Appendix   MPA Internal Audit - Annual Report 2004/2005
DRAFT REPORT FOR CORPORATE GOVERNANCE COMMITTEE

CONTENTS

Page No

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Introduction

1. This Annual Report gives my opinion as Director of Internal Audit for the Metropolitan Police Authority (MPA) on the adequacy and effectiveness of internal control within the Metropolitan Police Service (MPS) and the MPA. It also summarises the activities of Internal Audit for the period from April 2004 to March 2005.

2. It is the duty of the Director of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control (including financial controls). 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 and the work of internal review and investigative agencies within the MPS also inform my opinion. The opinion is also used to inform the wider Statement of Internal Control incorporated into the Authority's Statement of Accounts 2004/05.

Background

3. *We achieved our target of 90% of planned systems audit work for the year* (i.e. audit fieldwork completed and a draft or final report issued). This is the second year in succession that we have managed to meet this challenging target.

4. Further significant savings have arisen as the result of our audits and investigations to add to the amounts we helped the MPS to save in the last two years (reported in my 2003/4 Annual Report). *In total in the last three years we have been able to cause savings and stem losses of around £10 million.* (The total cost of Internal Audit in the same period was around £4.5 million). We have also recovered £683,232 cash in the last three years. We have managed to stem further losses from fraudulent activity by individuals employed or used by the MPS and are taking steps through civil

court actions to recover monies fraudulently obtained by these individuals from the MPA.

5. The Forensic Audit Branch is the investigative arm of Internal Audit. The Forensic Audit Branch has continued to have a valuable impact on the MPS. Fifty-six new cases were dealt with during the year, ranging from concerns about major contracts for services through to the control and maintenance of electronic breathalysers. The size and complexity of new cases being dealt with has increased although the number of new cases has fallen from last year's high of eighty-eight. Five calls were received on the 'Right Line'[1] (five also in 2003/2004); one call has resulted in a major investigation by both Directorate of Professional Standards and ourselves and has lead to the arrest and charge of one police officer and on-going enquiries into several others. Another call related to the claiming of expenses and we were able to prevent inappropriate expenditure being charged to MPA funds. *As a result of Forensic Audit Branch activity savings or losses stemmed during the year were approximately £1.1 million and recoveries made totalled £556,203. In two separate cases in 2004/5 we successfully recovered £435,000 that had been fraudulently obtained from the MPA's funds*. We are currently pursuing three other cases where we are attempting to recover a further £470,000 in fraudulently obtained monies.

6. The time taken by my auditors to produce draft reports after an audit and to issue final reports once we have line management's response has improved and on average we now only take six days for each report. However, it is disappointing to record that *MPS response times to audit findings have significantly worsened in the last year. In a third of cases it has taken eighteen weeks or more to obtain formal responses from MPS line management.* These delays had a knock on effect on our ability to achieve the planned follow-up programme and as a result a number of follow-up reviews were postponed.

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[1] The Right Line is the internal whistle-blowing hotline for the MPS and calls are routed either to the Directorate of Professional Standards or Internal Audit's Forensic Audit Branch.

7. Staff numbers employed in Internal Audit remained relatively static with a steady turnover during the year. Four staff left and four staff joined, leaving 36 staff in post at the end of the year for the second year in succession.

Assurance on Internal Control

8. For those systems reviewed by Internal Audit in 2004-05 the average assurance score was 3.4 (2.9 in 2003-04) on a scale of 1 to 5 (where a score of 2 reflects a system with adequate controls and 3 to 4 reflects increasing degrees of the need to improve). This was a disappointing result after continuing improvement in the assurance scores for MPS systems and controls over the previous 3 years. The Authority's Corporate Governance Committee will be monitoring trends in the coming year to ensure that the downward trend in 2004/5 is addressed by the MPS in 2005/6. Although follow-up audits did show a clear improvement from the assurance scores at the time of the original audits, with an average score of 2.6, this is back to the scores of two years ago rather than the improvement of 2003/4 to 2.1. I am, however, pleased to note that the assurance score for the only high-risk audit followed up in 2004/5 was 2 (adequate controls).

9. My opinion on internal control in the MPS is informed by the work conducted not only by my staff but also by other internal and external review agencies and inspectorates. Taking into account all available evidence ***I can only offer a reduced assurance about the adequacy and effectiveness of internal control in the MPS. Improvements in the previous three years have not been sustained and the overall level of control is below an acceptable standard.*** I will be taking every possible step to help the MPS to return to the continuing improvement of the previous three years as quickly as it can.

Equality and Diversity

10.   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.

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

Summary of Key Internal Audit Achievements during the Year

Preventative Advice

12.   We have developed a 'road show' for middle ranking police officers from sergeant to superintendent (and equivalent police staff) to take them through the things that can go wrong and their consequences in local BOCU and OCU systems such as police overtime, crime property, linguist and FME claims, bank accounts and cash handling. We are currently delivering our 'Road Show' to a wide audience across the MPS in conjunction with MPS Directorate of Finance at regular intervals throughout the year.

13.   We have also offered individual advice on request on how to prevent fraud and abuse in systems, particularly where irregularities or significant weaknesses have come to light.

Systems Audits (Details of all audits completed in 2004/5 are at Annex A)

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

   Corporate Strategy and Planning;

   Investment, Borrowing and Cash Management;

   Police and Police Staff Support outside the UK;

   Camera Partnerships; and,

   Police Officer Overtime.

15.   We also conducted an additional audit to examine the framework for control of the outsourcing programme currently under way in the MPS. This work was well received and action has been taken to address the issues noted in our report.

Borough Operational Command Unit Assistance

16.   We carried out significant audits of the main financial, computer and business systems in the following operational command units:

   Havering BOCU;

   Transport OCU;

   Lambeth BOCU;

   Enfield BOCU.

17.   We also carried out a similar review for the MPA itself.

18.   Work has commenced but will be reported next year for financial and business systems in:

   SO13 Anti-Terrorist Branch;

   Westminster BOCU.

Control Advice for Developing Systems

Police Overtime

19.   In addition to assistance with the joint MPA/MPS review of police overtime we have developed significant expertise on the subject and are advising on the development of the Police Overtime Policy and Procedures Manual.

20.   We are also working with the Project Manager for MetTime to ensure that issues related to police overtime are dealt with effectively.

21.   Other systems where we provide expert advice include:

Devolved Financial Management – our survey identified that aspects of the scheme were not being followed;

Outsourcing Action Group attendance (for all major outsourcing by the MPS);

Upgrade of the Corporate Accounting System;

IT security and policy;

Contract regulations and related procurement advice;

Suppliers and Tenderers Risk Assessment Group (STRAG).

Investigations

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

22.   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.

23.   The single largest user of our effort in the year was our continuing investigations into overpayments and false claims by interpreters. One of the criminal convictions I reported last year has now also completed the civil recovery proceedings and resulted in an out of court settlement of £240,000. I will be reporting in next years annual report further successful outcomes as the cases complete the civil recovery

proceedings.

24. We also spent a significant amount of time this year on cases arising out of the 2002 National Fraud Initiative, which is run by the Audit Commission. In all more than forty individuals names identified by the initiative were researched and as a result three members of the police staff have been prosecuted for benefit fraud and six have received formal cautions from the authorities concerned. As a consequence of the NFI work six staff have resigned prior to disciplinary proceedings, one has not had their contract renewed, one has been given a final written warning and eight have received words of advice. In addition one pensioner has been convicted of benefit fraud and three have received formal cautions. Cases against three further pensioners were not proceeded with due to their ill health. We have also identified four cases of payments to deceased pensioners and recovered or halted payments totalling £58,571.

25. Other significant cases consuming our investigation time have involved examining expenses claimed within a specialist team and this has resulted in the arrest of a police officer. The matter is unresolved and continuing. We are also working with a Business Director in the MPS to identify and resolve deep-rooted problems in a significant area of expenditure.

26. We passed on a case to SCD6 (Public Sector Fraud Team) involving the theft of £193,695 from MPA funds by a finance manager. The finance manager was prosecuted, convicted and received a custodial sentence. We were able to assist by recovering the funds involved.

27. 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.

Lessons Learned from Investigations

28.   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.   We have specifically highlighted concerns over the control and maintenance of electronic screening devices for first time breath tests and are pleased to learn that the situation has as a result considerably improved.

Follow-up Work

29.   At follow-up stage we continue to find significant improvement from the assurance score issued at the conclusion of the original audit. Twenty-three follow-up audits were carried forward from 2003/4. Of these, six were replaced by the next planned full audit and two either became control advice or were no longer required. A further thirty-nine follow-up audits were due in 2004/5. Eight follow-up audits were completed to final report stage and a further twenty-three were in progress or nearing completion at the time of writing this report.

30.   Thirty-one follow-ups have been postponed until 2005/6. The largest single reason for this is the eighteen-week delay in obtaining line management's responses to the formal draft audit report. Additionally some audits have been completed over a longer period of time than planned although keeping close to the allocated audit days. Our planning system expects line management responses to be obtained within a reasonable three to four weeks and the programme is structured to meet this.

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

Internal Audit Planning

Internal Audit Planning				2003/2004
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2,125	46%	2,280	50%
Investigations	1,473	32%	1,372	30%
System Advice	644	14%	649	14%
BOCUs	400	8%	297	6%
Total	4,642	100%	4,598	100%

Internal Audit Planning				2004/2005
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2,010	41%	2,092	46%
Investigations	1,470	35%	1,424	31%
System Advice	620	12%	486	11%
BOCUs	593	12%	572	12%
Total	4,642	100%	4,598	100%

32.   Our planned use of time has closely accorded with our actual use of time for the last two years, showing that where work has been substituted or postponed we have ensured that we have carried out equivalent work to that identified by our risk analysis for the year.

Internal Audit Performance

Customer Satisfaction

33.   At the end of each systems audit I send out a customer satisfaction questionnaire to the senior line management of the area recently audited. I test senior and local management reaction to work carried out under our pre-planned systems audit programme. 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.

34*.   This year the overall results indicate a 78% customer satisfaction rate with the performance of Internal Audit (compared to 76% in 2003/2004).* The previous Commissioner had commented positively on the level of satisfaction obtained last year and it is pleasing to note that this has marginally increased.

35.   Our highest satisfaction scores have been achieved in the conduct of the audit (93% satisfaction), the value of the recommendations (80%), the avoidance of disturbance to staff (80% satisfaction) and the level of consultation both during the review and at the conclusion (78%-80% satisfaction). The lowest satisfaction scores have centred around the Audit Report presentation of findings (68%) and the timing of the audit (68%).

36.   In line with the MPA commitment to promoting equality and diversity, I have recently introduced a new question testing whether there was a perception of any discrimination in the conduct of the audit. There is insufficient data to provide comparisons at this stage, but responses so far have indicated a 100% satisfaction rate for this key aspect.

Use of Internal Audit Resources

37.   The budget for Internal Audit in 2004/5 was set at £1.79 million. We managed to underspend by £34k and had additional unplanned income

of £240k from an investigation enabling a total underspend of £274k, which was used to allow part charging of legal fees in relation to Bow Street. In the last three years we have had underspends of £40k and £34k and an overspend of £73k on our budgeted expenditure, a net break even on our planned budgets in those three years.

Output Measurement (see tables below)

38.   For the third year in succession we have met our target of 100% line management acceptance of high-risk recommendations. We have also exceeded our target of 90% acceptance of medium and low-risk recommendations (96% and 100% respectively).

39.   Last year I reported that only 67% of accepted high-risk recommendations had been implemented from the 2003 year (74% from 2002). For 2004 issued reports the level of implementation for high-risk recommendations has remained low at 66%. Levels of implementation for medium-risk recommendations are better at 71%. For the few low-risk recommendations made and accepted in 2004 the implementation rate is an impressive 94%.

RECOMMENDATIONS – MADE, ACCEPTED & IMPLEMENTED

Year on Year Comparison

Table 1

Recommendations	*2002/03*	*2003/4*	*2004/05*
Made	678	505	779
Accepted	658	483	753
Percentage Accepted	**97**	**96**	**97**

2004/2005 By Significance of Recommendations

Table 2

Recommendations	**High**	**Medium**	**Low**
Made	58	704	17
Accepted	58	678	17
Percentage Accepted	**100**	**96**	**100**

Source – Final Reports issued 2004/2005

Recommendations Implemented – Last two years

Table 3

Recommendations	Jan – Dec 2003			Jan – Dec 2004		
	High	**Medium**	**Low**	**High**	**Medium**	**Low**
Accepted	72	450	33	53	485	31
Implemented	48	372	20	35	344	29
Percentage Implemented	**67**	**83**	**61**	**66**	**71**	**94**

Use of Internal Audit Staff Time

40.   Our use of staff time has remained consistent with 76% of time spent on audit fieldwork, 10% on administration and management related to audit work, 6% on staff training and 8% on non-audit activities. Ideally I would hope to increase the fieldwork time to around 80% and training to around 10%. We compare favourably to larger public sector audit units monitored by the Treasury who have tended to spend on average around 65 to 70% of their time on direct audit fieldwork.
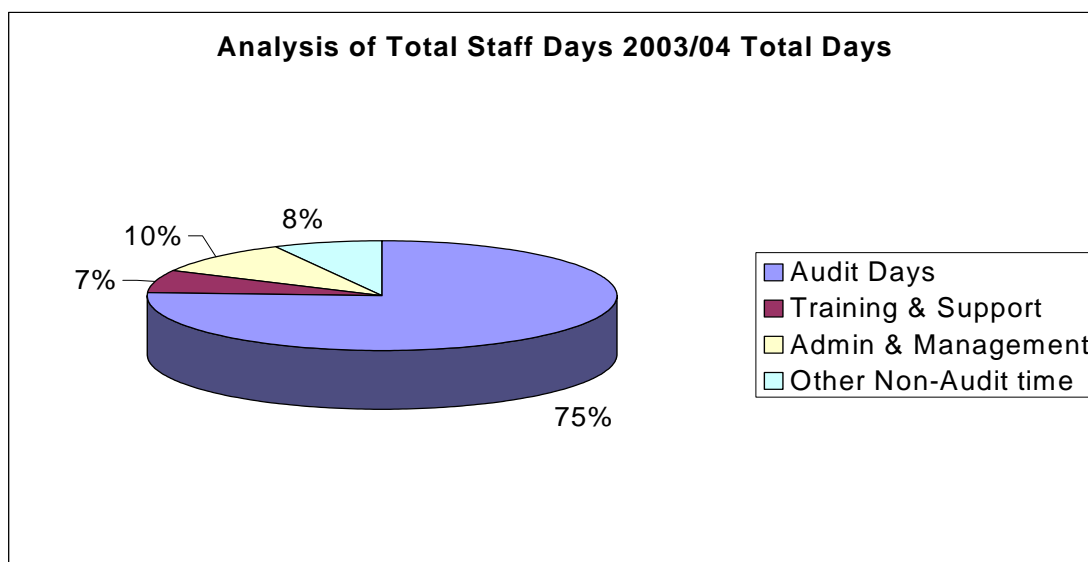
Analysis of Total Staff Days 2003/04 Total Days

10%
8%
7%
75%

- Audit Days
- Training & Support
- Admin & Management
- Other Non-Audit time

Analysis of Total Staff Days 2004/05 Total Days

- Audit Days
- Training & Support
- Admin & Management
- Other Non-Audit time

8%
10%
6%
76%
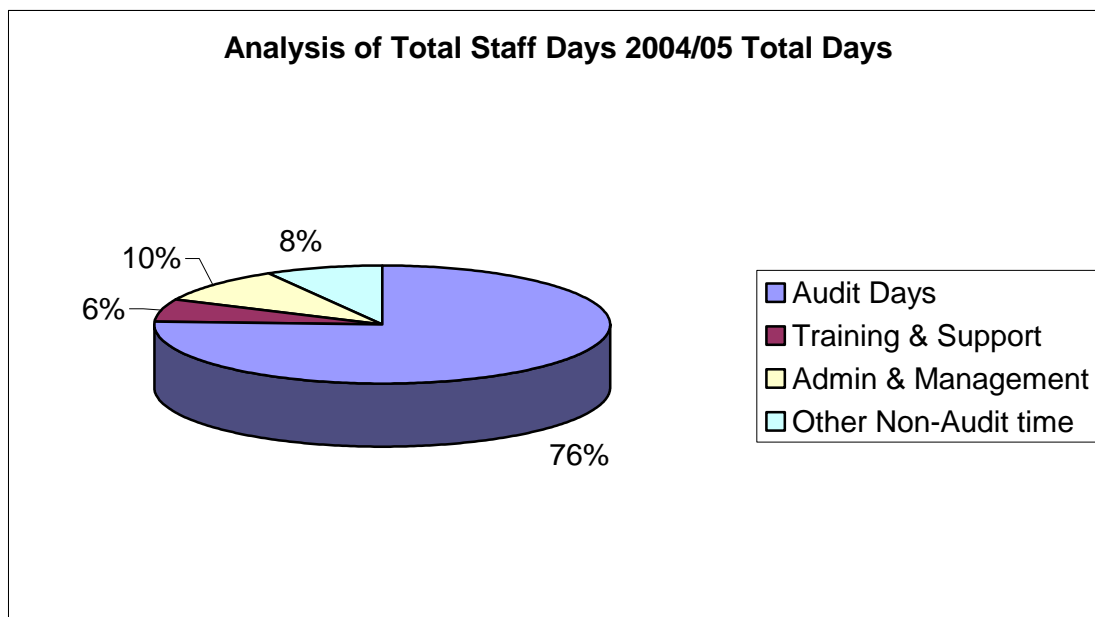
Relations with other Review Agencies and Auditors

Internal MPS Review Bodies

41.   During the course of the year we continued to keep the MPS Inspection and Audit Liaison Unit informed of our quarterly plans drawn from the approved Annual Programme. We also worked closely with Det. Chief Supt. Condon who had been commissioned to review internal inspection arrangements while we conducted our parallel review of MPS Inspectorate systems and approach (which I will be reporting on in next year's Annual Report).

Corporate Governance and Risk Management

42.   We were represented at every meeting of the MPS Corporate Governance Strategic Committee and we have maintained our on-going close working relationship with the MPS Risk Manager and his team.

Audit Commission

43.   We worked in close co-operation with the Audit Commission during 2004/5. Where necessary we assisted in testing sensitive transactions on behalf of the Audit Commission and we conducted a joint audit of MPS Corporate Strategy and Planning.

Other External Review Agencies

44.   We continued our liaison with HMIC and partly as a result of placing greater reliance on our work HMIC decided not to review a number of areas in the Resources Directorate planned for review in 2004/2005.

External relations

45. We have established close links with other police authority internal audit bodies via the Police Audit Group and the Northern Police Audit Group through which we are able to promote good practice and debate common areas of interest.

Conclusions

The Performance of Internal Audit in 2004-2005

46. Generally it was a successful year for MPA Internal Audit. Although the MPS was unable to sustain the improvements in internal control of the previous three years and the increased delays in obtaining responses from MPS line management have slowed down the planned follow-up programme, we met or exceeded nearly all our other targets for the year.

47. I am heartened by the positive response in some areas of the MPS, clear signs of better co-operation with HMIC and Audit Commission and successful preventative and investigative work by internal audit staff during the year.

Opinion on Control in the MPS

48.   Taking into account all known reviews in addition to our programme of systems audit work and investigations, it is clear that there has been a general deterioration of internal control in the MPS in the last year, compared to the heartening progress of the previous three years.

49. I am therefore offering less assurance than last year on the adequacy of control in MPS business and financial systems and conclude that the general level of internal control in the MPS is not yet adequate.

Looking Forward

50. Internal Audit itself has been undergoing a period of change and development as we streamline our business process and look for even better quality and speed of output in our work. The benefits of some of the major changes made during 2004/5 should begin to come through in 2005/6 and should help us to reverse the downward trend in MPS control over the last twelve months.

51. We have established a permanent presence of Internal Audit staff at Empress State Building, where many of the business and financial systems of the MPS are now based. I hope to build on that presence over the next twelve months to ensure closer working of field auditors with those they need to review and advise.

52. We will also continue to increase the time spent on BOCU/OCU reviews and increase our profile at the local level – work in this area is being well received. A new approach is being developed and we will spend time at the end of each review developing the local understanding of risk and controls.

PETER TICKNER
Director of Internal Audit

Annex A

REPORT ON INTERNAL AUDIT ACTIVITIES APRIL 2004 TO MARCH 2005

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

FINAL REPORTS

Vehicle Fleet Management

Draft Report issued May 2004
Final Report issued June 2004

Summary of Key Findings

Our opinion was that significant improvement was needed before business objectives for Vehicle Fleet Management could be met.

Segregation of duties between raising and authorising orders was not always maintained. We could not give an assurance that the MPS recovered all income from disposing and scrapping of vehicles due to the lack of independent control over these functions and inadequate records. Payments could be unauthorised, unjustified, inaccurately processed and recorded.

Analysis of Recommendations

18 recommendations made:

1 High Risk (1 accepted and implemented)
16 Medium Risk (14 accepted and implemented)
1 Low Risk (1 accepted and implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. All accepted recommendations have been implemented.

Vehicle Hire

Draft Report issued May 2004
Final Report issued June 2004

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the system objectives for hiring vehicles and local controls were not being consistently applied.

The hiring of vehicles was not always properly approved and supported by adequate and documented reasons. The vehicles on hire were not always managed to ensure that maximum use was made of them and unnecessary costs avoided. Budgets had been consistently overspent with no action taken to identify the causes, nor any action taken to rectify the overspend. Expenditure was also being incurred where there was no local budget to fund it. There was inadequate control over payments.

Analysis of Recommendations

19 recommendations made:

19 Medium Risk (18 accepted and implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. All accepted recommendations have been implemented. In September 2004 Management Board accepted recommendations to restrict hire vehicle expenditure to 125% of budget and for all vehicles above group C cars to be approved personally by a superintendent or above.

Corporate Strategy & Planning

Draft Report issued April 2004
Final Report issued June 2004

Appendix   MPA Internal Audit - Annual Report 2004/2005
DRAFT REPORT FOR CORPORATE GOVERNANCE COMMITTEE

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives were met.

Whilst controls in place for the implementation of policies and plans were adequate, there was no framework to ensure that strategic corporate planning was applied uniformly across the MPS at business support level and that data collected was accurate and up-to-date.

The monitoring corporate performance framework was in place but it was dependent on local procedures for the accuracy of reporting performance. There were also no long-term resource plans for the MPS.

Analysis of Recommendations

15 recommendations made:

15 Medium Risk (12 accepted and 9 implemented)

Senior Line Management Comment (DAC Strategic Development)
In general I agree with the summary of key findings that some improvement was required to the corporate planning process. A full report was provided to the MPA Planning, Performance and Review Committee on 12th July 2004 on this issue and our corporate planning department has been in dialogue with Internal Audit in recent weeks to discuss the progress that has been made on specific audit recommendations.

In terms of progress since the audit, the following developments are significant:
- An MPS Planning Board has been implemented to standardise planning processes across the MPS in a way that is compliant with the National Intelligence Model (NIM).
- Monitoring of corporate performance now relies on a single source of data – the PIB. The quality of data surrounding statutory national performance indicators has been addressed, albeit that the quality control of data input onto MPS performance management systems remains a significant challenge as it relies on input from so many diverse sources and systems.
- Planning and resource requirements have been brought closer together. This year the medium-term financial plan and the Annual Policing Plan will be reviewed simultaneously by the MPA Planning and Finance committees. In addition, a corporate strategy is being developed that incorporates a three-year financial profile that is linked to corporate priorities.

Inventories and Asset Registers

Draft Report issued March 2004

Final Report issued June 2004

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives were met.

The assets on the corporate asset register were entered with the correct depreciation, and controls over asset valuation on the register were adequate. Assets were adequately noted on the register once disposal had occurred and the corporate asset register was checked with local management at year-end. However, there were inadequate controls over the maintenance of inventories and local asset information. Inventories were not always held or they were not accurate in providing information to local management on the location of items.

The procedures on the compilation and maintenance of asset registers and inventories were spread over a number of documents and had not been adequately consolidated and collated.

Analysis of Recommendations

15 recommendations made:

14 Medium Risk (11 accepted and 7 implemented)
 1 Low Risk (1 accepted)

Senior Line Management Comment (Director Financial Services)

A plan is being developed to introduce controls over the maintenance of inventories and local asset information in 2005/06. The subsequent resolution of other control weakness and the implementation of the new Finance Services structure will facilitate this process.

Procedures on the compilation and management of asset registers and inventories have since been developed and can be accessed through the Finance Manual.

Strategic Finance intends to strengthen the monitoring processes of the asset register during the year rather than extending the year-end checking process. This is because with effect from 2006 the Accounts and Audit regulations require us to complete our annual accounts by the end of June.

Uniform Services – Stores and Stock Control

Draft Report issued May 2004
Final Report issued July 2004

Summary of Key Findings

Our overall opinion was that at the time of our fieldwork significant improvement was needed before business objectives for Uniform Services Stores and Stock Control could be met.

The system would benefit from improvements to controls covering the separation of duties over the receipt, issue and disposal of stock and updating of the stock control system. The physical security arrangements at Mandela Way, Peel Centre and Lambeth Stores were not adequate to mitigate the risks of loss or misappropriation of stock. There were also inadequate controls over receipt, issue and disposal of stock.

Analysis of Recommendations
26 recommendations made:

24 Medium Risk (23 accepted and 19 implemented)
  2 Low Risk (2 accepted and implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. Of the 26 recommendations, one relating to the restriction of staff movement within the warehouse could not be accepted. Twenty-one of the remaining recommendations have been fully completed. A recommendation relating to designated stock areas has been deferred because of building alterations, but will be pursued as part of the changes. Some success has been achieved with use of a protective labelling system, but more needs to be done. The segregation of duties on receipt of goods will be actioned as part of a new bar-coding system, scheduled to be commissioned in November 2005.

Senior Line Management Comment (AC Territorial Policing)

In the main this relates to 'central' stores and weaknesses in controls found at those locations. It is acknowledged that there are always areas where boroughs can make improvements to their own housekeeping and this is an area for individual borough business managers. TP have, however, drafted a service policy on 'Assessments for loss or damage to clothing' for which we are awaiting legal advice. This is certainly an area where Internal Audit can make a positive impact and assist us with better controls systems.

Cash Security and Disbursement

Draft Report issued February 2004
Final Report issued July 2004

Summary of Key Findings

Our overall opinion was that at the time of the fieldwork significant improvement was needed before business objectives could be met.

The validity and accuracy of BACS and CHAPS payments could not always be verified due to the lack of effective authorisation and post payment checks. Controls over updating vendor bank account details in relation to BACS payments were inadequate. There was also a need to improve checking and reconciliation controls to ensure that financial reporting was up to date, accurate and complete.

Analysis of Recommendations

Management accepted all the 18 recommendations made:

18 Medium Risk (15 implemented)

Senior Line Management Comment (Director Financial Services)

Upon issue of the final report 11 of the recommendations had already been implemented. This included the implementation of alternative suggestions where MetFIN lacked the functionality to support the recommendation made.

Subsequent internal reorganisation has further enhanced controls over vendor creation and the updating of bank details on the vendor database including a physical separation of duties from the payment section.

Where recommendations are either partially or not implemented further upgrades to MetFIN or the push to greater us of electronic ordering will assist in ensuring the stated recommendations are implemented.

Investment, Borrowing and Cash Management

Draft Report issued May 2004
Final Report issued July 2004

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that the business objectives were met.

The controls for ensuring that there were sufficient funds available to meet expenditure at all times were adequate. Funds were invested with appropriate organisations at competitive rates. However, with the treasury management function taking place outside of corporate accounting system, management could not be assured that all returns on investments were brought to account. An MPA approved strategy had been developed and this complied with the relevant statutory provisions and accounting standards. However, there was a need to make the procedural manual more comprehensive to cover such areas as direct dealing, borrowing and cash flow.

Analysis of Recommendations

Management accepted all the 8 recommendations made:

8 Medium Risk (6 implemented)

Senior Line Management Comment (Director Financial Services)

The controls that were adequate at the time of the audit continue with reference to agreed treasury management policy and have approval from the MPA for our 2005/6 strategy. All activity is undertaken within CIPFa's Code of Practice for Treasury Management which has been formally adopted by the MPA.

The procedural manual is complete and maintained to reflect procedural changes.

The two outstanding recommendations are dependent upon the adoption of the Treasury Module within SAP which is scheduled for implementation this financial year.

Storage and Display of Police Artefacts

Draft Report issued January 2004
Final Report issued August 2004

Summary of Key Findings

Our overall opinion was that there was an unacceptable level of control over the storage and display of police artefacts. There was a lack of overall strategic policy and corporate direction (including a lack of clear aims and objectives for the storage and display of police artefacts). Health and safety at the Charlton store was also inadequate. These issues needed to be addressed urgently.

Analysis of Recommendations

Management accepted all the 28 recommendations made:

  4 High Risk (1 implemented)
23 Medium Risk (6 implemented)
  1 Low Risk

Senior Line Management Comment (Director of Resources)

To date one high risk and six medium risk recommendations have been fully implemented. One high risk and four medium risk recommendations are currently being implemented as part of the ongoing project to rationalise the Historic Collection. The implementation of the remaining recommendations will largely depend upon the availability of funding; the decision made in relation to the future of the collection and also decisions made by the Trustees.

Equipping and De-equipping of Vehicles

Draft Report issued July 2004
Final Report issued August 2004

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that the business objectives were met.

The controls over authorisation, recording monitoring and performance reporting for the Equip for Service (EFS) contract were adequate. Whilst controls over the purchase and recording of equipment used on MPS vehicles were also adequate, there was a need to improve controls over the disposal of equipment. A clearly defined and properly approved strategy for equipping and de-equipping MPS vehicles also needed to put in place.

Analysis of Recommendations

Management accepted all the 12 recommendations made:

12 Medium Risk (12 implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. All accepted recommendations have been implements. The strategy for Equip for Service has been included in Transport Services' Strategy which was agreed by Management Board in October 2004 and endorsed by the MPA Finance Committee in December 2004.

Havering BOCU

Draft Report issued April 2004
Final Report issued September 2004

Summary of Key Findings

At the time of our audit our opinion was that adequate controls were not in place to meet all of the business and financial objectives of the BOCU.

In general, Havering BOCU did not have adequate documented guidelines and procedures to support its business and financial systems. Segregation of duty within the BOCU systems was not operating effectively. This is particularly evident within the crime property and budgetary control systems.

Controls for the authorisation of expenditure on some partnership initiatives and of recruitment exercises were in place and were effective. However, the systems for authorising Police staff overtime and expenses, Police overtime claims and for disposing of crime property were not operating effectively. Reconciliations of local bank accounts were performed by the Finance Officer and supervised by the FRM or deputy FRM. Reconciliations were also carried out to verify Human Resource records of staff numbers to payroll expenditure. However, there were no reconciliations of individual lines of expenditure e.g. overtime and housing allowance to source records.

There was adequate control over the physical security of cash and crime property including the storage of drugs and firearms. However, the security of high risk keys and crime property vehicles were not adequate.

Analysis of Recommendations

Management accepted all the 52 recommendations made:

  3 High Risk (2 implemented)
48 Medium Risk (40 implemented)
  1 Low Risk (1 implemented)

Occupational Health and Psychology Services

Draft Report issued July 2004
Final Report issued October 2004

Summary of Key Findings

Our overall opinion was that control framework was adequate but a number of controls were not operating effectively. There was adequate control over the provision of required services. The MPA approved MPS Occupational Health Strategy and Action Plan for 2003/4 supports the aims and objectives of the People Strategy and the Policing and Business Plans and includes the areas covered by the National Strategy.

An adequate control framework has been established through professionally qualified and experienced medical officers, advisors and staff delivering the required services. The control over procurement was adequate. However there was a need for independent reviews to ensure that all services to be outsourced were processed in accordance with rules and standards and appropriately referred to Procurement Services. The management of contracts for services needed to be improved to ensure that there is consistent and adequate control over all contracts

Analysis of Recommendations

Management accepted all the 8 recommendations made:

8 Medium Risk (8 implemented)

Senior Line Management Comment (Director of Human Resources)

The summary reflects the position as reported at the time of the audit. The actions relating to the eight recommendations accepted by management are now considered to be complete.

Vehicle Maintenance & Repair

Draft Report issued June 2004
Final Report issued October 2004

Summary of Key Findings

Our overall opinion was that some improvement required to ensure that the business objectives were met.

A formal strategy for maintenance and repair of MPS fleet of vehicles was not in place. Controls over accuracy and completeness of information were inadequate as reliance was placed mainly on the data and information provided by the contractor, who was permitted access to Transport Management System.

Analysis of Recommendations

Management accepted 15 of the 17 recommendations made:

  1 High Risk (1 accepted and implemented)
15 Medium Risk (13 accepted and implemented)
  1 Low Risk (1 accepted and implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. All accepted recommendations have been implemented. The main risk highlighted suggested that there were opportunities for the contractor to manipulate data. The risk has been reduced by limiting access the contractor has to the Transport Management System. Changes to vehicle status are now more timely and the variances between our records and those of the contractor have been reduced.

Review of the MPA Business and Finance Systems

Draft report issued March 2004
Final Report issued October 2004

Summary of Key Findings

At the time of our fieldwork significant improvement was required to ensure that business objectives could be met.

Our overall opinion is that adequate controls are not in place to meet all the system objectives and controls are not being consistently applied. Controls in place for the authorisation of staff allowances and expenses, staff overtime and information systems are operating effectively. However, the systems for authorising expenditure, the procurement of goods and service, the payment of members' expenses and the addition and removal of items from the inventory are not adequate.

In general the MPA has insufficient guidance for assets/inventories and budgetary control although draft guidance is available for procurement and information systems. Separation of duties within the MPA is not always operating effectively. This is particularly evident within the procurement, budgetary control and assets/ inventories systems.

Analysis of Recommendations

Management accepted all the 47 recommendations made:

  3 High Risk (3 implemented)
44 Medium Risk (31 implemented)

Senior Line Management Comment (Chief Executive and Clerk)

The summary reflects the position at the time of the audit.   All accepted recommendations have been implemented.

Review of Linguist Services

Draft Report issued August 2004
Final Report issued November 2004

Summary of Key Findings

Some improvement was required to ensure that business objectives were met. Proper arrangements existed for the appointment of interpreters but there were no written recruitment criteria for translators. Complaints against interpreters were also not always investigated promptly.

Whilst the payment of fees to translators and interpreters was properly authorised claims * were not always authorised at the time the work was completed. It was not possible to ensure that fees were paid accurately as full details were not always recorded on the interpreter claim form.   Budgetary control was not operating effectively at BOCU/OCU level.

  * Audit further comment
  Whilst at the time of this audit testing found that claims were properly authorised, recent audit inquiries have revealed that some claims in respect of specific linguists are not being properly authorised.

Analysis of Recommendations

Management accepted all the 15 recommendations made:

15 Medium Risk (7 implemented)

Senior Line Management Comment (Director Logistical Services)

LFMS has management responsibility for 12 of the 15 medium risk recommendations, of which seven have been fully implemented. Work on the three recommendations relating to the recruitment criteria for translators is progressing, although the ACPO debate has not yet taken place. In the meantime, LFMS is assessing the suitability of criteria within the European Standards Institute for translators. Resolution of the recommendation relating to long-term interpreter assignments has yet to be achieved.

Accident and Riots Claims and Payments

Draft Report issued June 2004
Final Report issued December 2004

Summary of Key Findings

Some improvement was required to ensure that business objectives were met. Since our last audit review, a number of controls had been introduced including the implementation of the accident claims database, delegated limits being established and the signing off of case files following closure.

However, guidelines were out of date and required enhancing. There was no contract in place between the MPS and the firm of solicitors that the MPS uses for negotiating case costs. Improvement was also required over the procedures for processing cheque payments.

Analysis of Recommendations

Management accepted all the 11 recommendations made:

3 High Risk (2 implemented)
8 Medium Risk (6 implemented)

Senior Line Management Comment (Deputy Director Professional Standards)

It is confirmed that the summary accurately reflects the position as reported at the time of the Audits. Two of the high risk recommendations relating to the Accident and Riot Claims and Payments audit have been implemented, and six of the eight medium risk recommendations have been implemented.

Forced Entry Claims

Draft Report issued June 2004
Final Report issued December 2004

Appendix   MPA Internal Audit - Annual Report 2004/2005
DRAFT REPORT FOR CORPORATE GOVERNANCE COMMITTEE

Summary of Key Findings

During our systems audit of Accident and Riot Claims we examined, at the request of the Head of Accident Claims Branch, the procedures for processing and authorising forced entry claims.

Our opinion was that significant improvement was needed before business objectives could be met. In particular, there were no formal contract arrangements for companies carrying out this work and there was a lack of adequate supporting information submitted in relation to claims.

Analysis of Recommendations

Management accepted all the 9 recommendations made:

2 High Risk (1 implemented)
7 Medium Risk (1 implemented)

Senior Line Management Comment (Deputy Director Professional Standards)

It is confirmed that the summary accurately reflects the position as reported at the time of the Audits. Significant progress has been made in respect of one of the two high risk recommendations and one of the seven medium risk recommendations. The remaining seven recommendations are under review.

Police Officer and Police Staff Support Outside the UK

Draft Report issued May 2004
Final Report issued December 2004

Summary of Key Findings

Our overall opinion was that since our last review although some progress had been made in improving control, significant improvement was still needed before business objectives could be met. A Special Notice has been published to inform all police officers and police staff throughout the MPS about the secondment procedure, and the Human Resources Secondment Unit (HRSU) had been re-organised to ensure that personnel officers are dedicated to the administration of seconded officers.

However, the evaluation and approval of support given outside the UK was not adequate. The objectives of secondments were not always clearly defined and

independent post evaluations were not always carried out. There were no documented manuals for HRSU staff involved in the secondments process and checklists of processes for each secondment were not always completed. Improvement was also required to the identification, collection, and accounting of income and over the monitoring and evaluation of costs.

Analysis of Recommendations

Management accepted and have now implemented all the 13 recommendations made.

1 High Risk (1 implemented)
10 Medium Risk (10 implemented)
2 Low Risk (2 implemented)

Senior Line Management Comment (Director of Human Resources)

The summary reflects the position as reported at the time of the audit. The actions relating to the thirteen recommendations accepted by management are now considered to be complete.

Accounts Control – TSU SCD11 (C)

Draft Report issued June 2004
Final Report issued January 2005

Analysis of Recommendations

Management accepted all 29 recommendations made.

29 Medium Risk (12 implemented)

Transport OCU

Draft Report issued November 2004
Final Report issued February 2005

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives of the Transport OCU were met.

The Transport OCU had adequate documented guidelines and procedures to support its business and financial systems. However, there was an absence of local guidance in the maintenance of inventories and asset registers. Segregation of duties within the overtime system was operating effectively and was also adequate across most systems in the TOCU, including local purchases.

Controls for the authorisation of expenditure and of police and civil staff overtime claims were in place and operating effectively. Controls to validate expenditure and verify transactions through reconciliation were effective. There was adequate control over access controls to the headquarters at Buckingham Palace Road and to the outstations.

Analysis of Recommendations

Management accepted all the 26 recommendations made:

  2 High Risk (2 implemented)
22 Medium Risk (14 implemented)
  2 Low Risk (1 implemented)

Senior Line Management Comment (Business Manager Transport OCU)

The summary reflects the position at the time of the audit. All recommendations made by the Audit Team have been accepted and 24 of the 26 recommendations have been implemented.   The two remaining recommendations will be completed by 1 July 2005.

Freedom of Information – Control & Environment

Draft Report issued November 2004
Final Report issued February 2005

Summary of Key Findings

Our overall opinion was that the control framework over the Freedom of Information Act was adequate and good progress had been made in a number of areas. However, further work was required to establish effective controls. Improvement was required over forwarding documents to the publication office of both the MPA and MPS and to ensure that the publication scheme was up to date. There was a need within the MPA to raise staff awareness on FOIA and to finalise the provision of computer based training across the MPS. There was also a need for both MPA and MPS to ensure that a system of continuous monitoring of the progress of FOIA was in place.

Analysis of Recommendations

Management accepted all 26 recommendations made.

1 High Risk (1 implemented)
20 Medium Risk (11 implemented)
5 Low Risk (1 implemented)

Senior Line Management Comment (Director of Information)

As recommended in the report, the Publication Scheme now require Publication Scheme Liaison Officers or Information Managers submitting documents to the scheme to have the written consent of their SMT prior to publication. From July 2005 the content of the scheme will be reviewed on a monthly basis to ensure obsolete material is removed promptly. The FOIA CBT package is now in use across the MPS. The MPS has not viewed 1 January as a deadline for FOIA, but rather a startline.   The Public Access Office are monitoring FOIA compliance through MetRIC and regular meetings with high-risk areas (DPS, SCD, SO).   A report on outstanding requests is presented to Management Board on a weekly basis. It is also intended that the Data Protection Steering Group will be expanded to include responsibility for FOIA

MPA Management response

As at the end of May some 43 FoI requests had been received (since January). Some of these were transferred to the MPS as requests properly falling to that organisation to answer. It is likely that there have been other requests received in the organisation which strictly speaking could be classified as FoI requests but have been treated as 'business as usual' and responded to as such. This is not seen as a problem as long as the responses meet the requests.

The MPA is hitting its response targets and no major procedural problems have been identified so far.   However, the recent appointment of an Information Officer responsible for handling FoI requests provides the opportunity to review. Her appointment will also enable the MPA to progress the other outstanding aspects – the development of a corporate records management system and a retention and disposal schedule.

Transport and Travel Arrangements

Draft Report issued November 2004
Final Report issued February 2005

Summary of Key Findings

Our overall opinion was that some improvement was required to ensure that business objectives for transport and travel arrangements are met.

A revised Policy, encompassing Standard Operating Procedures (SOPs), was issued in MPS Notice 42/04 and is available on the MPS intranet. The provision

of travel was properly requisitioned and validated but authorisation of the travel requests was inadequate.

Controls over the issue and use of corporate charge cards and the administration of temporary imprests are adequate but improvement was needed over the authorisation of the expense claim forms and the recovery of outstanding imprests.

Information on savings made from flight bookings and hotel reservations is collated and made available to management. However, reliance is placed solely on the management information provided by the contractors.

Analysis of Recommendations

Management accepted all the 14 recommendations made:

  3 High Risk (3 implemented)
11 Medium Risk (7 implemented)

Senior Line Management Comment (Director Logistical Services)

The summary reflects the position at the time of the audit. Twelve of the 14 recommendations are the responsibility of Travel Services of which eight have been fully implemented. In the interim, responsibility for the issue of charge cards for official travel, and reconciliation of associated accounts, has now passed to Finance Services, and completion of three recommendations (2 of which are high risk) will be incorporated into revised standard operating procedures. The remaining recommendation relating to benchmarking has not been completed because of continuing support to Operation Bracknell, but further progress is planned during the second half of the year.

Lambeth BOCU

Draft Report issued August 2004
Final Report issued February 2005

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the business and financial objectives of the BOCU.

There was a general lack of training and guidance given to staff involved in support activities such as sponsorship, local accounts (including the social club) and asset recording. Segregation of duty within the BOCU systems was not operating effectively.

Authorisation processes across the borough were not effective. This was particularly evident for authorising expenditure from the imprest or partnership

funds, for authorising police officer and police staff overtime and expenses, and for authorising the disposal of crime property at all sites.

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. Documentation retained to support key business and financial processes was generally in need of improvement and there was a lack of information provided to SMT concerning performance in these areas. Records supporting local imprest and divisional account transactions were not adequate and there was an unexplained deficit and surplus respectively in the accounts. Asset and inventory registers, crime property records and documentation supporting sponsorship and social club activities were inadequate.

Analysis of Recommendations

Management accepted all the 52 recommendations made:

  2 High Risk (1 implemented)
49 Medium Risk (13 implemented)
  1 Low Risk

Senior Line Management Comment – to follow

DNA & Related Forensic Support

Draft Report issued January 2005
Final Report issued March 2005

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the system objectives and controls were not being consistently applied.

Controls over the procurement of DNA and forensic services were adequate, however, a contract with one of the main service providers was not in place. Robust contract management arrangements were also not in place. Invoices were paid without verification and no validation checks were being applied. Adequate controls were also not in place to calculate the amount of accruals accurately. Significant budget variances were not monitored or reviewed.

The security and integrity of samples were adequate. However, the controls over the accuracy and completeness of data were inadequate, as reliance was placed mainly on the information provided by the contractors. Controls over the arrangements for back up and business continuity were also inadequate.

Analysis of Recommendations

Management accepted all 21 recommendations made:

3 High Risk
18 Medium Risk (8 implemented)

Senior Line Management Comment (Director Forensic Services)

This report should be viewed against the background of no controls on submissions or spend with forensic science providers in 2001, a spend increasing by 50% per annum and turnaround times in excess of 100 days. The introduction of a submissions policy in October 2001 provided some degree of control but the formulation of a commercial strategy for forensic science provision agreed by the MPA provided the basis for improved service to the MPS and control of costs. This was achieved in part through a procurement process completed in August 2003. Since the implementation of the original policy and the commercial strategy timeliness has improved and the spend on forensic science has been kept to an increase of 10% per annum against a background of increased demand.

The report fairly and accurately reflects that there are still significant challenges to embed the necessary systems and ensure an accountable business relationship with forensic science providers. Progress has been made in some areas by resolving issues around budget allocation, more effective monitoring of spend and raising awareness and knowledge of managers. However, the recommendations will not be fully addressed until the MPS has the information systems that allow managers to effectively monitor and control submissions and spend. The recent award of the contract for the METAFOR system that will provide an integrated forensic management information system is critical to addressing the underlying issues highlighted in the report. With regard to the main provider of forensic science services to the MPS, the re-tendering of all work with this provider offers the opportunity to secure service improvements and fully meet the objectives of the MPA commercial strategy.

Police Staff – Career Management

Draft Report issued August 2004
Final Report issued March 2005

Summary of Key Findings

Our overall opinion was that inadequate controls were in place to achieve the business objectives and those controls that were in place were not applied consistently. However, a number of key initiatives have been introduced that will assist in improving control once they have been fully implemented. The formation of the Career Management & Retention Unit (CMRU) demonstrates

the MPS commitment to address career management issues within the organisation. However, the draft strategy for career management has been developed but not yet approved and published.

The systems in place to ensure all staff are effectively developed in their post and current level need to be improved. There was a system for managing career progression within the organisation, but the controls were inadequate to ensure compliance with agreed policy, effective delivery and equality of opportunity. There was no system in place within the MPS for the succession planning of police staff roles.

Analysis of Recommendations

20 recommendations made:

 4 High Risk (4 accepted and 1 implemented)
16 Medium Risk (13 accepted and 3 implemented)

Senior Line Management Comment (Director of Human Resources)

The summary reflects the position as reported at the time of the audit. The actions for four of the seventeen recommendations accepted by management are complete. This particular audit has recently been incorporated in our bi-monthly process for dealing with accepted recommendations.

Voice Communications

Draft Report issued August 2004
Final Report issued April 2005

Summary of Key Findings

Our overall opinion was that the control framework was adequate but a number of controls were not operating effectively. The DoI have an appropriate structure in place to meet adequately with the MPS policy, strategy and priorities to support the operational objectives. However, the current system of setting the budget on the basis of previous year spends was not adequate and did not necessarily reflect good practice.

Controls over certification and authorisation procedures were not operating effectively. The contract was not operating on a challenging basis to ensure best value for money. Control to verify the service levels reported on and billed by Damovo was not operating effectively. The system of management review and information were not adequate to make informed decisions and achieve the MPS objectives.

Analysis of Recommendations

Management accepted all the 15 recommendations made:

  3 High Risk (1 implemented)
12 Medium Risk (8 implemented)

Senior Line Management Comment (Director of Information)

The Internal Audit review of Voice Communications (Telephony only - not 999) was carried out in mid 2003. The Communications Client Unit was requested to review the draft report for factual accuracy and to provide a response to the recommendations for inclusion in the report. We agreed with the content of the audit report in principle, but agreed with the MPA that some of the shortcomings were due to an exceptionally high workload in the unit at that time.

Resourcing and Management of Specials

Draft Report issued December 2004
Final Report issued May 2005

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the system objectives and controls were not being consistently applied.

Clearly defined, properly evaluated and approved policies, strategies and operational requirements of the MSC are yet to be produced and presented to the MPS Management Board/ MPA. There is no budget allocation for the MSC at a local level and no evidence of effective and efficient monitoring of the MSC. There is also no monitoring of costs at a local level.

There are inadequate controls over the payment of allowances and expenses. Key performance indicators have not been set and there is no Service Level Agreement between the Commanders and the BDOs at some boroughs. There are no controls over the performance of the MSC and the monitoring mechanisms in place were ineffective.

Analysis of Recommendations

37 recommendations made:

37 Medium Risk (36 accepted and 5 implemented)

Senior Line Management Comment (AC Territorial Policing)

The day-to-day management and deployment of MSC officers is a matter for individual boroughs within a policy framework. The policy along with Standard Operating Procedures was signed off by Management Board at the end of 2004 and is published on the MPS intranet. Boroughs fund MSC officers from within their devolved bottom line budgets and are able to provide costs on a borough-

by-borough basis. Financial control is a performance indicator for boroughs and where areas for improvement are identified appropriate support and advice is provided.

Enfield BOCU

Draft Report issued March 2005
Final Report issued May 2005

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the system objectives and controls were not being consistently applied. There was adequate control over the physical security of drugs and firearms in the property store. However, the security of keys across the borough including the Chief Superintendents safe was not adequate.

In general, Enfield BOCU did not have adequate documented guidelines and procedures to support its business and financial systems. This was particularly evident in budgetary control, partnership, local accounts and crime property processes.

Segregation of duty within the BOCU systems was not operating effectively. Controls for the authorisation of expenditure from the Imprest and divisional account were not in place. The systems for assets, some partnership initiatives, Police overtime, Police staff overtime, budgetary control, Housing allowance and crime property were not operating effectively.

Part reconciliations of local bank accounts were performed. Reconciliations were carried out to verify human resource records of staff numbers to payroll expenditure. However, there were no documented reconciliations of individual lines of expenditure e.g. overtime, housing allowance or partnership to source records. The level of regular, evidenced supervision and review within most of the business and financial processes including station offices was inadequate.

The level of documentation retained to support key business and financial processes was generally in need of improvement. There were inadequate records to support police staff overtime claims, local bank account transactions and some partnership expenditure. An Assets/inventory register existed but was not kept up to date or secure.

Analysis of Recommendations

Management accepted all the 47 recommendations made:

47 Medium Risk (29 implemented)

Senior Line Management Comment (Borough Business Manager)

The report is critical of systems and separation of authority levels and made a number of recommendations all of which have been accepted by the management and staff. A background to the report is one of persistent staff shortages in the Borough F&R unit which continues to this day and was in fact experienced and commented on by the auditors who it must be said treated us with courtesy and honesty throughout.

Many of the recommendations were acted upon during the audit and corrective measures put in place. Throughout, what was persistently recognised was a lack of formal training delivered to police staff. This means that errors and unofficial local practises are often transferred to new staff by their local "trainers", who in turn have been similarly trained. We believe that this is a corporate issue, which needs to be urgently addressed. The management of the borough have given their full commitment to ensuring that all the recommendations are implemented within 6 months of the date of the report and this is achievable given that the vast majority of them were in place before the end of the review.

System Supporting Camera Partnerships

Draft Report issued January 2005
Final Report issued May 2005

Summary of Key Findings

The system was adequate to achieve business objectives.

The strategy behind MPS involvement in the London Safety Camera Partnership (LSCP) was adequately defined, approved and reviewed. There was an Operating Protocol, which lists the responsibilities of all of the partners, and a Memorandum of Understanding signed by the partners. The LSCP Project Board receives regular reports from the MPS Central Driving Offences Unit with established performance measures.

There were no controls in place to ensure that the statistical information provided by the MPS to Transport for London (TfL) is timely and accurate. MPS costs in relation to the LSCP are allocated to a dedicated cost centre on MetFIN and recovered on a monthly basis from TfL. Controls in relation to accounting and recovery were operating effectively

Analysis of Recommendations

Management accepted all the 8 recommendations made:

8 Medium Risk (5 implemented)

Senior Line Management Comment – to follow

NPOIU Covert Operations (C)

Draft Report issued
Final Report issued May 2005

Analysis of Recommendations

27 recommendations made:

27 Medium Risk (22 accepted)

SCD6 Criminal Justice Protection Unit (C)

Draft Report issued March 2004
Final Report issued May 2005

Analysis of Recommendations

24 recommendations made:

 24 Medium Risk (23 accepted and 8 implemented)

IT Security, Access & Usage

Draft Report issued May 2004
Final Report issued May 2005

Summary of Key Findings

Significant improvement was needed before business objectives could be met. There was an adequate system of control in place to ensure that there were policies and procedures that identify and address the risks associated with access to MPS IS/IT systems. However, due to an inadequate compliance framework we were unable to provide assurance that IS/IT systems are designed and operated in accordance with approved MPS security procedures.

The system of control to ensure that unauthorised access is prevented, and security maintained was not adequate and needed strengthening. Adequate controls were also not in place to minimise the risk of impropriety or irregularity and to ensure data confidentiality is preserved. Control processes to monitor

and report the levels and types of access and usage were not operating effectively.

The system of control to ensure that communications and the transfer of classified information are secured through the effective deployment of firewalls was adequate. However, controls in place for the development of a PKI infrastructure were currently inadequate and a number of key PKI controls had not been implemented in accordance with industry good practice.

Analysis of Recommendations

16 recommendations made:

 3 High Risk (3 accepted)
13 Medium Risk (11 accepted)

Senior Line Management Comment – to follow

DPS Witness Protection Unit Accounts (C)

Draft Report issued May 2004
Final Report issued May 2005

Analysis of Recommendations

Management accepted all the 13 recommendations made:

   13 Medium Risk (8 implemented)

DPS Support Accounts (C)

Draft Report issued May 2004
Final Report issued May 2005

Analysis of Recommendations

Management accepted all the 13 recommendations made:

 13 Medium Risk (4 implemented)

National Identification Service

Draft Report issued August 2004
Final Report issued May 2005

Summary of Key Findings

Our overall opinion was that adequate controls were not in place to meet all the NIS system objectives and controls were not being consistently applied. There was inadequate control over procedural manuals at the Subject Access Office (SAO) and the Character Enquires Centre (CEC). Some of these issues will be resolved once the online procedural manual is operational, as a consistent and methodical approach to the provision of information will then be in place.

The controls in place to ensure the completeness and accuracy of information provided by the NIS were inadequate. There was a need to strengthen input controls and quality checks in order to ensure an efficient and robust system. Adequate controls were in place for costs identification and accounting for income. However, controls to ensure that up to date costs were used in the costs recovery process were not operating effectively. There was no assurance that all costs incurred were recovered. Business continuity in case of a major incident such as fire was inadequate as both live and backup data were kept on site.

Analysis of Recommendations

12 recommendations made:

12 Medium Risk (11 accepted and 6 implemented))

Senior Line Management Comment– to follow

Police Overtime Payments

Draft Report issued October 2004
Final Report issued May 2005

Summary of Key Findings

Our overall opinion was that although a number of initiatives were being pursued to enhance the management of police overtime, adequate controls were not in place to meet all the system objectives, and controls were not being consistently applied.

Adequate controls were not in place over policies and procedures governing police overtime. There was no documented Corporate Policy on police overtime. Individual sites have produced their own formal or informal policies but there was no assurance that they are in line with service requirements. Analysis at a local level also tended to be reactive rather than proactive and there was a lack of awareness of the extent of analytical reports that can be produced. The accuracy and timeliness of data provided will improve with the development of the duties management corporate system (MetTime).

The systems in place for identifying, monitoring and analysing areas that impact on police overtime were not fully effective. The MPS Overtime Steering Group monitor the police overtime budget at a corporate level and initiatives have been undertaken by SCD, SO and TP to fulfil a similar role. A number of areas of impact have been identified centrally which have resulted in some positive action being taken. However, there was no cohesive approach to identify all potential areas and to monitor and analyse outcomes of any action taken.

Controls to plan, authorise and manage police overtime at a local level were not operating effectively. Local police overtime tasking groups have been established in some areas but there was generally a lack of evidence to demonstrate the basis for planning. Although controls are improving over the authorisation of overtime once incurred, there was a lack of evidence to support the authorisation of overtime in advance. The basis for setting the budgets is largely historical and did not take account of current business needs in all areas. Budgets are being devolved to operational officers and accountability is increasing but budget management responsibilities were not yet fully integrated into the personal performance management system. The accuracy of forecasting continues to be an issue and the reconciliation of overtime payments post event also needed to be improved.

Analysis of Recommendations

48 recommendations made:

19 High Risk (19 accepted and 11 implemented)
29 Medium Risk (28 accepted and 19 implemented))

Senior Line Management Comment – to follow.

FOLLOW UP AUDITS

FINAL REPORTS

Rent and Housing Allowance

Draft report issued April 2004
Final Report issued June 2004

Summary of Findings

All the recommendations have been implemented and the control framework is therefore adequate.

Boat Support and Maintenance

Draft Report issued April 2004
Final Report issued July 2004

Summary of Findings

Forty-six of the forty-eight recommendations have been implemented and the control framework is therefore adequate. The remaining two recommendations are no longer relevant.

Messenger and Mail Services

Draft Report issued May 2004
Final Report issued January 2005

Summary of Findings

Our overall opinion was that whilst the control framework had improved since the review was completed in October 2002, further improvement was required before the system objectives for Mail and Messenger Services could be met.

Thirteen of the seventeen agreed recommendations had been implemented. Four recommendations remained outstanding of which two were in the high-risk category and relate to the screening of incoming mail.

Imprest Account Control – Temporary Imprests

Revised Draft Report issued February 2005
Final Report issued March 2005

Summary of Findings

There had been significant improvement in control over the management of Temporary Imprests and all but three of the twenty one agreed recommendations had been implemented. A target date of 1 May 2005 had been set to implement the three outstanding recommendations.

Police Collision Claims/Insurance

Draft Report issued February 2005
Final Report issued March 2005

Summary of Findings

Our overall opinion was that there had been significant improvement in the control framework for Police Collisions Claims & Insurance since the review was completed in 2003.

Twelve recommendations (including one which was previously not accepted) had been fully implemented and a further two partially. Two recommendations remained outstanding and one was no longer applicable. A number of further recommendations, which relate to the original audit or are based on changes to the system since the last audit review in 2003, had been made. Early target dates had been set to implement all the additional recommendations.

Deceased Persons Property

Draft Report issued November 2004
Final Report issued April 2005

Summary Of Findings

In our opinion, there had been improvement in the controls over deceased persons' property since the original audit was carried out. However, some improvement was required to ensure that business objectives were met. Of the ten recommendations agreed previously, seven had been implemented, one recommendation had been partially implemented and two had not been implemented.

Procedures relating to deceased persons' property have been produced and are included within the main Property Manual, which is available on the Intranet. Our visits to a sample of property stores found, however, that adequate controls were not in place in relation to the processing of cash.

SYSTEMS DEVELOPMENT & CONTROL ADVICE

Devolved Financial Management

A survey to determine the level of compliance with the Scheme Of Devolved Financial Management was carried out by the Deputy Commissioners Command following our review of one of the pathfinder boroughs, Barnet. The survey and our review concluded that aspects of the approved Scheme are not being followed. We are working with the Devolution Team and the Head of Business Support, Finance Services to address these issues many of which will now be dealt with as part of the Service Review.

Outsourcing Action Groups

We continue to attend the Action Groups that have been set up by the Director of Resources and the Director of Information to oversee the next stage of outsourcing. We are currently attending the Action Groups for Payroll Services, IS/IT Services, Property Services and Transport ensuring that key lessons learnt from previous outsourcing and our audits in this area are being addressed.

Upgrade of Corporate Accounting System – Resources Directorate

We have advised on the upgrade of the Corporate Accounting system, Metfin and the introduction of a new IT system for Transport and Property Services. We have attended project meetings throughout the year ensuring that adequate controls are being built into the new and developing systems that will support the Resources Directorate in going forward.

National Fraud Initiative

We spent a significant amount of time this year on cases arising out of the 2002 National Fraud Initiative, which is run by the Audit Commission. In all more than forty individuals names identified by the initiative were researched and as a result three members of the police staff have been prosecuted for benefit fraud and six have received formal cautions from the authorities concerned. As a consequence of the NFI work six staff have resigned prior to disciplinary proceedings, one has not had their contract renewed, one has been given a final written warning and eight have received words of advice. In addition one pensioner has been convicted of benefit fraud and three have received formal cautions. Cases against three further pensioners were not proceeded with due to their ill health. We have also identified four cases of payments to deceased pensioners and recovered or halted payments totalling £58,571. We have also provided datasets to the Audit Commission for the 2004 exercise and will be following up the results in 2005/2006.

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 at the request of the METSEC Board members. We share the results of investigations and audits and also provide advice and support to the METSEC Board members on security issues. Our contribution has helped improve the system of control. This is a permanent committee.

MPS Corporate Personnel System – the MetHR project

The MetHR project is intended to provide a single corporate personnel system to replace a number of MPS legacy and local systems. We attend the MetHR Project Board as designated advisors to the project focussing on control aspects of software modules under development, in particular controls over the core database product and the MetHR to Payroll interface. We attend the Senior User Assurance Group as advisors and have been consulted on project management, logical and physical security and process and system testing. There continues to be a significant commitment by internal audit to this and associated projects.

IMSG Audit and Benefits Realisation sub-group

We attend and advise this group which is chaired by the Director of Information and reports to the Information Management Steering Group. The group meets quarterly to track the progress of audits and monitor the implementation of internal audit recommendations pertinent to the Department of Information and Service Security Branch. This is a permanent committee.

MPS Infrastructure Workstream Board

This Board is managing the projects to deliver the MPS technology upgrade for the corporate IT infrastructure. The Board meets monthly and we attend as advisors on control issues and respond to discussion papers when appropriate.

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 meetings as users and also to advise on controls. Significant internal audit resource is devoted to this developing corporate system. As part of a small working group we have agreed with Directorate of Professional Standards a common requirement to facilitate forensic investigations of the Aware platform and systems hosted on Aware. This requirement is now in the course of implementation.

Duty Management and Overtime Records Project (MetDuties and MetTime)

We are advising a cross-MPS working group who are preparing a systems requirement for an automated duties management system, originally as a CARM replacement (MetDuties) and more recently the new over-arching system for duties, overtime and associated expenses/allowances (MetTime). We wish to ensure that the organisation benefits from the lessons learned from recent internal audits of overtime.

Contract Regulations & Procurement

We attend the group that has been set up to review the Authority's Contract Regulations. The revised Contract Regulations were published in June 2003. As part of this work we will also be advising on the procurement processes that are being developed by the Director of Procurement and the Director of Property Services to support the Contract Regulations.

The Suppliers and Tenderers Risk Assessment Group (STRAG

We participate in the wok of STRAG. STRAG was established to monitor on behalf of the Director of Resources the risk of failure of major contracts, particularly 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.

Annex B

INTERNAL AUDIT INVESTIGATIONS 2004/2005

1.   Split of Investigations by MPS Business Area

Business Area	Number of Cases			
	2004/2005		**(2003/2004)**	
	Internal	*External*	*Internal*	*External*
Human Resources	2	0	(3)	(0)
Directorate of Information	6	0	(3)	(0)
Property Services Directorate	2	1	(3)	(1)
Directorate of Transport	3	0	(1)	(0)
Directorate of Procurement	0	0	(1)	(0)
Directorate of Commercial Services	5	1	(13)	(2)
Directorate of Finance	2	0	(0)	(2)
Specialist Operations/Crime	7	0	(4)	(1)
Territorial Policing	16	0	(22)	(1)
Deputy Commissioner's Command	1	0	(2)	(0)
Others	7	3	(0)	(29)
Total	**51**	**5**	**(52)**	**(36)**

2.   Split by Type of Allegation

	2004/2005	**(2003/2004)**
False claim for fees, expenses or overtime	6	(5)
Theft of cash	15	(12)
Missing Assets/Waste	9	(10)
Corruption or misconduct in public office	2	(3)
Forgery of documents	2	(2)
Theft of property	0	(5)
Computer misuse	3	(1)
Failure to notify death of pensioner	0	(5)
Failure to notify secondary employment	2	(8)
NFI – Benefit investigations	8	(31)
Other	9	(6)
Total	**56**	**88)**

		Number of Cases	
		2004/2005	**(2003/2004)**
3.	**Outcome of cases**		
Staff Suspended		3	(1)
Staff arrested		3	(2)
Others arrested		3	(4)
Staff charged		2	(2)
Others charged		2	(2)
Staff resigned/dismissed		15	(7)
Staff cleared by investigation		12	(3)
Cases still under investigation		22	(25)
4.	**Recovery of funds**	**£556,203**	**(£39,488)**
	Losses stemmed/prevented	**£960,784**	**(£458,319)**
	Savings	**£172,229**	**(£3,400,000)**
	Total	**£1,689,216**	**(£3,897,807)**
5.	**Current Live Cases**		
From 2001/2002		1	(1)
From 2002/2003		5	(22)
From 2003/2004		22	(25)
From 2004/2005		22	
	Total	**50**	**(48)**
6.	**Total number of cases**		
	Financial Year 2004/2005	**56**	
	1997 to 31.3.2005	**562**	

Annex C

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.