service contracts. The group has sorted the contracts and contractors into risk groups and monitors those assessed as high risk. The conclusions of the group are circulated to MPS Directors to alert them to those contractors at a high-risk of failure.

### **MPA Use of Government Procurement Cards and Credit Cards**

We advised on the systems and controls in place for the MPA use of the government procurement card and corporate credit cards and made recommendations to improve the system going forward.

### **MPA Grant Funding**

We advised on the system developed by the MPA for making grant payments to community engagement groups. Our recommendations will improve the governance arrangements over this area of work in the Authority.

**Internal Audit Investigations 2008/2009**

**1. Split of Investigations by MPS Business Area**

<b><u>Business Area</u></b>	<b><u>Number of Cases</u></b>			
	<b>2008/2009</b>		<b>(2007/2008)</b>	
	<i>Internal</i>	<i>External</i>	<i>Internal</i>	<i>External</i>
Human Resources	1	0	(0)	(0)
Directorate of Information	2	2	(2)	(2)
Property Services Directorate	3	0	(1)	(1)
Directorate of Transport	0	0	(2)	(1)
Directorate of Procurement	1	0	(0)	(0)
Directorate of Commercial Services	4	0	(10)	(6)
Directorate of Finance	2	2	(0)	(0)
Specialist Operations/Crime	4	0	(1)	(0)
Territorial Policing	17	0	(24)	(2)
Deputy Commissioner's Command	0	0	(1)	(0)
Central Operations	5	0	(2)	(1)
Others	3	20	(4)	(14)
<b>Total</b>	<b>42</b>	<b>24</b>	<b>(47)</b>	<b>(27)</b>

**2. Split by Type of Allegation**

	<b>2008/2009</b>	<b>(2007/2008)</b>
False claim for fees, expenses or overtime	11	(10)
Theft of cash	6	(13)
Missing Assets/Waste	5	(5)
Corruption or misconduct in public office	4	(3)
Forgery of documents	1	(0)
Theft of property	1	(0)
Computer misuse	0	(1)
NFI -Failure to notify death of pensioner	12	(3)
NFI - Failure to notify secondary employment	5	(1)
NFI – Benefit investigations	7	(27)
NFI – Visa cases	1	(5)
Other	13	(6)
<b>Total</b>	<b>66</b>	<b>(74)</b>

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	<u>Number of Cases</u>	
	<b>2008/2009</b>	<b>(2007/2008)</b>
<b>3. Outcome of cases</b>		
Staff Suspended	1	(2)
Staff arrested	4	(2)
Others arrested	4	(0)
Staff charged	4	(2)
Others charged	0	(0)
Staff resigned/dismissed	7	(3)
Staff cleared by investigation	8	(14)
Cases still under investigation	39	(35)
<b>4. Recovery of funds</b>	<b>£20,048</b>	<b>(£295,101)</b>
<b>Losses stemmed/prevented</b>	<b>£167,144</b>	<b>(£49,937)</b>
<b>Savings</b>	<b>£11,450</b>	<b>(£4,250,145)</b>
<b>Total</b>	<b>£198,642</b>	<b>(£4,595,183)</b>
<b>5. Current Live Cases</b>		
From 2005/2006	2	(2)
From 2006/2007	20	(25)
From 2007/2008	9	(35)
From 2008/2009	27	
<b>Total</b>	<b>40</b>	<b>(62)</b>
<b>6. Total number of cases</b>		
<b>Financial Year 2008/2009</b>	<b>66</b>	
<b>1997 to 31.3.2009</b>	<b>829</b>	

**Internal Audit 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.

\* The score is used for internal purposes only (i.e. to feed into the ANA and help form the DIA's overall opinion on control in the MPS). The score column is not published to auditees.