

**INTERNAL AUDIT ANNUAL REPORT
1 APRIL 2002 - 31 MARCH 2003**

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AUDIT PANEL DRAFT

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 control within the Metropolitan Police Service (MPS) and the MPA. It also summarises the activities of Internal Audit for the period from April 2002 to March 2003.
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.

Background

3. ***We achieved completion of 81% of our planned systems audit work for the year*** (i.e. audit fieldwork completed and a draft or final report issued). ***This was a significant improvement over 2001/2002*** (where we were only able to manage 67%). Several pieces of additional work were also undertaken either at the request of the Treasurer or Clerk in the MPA or at the request of the MPS. In particular:
 - At the request of the MPS Director of Property Services, following our emerging findings from a routine audit, we investigated the arrangements for the sale and disposal of four police properties. We identified potential lost income on two sales of around £2.6 million as well as the failure to obtain best value in the extension of a lease on another property.
 - We provided advice to the Clerk to the MPA on arrangements for consultation with the community and in addition gave specific guidance to one police consultative committee on its financial controls.
4. Significant savings have arisen as the result of our audits and investigations. In particular, the implementation from September 2001 of recommendations on the payment to interpreters, coupled with subsequent on-going investigations since September 2001 into the claims of certain linguists has made a major contribution to a ***two-year saving of £3.6 million in costs for linguistic services*** that might otherwise have been incurred.

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5. The Forensic Audit Branch is the investigative arm of Internal Audit. The Forensic Audit Branch has had an increasing impact on the MPS. Sixty-seven new cases were dealt with during the year (seventy-eight in 2001/2002), ranging from concerns about multi-million pound property sales and major contracts for services through to allegations about personal use of corporate procurement cards. Seven cases arose as a result of 'Right Line' calls (coincidentally there were also only seven in 2001/2002)¹. Assistance has also been provided to the Directorate of Professional Standards under our Memorandum of Understanding with them. ***As a result of Forensic Audit Branch activity savings or losses stemmed during the year were approximately £3.8 million and recoveries made approximately £87,000.***
6. Numbers of staff employed in Internal Audit grew slightly during 2002/2003. Turnover was similar to the previous year. Five new staff were recruited and two staff left to take up posts elsewhere. (30 staff were in post on 31 March 2002 and 33 staff on 31 March 2003).
7. On average we remained understaffed by about 20 - 25% of our identified need. This had an impact on our ability to complete the planned programme of systems audits and BOCU reviews. Effort was concentrated on achieving as much of the systems audit programme as possible and in consequence only two BOCU reviews out of ten planned were undertaken.

Assurance on Internal Control

8. Throughout the year we have measured the degree of assurance within systems that we audited, as well as assessing the significance of system risks. Internal investigations and other review work, including that by District Audit (now Audit Commission) and Accenture have assisted me in fine tuning the degree of assurance that I can give.
9. We measure the adequacy and effectiveness of internal control in systems on a five-point scale where a score of 1 means the system is performing particularly well and 5 that the level of control is unacceptable. A score of 2 reflects a system with adequate controls and scores of 3 and 4 reflect increasing degrees of the need to improve control.²
10. ***For those systems reviewed by Internal Audit in 2002/2003 the average assurance score was 3.3³ on the scale of 1 to 5. This was a marginal improvement on the 3.5 score last year. However, the average score shows that the MPS has some way to go yet before control can be***

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.

² See Appendix 3 for a full description of the assurance criteria.

³ For all audits completed to final report, including follow-up reviews.

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considered adequate. High-risk systems had an average score of 3.9; disappointing compared to the general average and last year. However I am more encouraged by follow-up audit reviews with an average score of 2.6 (2.8 in 2001/2002), showing a marked improvement in internal control following progress since the average score of 3.6 for the initial audit.

11. We have continued to find basic weaknesses in financial controls in systems reviewed during the year. Arrangements for the identification of income received remain less clear than I would wish. We found a number of incidents where counter-signatories had returned signed claims to the claimant – particularly for interpreting and some day-rate consultancy services. In consequence ***over-claims and false claims have been made and paid that could have been prevented by the application of straightforward basic controls.***
12. We have identified a number of weaknesses and risks that have now been addressed by line management. But control remains weak in some systems that we have reviewed, including significant systems where our recommendations have been accepted but not yet fully implemented.
13. Several of our investigations during the year have highlighted a lack of adequate management supervision and control, particularly in the management of large service contracts, with the risk of fraud, waste and abuse as a consequence.
14. ***In summary, there is evidence from our follow-up audits of improved control by the MPS and I can offer a 57% assurance (improved from 50% in 2002/2002) on the adequacy of control and the effectiveness of systems within the MPS.***

Summary of Key Internal Audit Achievements during the Year

15. Several major systems reviews were carried out during the year and there were a number of successful investigations with significant impact on fraud and abuse by civil staff or contractors.

Systems Audits

16. Three of our audits during the year resulted in new corporate guidelines being produced for the MPS. These were:

Police and Civil Support provided inside the UK

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We found inadequate arrangements for determining when and how much to provide in the way of support to other forces and also discrepancies between HR and Finance records that weakened arrangements for recovering costs.

New guidelines and the recently strengthened Secondments Unit in MPS HR should help to address these issues.

Civil Staff Overtime

We could give no assurance on the validity and accuracy of overtime payments due to inadequate authorisation arrangements and poor post payment checks and budget monitoring.

Finance and HR are addressing these issues as a matter of urgency.

External Training and Further Education

We found that the training strategy did not include these activities. There were no arrangements to evaluate external training courses or further education.

All our recommendations were accepted and new guidelines have been issued.

17. The major systems audits during the year were reviews of:

Firearms Registration

Although controls over the issue and revocation of firearms licences are now adequate, we found no controls to ensure key processes such as requests for medical information, chasing renewals and issuing receipts. We also noted that there was an urgent need for expert medical support to help decide on the suitability of individuals to hold firearms.

Property Services – Management of outsourced maintenance contracts

Although there were controls in place to ensure adequate and effective arrangements for payments to contractors, there were inadequate performance monitoring arrangements and key performance indicators.

PSD management have recently adopted a new strategy for the provision of future outsourced services in this area. The new arrangements will address our main concerns.

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Dol – Management of outsourced IS/IT contracts

We found there had been no assessment of whether Dol had the appropriate structure to provide effective control and accountability. Controls to verify the performance of major service suppliers were not operating effectively. We also found a lack of independent monitoring information to confirm contractor performance.

We continue to assist Dol to address these issues for the next round of outsourcing.

Diversity Application and Monitoring

While generally control in this important area was adequate, we found that some improvement was necessary. The focus on diversity was too narrow, concentrating on specific issues such as race rather than addressing the need for managing cultural change.

Police Travel and Subsistence

We found a number of issues of concern. Claims and payments were not always made in accordance with Home Office policy. Sample tests showed that particularly in specialist departments there was inadequate evidence of effective supervision and as a result errors and overpayments had occurred.

The review also highlighted concerns about the adequacy and authority for arrangements for travel by ACPO ranks. As a result a separate review was commenced which will be reported in the 2003/2004 Annual report.

Borough Operational Command Unit Assistance

18. We provided assistance during the year to several BOCUs, particularly in relation to crime property and police overtime issues. We also conducted two in-depth reviews of basic controls in the main business systems at two BOCUs, one of which was a pathfinder site for devolution.
19. Our in-depth reviews have enabled us to develop a blueprint concentrating on key risks for our future reviews of BOCUs. We will be using this in the 2003/2004 programme of work.
20. I am pleased to note that although the reviews were rigorous and led to a robust dialogue with one BOCU Commander in particular, we have had positive feedback from both. One commented that our review was certainly good value-for-money and the other (now re-assigned) has immediately invited us in to conduct a similar review of his new BOCU.

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Control Advice for Developing Systems

21. Internal auditors have an expertise in control within systems. This expertise can be used positively to ensure that new and developing systems are not designed with built in flaws in their control framework.
22. We have produced guidance across the MPS as well as specific advice on developing systems and projects, both where requested and where we identified the need to offer advice. Staff within internal audit have been actively involved in giving control advice to key projects including:
- **Devolved Financial Management**
Our work here has not only assisted with the development of guidance to BOCUs and OCUs but also we have provided direct advice on the arrangement for specific devolved functions such as use of FMEs and Linguists.
 - **Suppliers and Tenderers Risk Assessment Group (STRAG)**
We provide information, reports and analysis to STRAG, as well as responding to requests for further or additional analysis where possible. My Assistant Director responsible for our investigative work also attends STRAG meetings to provide advice as necessary.
 - **Outsourcing**
My senior management team and I are providing on-going advice at the various groups dealing with the future arrangements for outsourced work for the business areas of the MPS, including Finance, PSD and DoI.
 - **MPA Contract Regulations**
My Deputy Director has taken the lead in advising the MPA/MPS working group chaired by the Deputy Treasurer that is developing procurement and contract regulations, including delegated authorities, for the MPA and the MPS.
 - **Met HR**
Our work advising on the development of the system continued throughout the year.
 - **Met Duties**
We continue to provide advice to the group developing this aspect of the C3i project.
23. We have also continued to promote the Internal Audit Helpline, which is answered by a trained internal auditor during normal business hours.

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Investigations

24. The Forensic Audit Branch is the investigative arm of Internal Audit. The Forensic Audit Branch has had a significant impact on the MPS. Sixty-seven new cases were dealt with during the year, ranging from concerns about major contracts through to allegations about computer misuse. Seven cases arose as a result of 'Right Line' calls. Assistance has also been provided to the Directorate of Professional Standards. Largely as a direct result of Forensic Audit Branch activity losses stemmed during the year were approximately £2,600,000 (compared to £382k in 2001/2002), savings of £1,355,870 were made (£1.2 million in 2001/2002) and £87,541 was recovered (£231k in 2001/2002).
25. Investigations have been necessary where either Internal Audit has found evidence of a potential fraud or abuse by civil staff or contractors that has required immediate investigation or a discovered fraud has thrown up question marks about the system and employees/contractors.
26. The number of allegations referred to my investigative branch (Forensic Audit Branch) showed a reduction from a peak of seventy-eight in 2001/2002. The reduction in case numbers is due to the increasing size and complexity of the cases taken on and this is reflected in the results report in paragraph 28 below. The table at Appendix 2 summarises the business area where these cases arose and the results and outcomes of enquiries during the year.
27. Right Line calls or referrals at seven remained unchanged on last year. This is down from a peak of seventeen in 2000/2001 and is at the lowest level since its inception. Most of the seven were referred to Professional Standards. One case required Internal Audit action.
28. A significant amount of the Forensic Audit Branch resource during the year has been deployed in work associated with property transactions and fees paid to interpreters. This work is reflected in the values reported in the paragraph above and further results can be expected in 2003/2004. Continuing limited support has been made to the MPS personnel dealing with the vehicle removal contract and events following the contractor going into liquidation in July 2001. Other work of significance has included two serious cases of overpayment of salary and one of over claiming of fees by an IT contractor – these three cases have been dealt with as criminal matters with successful outcomes.
29. 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. To help clarify roles and responsibilities in this area we have signed a Memorandum of Understanding for our relationship with Professional Standards and this is working well.

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30. The Forensic Audit Branch has also supported others in a number of corporate areas. We have been involved in the development of the Authority's fraud policy and a number of MPS internal groups. We are also members of a number of pan-London public sector fraud prevention initiatives. In addition, we have been involved in discussions with Professional Standards and are supporting the re-launch of both the Right Line and the wrongdoing policy.

Lessons Learned from Investigations

31. 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

32. We were able to follow up fourteen audits compared to six in the previous year. For the majority, there was evidence of a significant improvement in control since our original audit. While it is pleasing to note the impact of my Internal Audit teams in areas where we have issued audit reports, it is also of concern that we are not finding any general signs of improving financial control in those areas reviewed for the first time.

Follow-up audits where we were pleased to note good progress

33. We were pleased to find that excellent progress in improving control had been made in the following areas:

Directorate of Legal Services – Imprest Account

Treasury Management

Catering Procurement

Warehousing – control of Ammunition Stocks

Systems supporting Underwater Searches

Health and Safety

DPA Marketing and Advertising

Warehousing – Transport Stocks

Clubs and Vice Property Store

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34. We noted that some improvement had also been made in the following:

Write offs, losses and special payments

Two of our original five recommendations had been implemented. We have made a further five recommendations to improve control.

Information Systems Strategy

Of our original twelve recommendations, seven have been fully implemented and five only partially. We have made a further three recommendations to improve control.

Fixed Penalty Notices

Twenty-eight of our original forty recommendations have been implemented. Some originally accepted recommendations have been rejected and we are working with line management to resolve the outstanding issues.

Follow-ups where we remain concerned

35. In a limited number of instances we found that little progress had been made since our original audit. Particular follow-up audits of concern in 2002/2003 were those of:

Management and Resourcing of Traffic Wardens

We found that none of our original eight recommendations (one high risk) had been implemented. While the new Transport OCU is addressing these issues, our recommendation in relation to Heathrow has not been addressed.

Forensic Medical Examiners

Our original report was issued in 1998. The follow-up review found that thirty-two of the original fifty-four recommendations that were accepted, including nineteen classed as high-risk, had not been implemented. As a result the Director of Resources and the Director of Commercial Services were required to explain the reasons for the lengthy delay in implementation to the Audit Panel in March 2003.

Currently further progress has been made and we will be assessing the situation again once the FME budget has been effectively devolved.

Receipt and Banking of Income – Collision Books

Only six of the agreed thirty-five recommendations had been implemented. As a result, the MPS could be losing up to £250,000 per annum. The only high-risk recommendation remains outstanding.

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Internal Audit Planning

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

Internal Audit Planning				2002/2003
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2,160	47%	2,042	50%
Investigations	1,406	30%	1,286	31%
System Advice	639	14%	597	14%
BOCUs	400	9%	189	5%
Total	4,605	100%	4,114	100%

Internal Audit Planning				2001/2002
Audit Activity	Planned Days	% of Total	Actual Days	% of Total
Systems Audits	2718	54%	1,634	46%
Investigations	1603	32%	1,429	40%
System Advice	401	8%	468	13%
BOCUs	320	6%	32	1%
Total	5042	100%	3563	100%

37. Our actual use of time has remained largely in proportion to the planned use of time. The only significant difference is for BOCU reviews where we postponed a number of planned reviews following changes to the Inspectorate programme in local units and concerns in the MPS about the high level of other review activity in BOCUs.

38. The comparison between the years shows that we were more realistic in our planning this year and were only 500 days short of the plan compared to 1,500 days the previous year. The shortfall largely relates to three individuals who were unable to join after appointment and a fourth who resigned due to an unexpected illness after a week in post.

Internal Audit Performance

Customer Satisfaction

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39. 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.
40. This year the overall score was amended from a scale of one to ten to one to five, in line with the other categories on the questionnaire. This has had a slight dampening effect on the possible overall score, reflected in a small drop in overall satisfaction from % in 2002/2002 to 72% this year.
41. Our highest satisfaction scores have been achieved in the conduct of the audit by my staff and their minimising of disturbance to those audited. The lowest scores have centred around line management involvement in the preparation of the Terms of Reference for audits and discussion of progress along with review conclusions. While these scores are a little disappointing, averaging 70% satisfaction (compared to a target of 80% and the scores for conduct and minimising of disturbance at 84% and 88% satisfaction) they also reflect line management changes during some of the audits.

Use of Internal Audit Resources

42. The budget for Internal Audit for was set at £1,644,000 for 2002/2003. Taking into account some adjustments that have yet to be made for unspent accruals and cross-charges, Internal Audit underspent by £73,000. This relates to the unexpected loss of some provisionally appointed staff and delays in progressing work by a contractor.
43. Expenditure on all contractors to Internal Audit in 2002/2003 came to £42,000 compared to £89,000 the previous year. As our budget had been reduced to £11,000 this represented an overspend that we off-set against the shortfall in planned staff.

Output Measurement

44. We have recorded not only details of the number of Internal Audit recommendations made and accepted but also the numbers of recommendations that are of high, medium or low risk significance. **Line management accepted all 81 (100%) of our high-risk recommendations last year (95% in 2001/2002).** Our target is 100% acceptance of high-risk recommendations and 90% of all recommendations. **Overall 97% of all our recommendations were accepted (93% in 2001/2002).**

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45. We have also recorded details of the implementation of accepted audit recommendations. The degree of implementation of, in particular, highest risk recommendations is a true measure of Internal Audit output success, as this demonstrates where we have been an effective agent of change for the better.

46. All recommendations accepted are intended to be subject to a follow-up audit, at approximately six months after the issue of the final agreed report for high risk audits, to determine the level of effective implementation. Table 3 sets out the progress with recommendations over the previous year where the Audit Report has been issued at least six months prior to the time of this report.⁴

PLEASE NOTE THAT IMPLEMENTATION PROGRESS INFORMATION IN TABLE 3 WILL BE UPDATED AT THE AUDIT PANEL MEETING.

THROUGH NO FAULT OF MPS MANAGEMENT OR MPA IA INSUFFICIENT DATA IS AVAILABLE AT TIME OF GOING TO PRINT TO GIVE THE TRUE POSITION.

⁴ For that reason our period covered in Table 3 is from January to December rather than the financial year.

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RECOMMENDATIONS – MADE, ACCEPTED & IMPLEMENTED

Year on Year Comparison

Table 1

Recommendations	2000/01	2001/02	2002/03
Made	575	624	678
Accepted	545	578	658
Percentage Accepted	95	93	97

2002/2003 By Significance of Recommendations

Table 2

Recommendations	High	Medium	Low
Made	81	526	71
Accepted	81	508	69
Percentage Accepted	100	97	97

Source – Final Reports issued 2002/03

Recommendations Implemented – Last two years

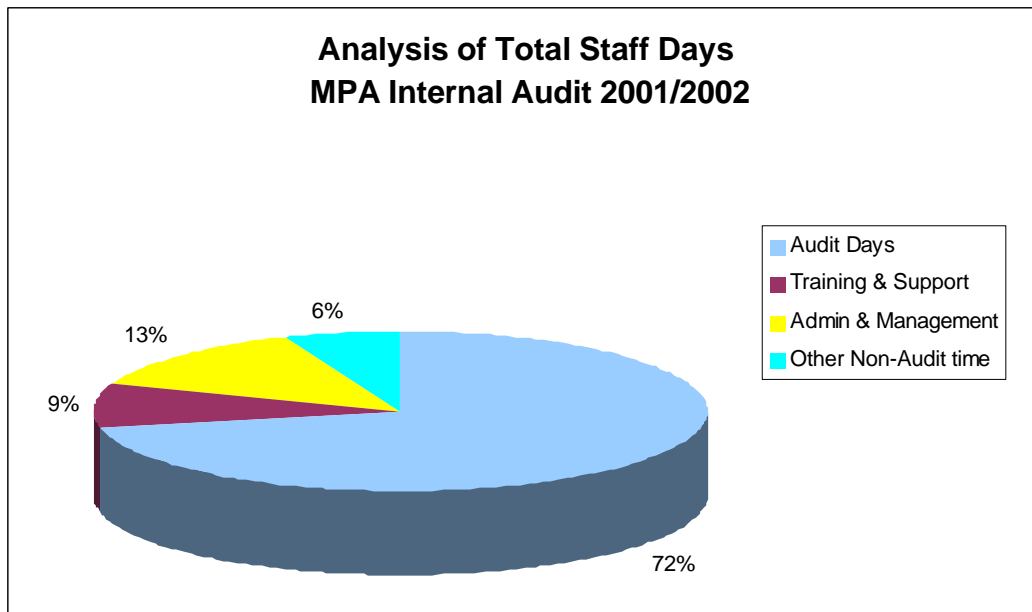
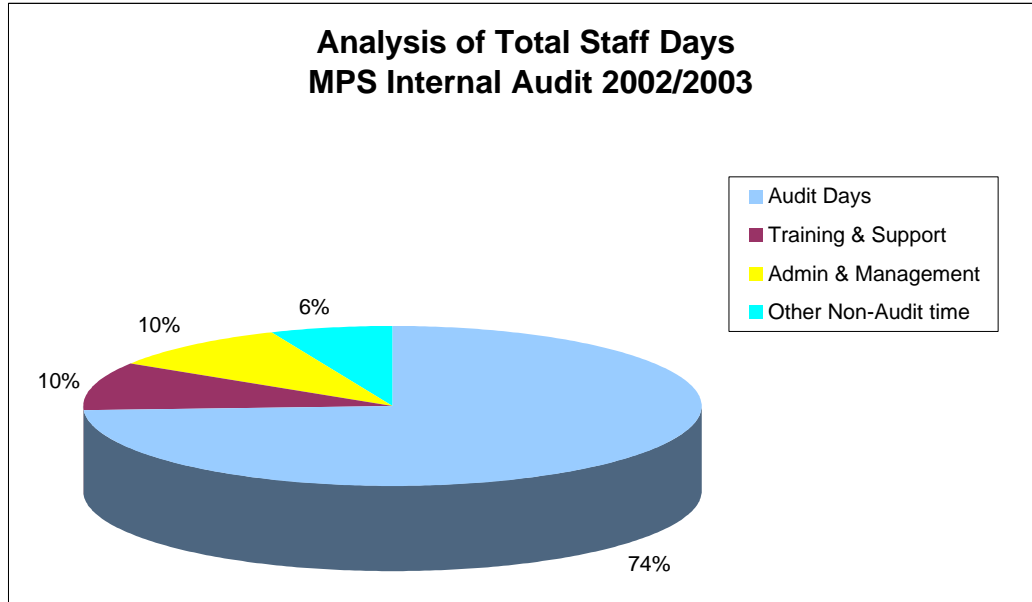
Table 3

Recommendations	Jan – Dec 2001			Jan – Dec 2002		
	High	Medium	Low	High	Medium	Low
Accepted	90	417	82	43	399	81
Implemented	78	364	62	18	144	33
Percentage Implemented	87	87	76	42	36	41

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Use of Internal Audit Staff Time

47. Comparison with last year shows that we have been able to achieve a small increase in our productive audit time and a four percent reduction in the time spent by auditors on administration.



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Excellence in Internal Audit

48. Internal Audit operates under the processes laid down within the Excellence Model. Year on year there has been continual improvement in our internal procedures that have been taken forward in consultation with our staff.

Relations with other Review Agencies and Auditors

Internal MPS Review Bodies

49. We are in liaison with the Inspectorate and other reviewers in the MPS through the Inspection Liaison and Analysis Unit of the MPS. Our planned programmes of work are shared and we work hard to ensure that there is no unnecessary duplication of work.
50. We continue to work alongside those reviewing data protection and data security and have been involved in joint investigations as well as working parties and groups to help improve the security of MPS systems.

Audit Commission (formerly District Audit) and their Subcontractors (KPMG)

51. We have shared information about planned programmes of work and areas of concern. Meetings have been held and there has been some joint working on audits.
52. District Audit carried out a review of Internal Audit during 2001/2002. Their report made nine recommendations for improving matters relating to Internal Audit. The Treasurer and I accepted all the recommendations. The follow-up review by the Audit Commission in 2002/2003 confirmed their initial assessment that they could rely on the work of Internal Audit, commented favourably on our progress and made suggestions for further improvements in our planning and reporting of results, which we have taken on board.
53. We have also continued our open working relationship with KPMG that started when they were previously supporting the National Audit Office.

Other External Review Agencies

54. We continued to build relationships with police authority internal auditors in England and Wales, including senior management attendance at seminars and meetings organised by the various police authority auditor groups.

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Conclusions

The Performance of Internal Audit in 2002 - 2003

55. We have demonstrated a significant improvement in our own performance in the last year. The majority of the planned programme has been completed to report stage. We have also made considerable strides in catching up with the backlog of follow-up audits identified in the previous year.
56. Sizeable savings have been identified and significant losses stemmed as a direct result of audit work, right through from systems audits and advisory work to investigations and follow-up reviews.
57. I am grateful to my staff for their efforts in the last twelve months and the positive contributions that have been made to the additional advisory reviews and investigations that had to be taken on during the year.

Working with the Audit Panel and the Commissioner

58. During the year the opportunity was taken to clarify our relationship with the Commissioner and his team, as well as providing assistance to the Chair of the Audit Panel in ensuring that MPS top management took appropriate note of and action on Internal and External Audit recommendations and reports.
59. For the first time two members of the MPS Management Board were asked to explain to the Audit Panel why accepted high-risk recommendations from some time ago had still not been implemented. This new addition to the process has proved beneficial. In one area the recommendations have now been implemented and in the other Internal Audit have been consulted and have advised on how to implement the few remaining recommendations.
60. As a result of the discussion and exchange of correspondence between the Chair of the Audit Panel and the Commissioner about the implementation of audit recommendations I was able to give a short presentation to the Commissioner and his senior management in October 2002. This proved particularly successful and the Commissioner asked me to address all senior management of the MPS at his next bi-monthly meeting.
61. The Commissioner also agreed to receive a short progress report presentation from me at six-monthly intervals. The first of these, at the end of March 2003 was again received positively by the Commissioner and has directly led to the inclusion of Internal Audit in the arrangements for training new police inspectors to ensure that they are aware of basic financial and business controls at a local level.

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Opinion on Control in the MPS

62. This is the second year that we have applied an arithmetical measure to guide my opinion on the adequacy and effectiveness of internal control. This provides a benchmark to enable comparison with past years or at any point when a snapshot of the current state of control may be required.
63. The arithmetical measure has confirmed my opinion that there has been some improvement in the MPS since my report last year, albeit that the overall score is less than satisfactory (having increased from 50% assurance in 2001/2002 to 57% this last year).
64. It has continued to be a time of change for the MPS and I have welcomed the opportunity to build new and constructive working relationships with many of the senior and middle managers recruited into the MPS in the last year.

PETER TICKNER
Director of Internal Audit

REPORT ON INTERNAL AUDIT ACTIVITIES APRIL 2002 TO MARCH 2003

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 Audit Panel.

THIS SECTION OF THE ANNUAL REPORT SUMMARISES AUDITS THAT HAVE BEEN CONCLUDED TO FINAL REPORT STAGE.

SYSTEMS AUDITS

Traffic Control, Management and Enforcement (Police)

Draft Report issued April 2002

Final Report issued June 2002

Summary of Findings

In our opinion, the control framework is adequate but a number of controls are not yet operating effectively as they are in the process of development. Improvement is, therefore, required to ensure that business objectives are met. MPS Traffic OCU objectives and operational requirements have been clearly defined, evaluated and approved but the source and availability of the necessary resources are dependent on the development of the Traffic and Transport BOCUs, and the relationship between the various organisations involved.

Analysis of Recommendations

Management accepted all the 5 recommendations made.

3 Medium Risk (1 implemented and 2 partially implemented)

2 Low Risk (2 partially implemented)

Senior Line Management Comment (DAC Andy Trotter)

The audit found a number of items for action and these have been progressing. However, the Traffic OCU has had an almost complete change of management over the last year and this has delayed progress. We have now a number of activities in place and most of the items in the audit will be achieved in June or July this year.

Covert System A

Final Report issued June 2002

Analysis of Recommendations

Management accepted all the 27 recommendations made:

6 High Risk
21 Medium Risk

Financial Control of Consultative Groups

Draft Report issued May 2002

Final Report issued July 2002

Summary of Findings

Significant improvement is required to ensure that business objectives are met. The Financial Guidance issued in 1996 needs to be updated and steps need to be taken to ensure that spending is effective and for the intended purpose. Annual reports produced by the Consultative Groups are of varying quality and funding and reporting arrangements are inconsistent.

Analysis of Recommendations

Management accepted all the 23 recommendations made:

17 Medium Risk
6 Low Risk

Senior Line Management Comment (Catherine Crawford – Clerk to the MPA)

Catering Sales and Trading

Draft Report issued April 2002

Final report issued August 2002

Summary of Findings

Some improvement is required to ensure that business objectives are met. Controls over financial reporting are adequate and guidance is issued to all catering units. However, controls over the recovery of debts and cash registers are not operating effectively and need to be improved.

Analysis of Recommendations

Management accepted all the 25 recommendations.

21 Medium Risk

4 Low Risk

Senior Line Management Comment (Alastair Thompson – Director of Commercial Services)

Semi-Official Clubs

Draft Report issued June 2002

Final Report issued August 2002

Summary of Findings

Controls over the authorisation and registering of clubs are inadequate. Neither Finance Directorate nor the MPA hold records of the number and location of thrift and social clubs. No MPS-wide guidance has been produced resulting in a lack of standardised practices across the clubs. A number of thrift clubs make year-end distributions in cash in amounts exceeding £250,000. Controls over the production and review of annual accounts are also inadequate.

Analysis of Recommendations

Management accepted all the 15 recommendations made.

12 Medium Risk (10 included in draft guidance for implementation)

3 Low Risk (1 included in draft guidance for implementation)

Senior Line Management Comment (Sharon Burd – Director of Finance Services)

In our opinion the level of control is the same as at the time of the audit.

Loans to Police & Civil Staff

Draft Report issued May 2002
Final Report issued October 2002

Summary of Findings

Significant improvement is needed before business objectives can be met. Checks to ensure that season ticket loans have been used for the correct purpose are inadequate. As a result of inadequately defined criteria relating to loans, funds are being used for unauthorised purposes and more MPS funds are being committed than is necessary. The policy and procedures for House Purchase Loans require review and updating. This scheme may then be beneficial in the drive to recruit more police and civil staff. Control over the normal recovery of Welfare Fund loans through the payroll is effective. However, there are inadequacies in control regarding bad loan debts.

Analysis of Recommendations

Management accepted all the 15 recommendations made.

2 High Risk (1 implemented)
5 Medium Risk (3 implemented)
8 Low Risk (3 implemented)

Senior Line Management Comment (Bernard Hogan-Howe, AC Human Resources and Sharon Burd, Director of Finance Services)

Substantial progress has been made with the implementation of the recommendations in this audit, but many of the individual low risk recommendations have not yet been finalised.

We have included the terms and conditions for season ticket loans in Personnel Manuals and included the policy on discounted tickets on forms. Our consideration of the use of warrants for these loans did not conclude that this was a practical option and we will not be pursuing this recommendation further – as indicated in our original response.

Capita desk manuals now cover the action required for season ticket loans and guidance has been given about the appropriate signatory levels. We have now done a one off list for all F&R managers showing current season ticket loan holders and a job request has been logged on MetFIN for this report to be produced automatically in future using a report writer.

The high-risk recommendation associated with this facility still awaits the outcome of this work and as consequence until the process is finalised in sufficient detail to enable firm instructions to be given we cannot publish a notice. It should also be noted that the entire contents of the Personnel Manuals are now under review and in due course will include the documented procedures.

The remaining recommendations for HR Pay Policy in respect of house loans and recruitment have not yet been actioned. These are all low risk and have continued to be a low priority in the face of competing demands.

Messenger and Mail Services

Draft Report issued May 2001

Final report issued October 2002

Summary of Findings

Significant improvement is required before business objectives can be met. The performance measures in place are not sufficient to ensure adequate service delivery to achieve value for money.

Analysis of Recommendations

Management accepted 17 of the 18 recommendations made:

2 High Risk (2 accepted)

12 Medium Risk (12 accepted, 3 Implemented, 5 in progress)

4 Low Risk (3 accepted, 1 In progress)

Senior Line Management Comment (Alan Croney – Director of Property Services)

Police and Civil Staff Support Inside the U.K.

Draft Report issued July 2001

Final report issued November 2002

Summary of Findings

Significant improvement is required before business objectives can be met. Inadequate controls are in place for evaluating and approving support given to other organisations within the UK. Controls for agreeing terms and conditions are not operating effectively and there are also discrepancies between Human Resources and Finance Directorate records and as a result the recovery of costs is not effective.

Analysis of Recommendations

33 recommendations made:

2 High Risk (2 accepted)

31 Medium Risk (27 accepted)

Senior Line Management Comment (Bernard Hogan-Howe – AC Human Resources)

Informants Reward System (C)

Draft Report issued April 2002
Final report issued November 2002

Summary of Findings

Significant improvement is required to ensure that business objectives are met.

Analysis of Recommendations

Management accepted all the 42 recommendations made.

6 High Risk
31 Medium Risk
5 Low Risk

Senior Line Management Comment (Tarique Ghaffur – AC Specialist Crime)

Deceased Persons Property

Draft Report issued August 2002
Final report issued December 2002

Summary of Findings

Adequate controls are not in place to meet all the system objectives. We found that guidelines for dealing with deceased persons' property have not been updated since January 1996 and items of property are not always packaged and labelled properly while they are retained in property stores. Controls over restoration of property to the next-of-kin also need to be improved.

Analysis of Recommendations

Management accepted 10 of the 12 recommendations made:

10 Medium Risk (8 accepted)
2 Medium Risk (2 accepted)

Senior Line Management Comment (Tim Godwin – AC Territorial Policing)

The two recommendations that were not accepted related to the ownership of policy in respect of this issue. They were due to be dealt with by the TP Strategic Committee, however due to re-structuring within TP, this Committee was unable to address them. The role of the Committee has now, in effect, become the remit of TP OPIC (Operational Performance, Improvement and Coordination). The recommendations therefore remain outstanding, however Commander Bryan will be liaising with Keith Luck to identify the most appropriate policy owner. Once this is completed, it is anticipated that the recommendations will be implemented.

Air Support Systems incl. Engineers

Draft Report issued October 2002

Final report issued December 2002

Summary of Findings

Some improvement is required to ensure that business objectives are met. The Unit is complying with the Civil Aviation Authority's guidance notes and the UK legislation on operating an aircraft over the metropolis of the Greater London Area. However, an approved strategic plan for the Unit has not been established and objectives not set. Performance of the Air Support Unit is, therefore, not independently monitored. There are also weaknesses in control over the database used to hold flight, flight-maintenance, and stores details.

Analysis of Recommendations

Management accepted 28 of the 32 recommendations made.

- 2 High Risk (2 accepted)
- 26 Medium Risk (22 accepted and 8 implemented)
- 4 Low Risk (4 accepted and implemented)

Senior Line Management Comment (Tim Godwin – AC Territorial Policing)

The two high risk recommendations relate to the lack of strategic direction for the supply of helicopters and the criteria for setting flying hours for the Unit. It has been established that it will be necessary to document the MPS's operational requirement for air support in order to take both of these recommendations forward and a project plan has been produced outlining these and other strategic issues which will impact on the Air Support Unit (TR6/03/2 refers). The assistance of the Internal Consultancy Group (ICG) will be sought to assist in this matter and it is anticipated that work will be completed by September 2003.

SEMA have been requested to produce a set of proposals that will address the I.T. areas of concern identified in the Audit and these proposals will be available at the end of May. Finance Directorate has been invited into the Unit to investigate a stock discrepancy but have yet to attend as they are awaiting the outcome of the IT issues mentioned above. The Directorate of Procurement & Commercial Services (DPCS) is currently producing a framework which will reduce bureaucracy in relation

purchase and supply of helicopter parts. The other recommendations outstanding are linked to the issues referred to above (objectives, operational requirement against objectives and performance measurement) and as stated above these matters can only be addressed once the operational requirement has been documented and agreed. Again assistance will be sought from the ICG. In addition one of the recommendations, which was not accepted, is now being addressed by PSD who are examining the feasibility of supplying a key card access system to the stores.

Overall, the level of control is now better since the audit. Having been made aware of the issues and concerns of the auditors, efforts will focus on these areas so as to ensure that they continue to be effectively managed.

Caution Administration System

Draft Report issued June 2002

Final report issued December 2002

Summary of Findings

Some improvement is required to ensure that business objectives are met. The system in place for recording DNA samples and fingerprints is operating effectively. However, it is not possible to identify the factors that have been considered when deciding to administer a caution. Records of formal adult cautions and supporting information are not always filed securely. No systems are in place to enable the monitoring of cautions administered on a local or MPD wide basis.

Analysis of Recommendations

16 recommendations made:

16 Medium Risk (15 accepted and implemented)

Senior Line Management Comment (Tim Godwin – AC Territorial Policing)

All recommendations have been implemented. A Police notice has been published and all relevant forms have been amended.

Charities & Trusts

Draft Report issued October 2002
Final report issued December 2002

Summary of Findings

Significant improvement is needed before business objectives can be met. There is a lack of independent management control over public donations and loan repayments. Up to date written procedures to manage Charities and Trusts also need to be put in place.

Analysis of Recommendations

Management accepted all the 30 recommendations made:

27 Medium Risk (20 implemented)
3 Low Risk

Senior Line Management Comment (Sharon Burd, Director of Finance Services and Bernard Hogan-Howe – AC Human Resources)

In our opinion the level of control is better than at the time of the audit.

Property Rents, Rates and Leasing

Revised Draft report issued November 2002
Final Report issued January 2003

Summary of Findings

Significant improvement is needed before business objectives can be met. Lease commencement and expiry dates are not always input to the database and no evidence is maintained of the monitoring of leases and the evaluation of accommodation requests. The reconciliation of service charge statements is also not evidenced.

Analysis of Recommendations

48 recommendations made:

35 Medium Risk (35 accepted) (8 implemented)
13 Low Risk (12 accepted)

Senior Line Management Comment (Alan Croney – Director of Property Services)

When the audit report was being drafted it reflected a structure for Property Services that has since been substantially changed at senior management level. The changes have been driven by the need to fully address the role and responsibility of the MPA and the financial regime that came into place in July 2000. During the past year a new structure for Property Services' senior management team has been put

in place aimed at delivering and maintaining the principles of best practice within local government and the property industry.

In view of the recent significant upheaval within Property Services, with more changes still being evaluated and planned, progress with implementing the audit report's findings has been patchy. Some issues have yet to be addressed at the level of detail described in the report, but the management structure is now in place, which can address the appropriateness and efficacy of the outstanding recommendations within the new financial framework as it is being constructed.

Uniform Services – Procurement & Support

Draft Report issued January 2003

Final Report issued March 2003

Summary of Findings

The framework of control is adequate but a number of controls are not operating effectively. Procurement is operationally justified, appropriately approved and tendered. However, there is a lack of independent control over monitoring of contractor performance.

Analysis of Recommendations

Management accepted all the 13 recommendations made:

11 Medium Risk

2 Low Risk

Senior Line Management Comment (Alastair Thompson – Director of Commercial Services)

Registration, Storage, Disposal & Security of Documents

Draft Report issued January 2003

Final Report issued March 2003

Summary of Findings

Some improvement is required to ensure that business objectives are met. Comprehensive guidelines are in place for the management of the registered files and effective controls are in place for the disposal of files. However, the opening of a registered file is not always authorised and adequate records are not maintained of the movement of the files. The controls over the security of records also need to be improved.

Analysis of Recommendations

12 recommendations made:

3 High Risk (3 accepted, 2 implemented and 1 partially implemented)

9 Medium Risk (8 accepted, 5 implemented, 3 in hand)

Senior Line Management Comment (Ailsa Beaton – Director of Information)

Good progress has been made with the implementation of recommendations and consequently the level of control is better than that at the time of the audit. The outstanding high risk recommendation is awaiting advice and guidance from the Service Security Branch.

Major Enquiry Systems (HOLMES)

Draft Report issued November 2002

Final Report issued March 2003

Summary of Findings

Some improvement is required to ensure that business objectives are met. There are effective controls to monitor the efficiency and effectiveness of HOLMES and the HOLMES service, system availability and individual accounts are monitored regularly, however, a post implementation review of HOLMES2 has not been carried out. There is also a lack of awareness around security and business continuity plans are not in place.

Analysis of Recommendations

Management accepted all the 12 recommendations made:

9 Medium Risk (1 implemented).

3 Low Risk (1 implemented).

Senior Line Management Comment (Ailsa Beaton – Director of Information)

The DoI only has a minor role to play with this audit as SO1 is responsible for all but two of the recommendations. Of these two, the first has now been completed with the introduction of a more resilient and effective network service, whilst the second one has not been implemented after a review of backup procedures concluded that it would incur additional operating cost with little business benefit. Overall, it is considered that the level of control is better than at the time of the audit.

The Audit of Sutton BOCU

Draft Report issued December 2002

Final Report issued March 2003

Summary of Findings

Our overall opinion is that although efforts are being made to ensure that effective checks are carried out where possible, adequate systems are not in place to meet all the business and financial objectives of the BOCU.

We have found some issues that have implications across TP and we have raised them with the appropriate central department to ensure that appropriate guidance is provided on topics such as partnerships and sponsorship.

Analysis of Recommendations

Management accepted all the 43 recommendations made:

40 Medium Risk (33 implemented)

3 Low Risk

Senior Line Management Comment (Tim Godwin – AC Territorial Policing)

Of the 43 recommendations made in the report dated 24 March 2003, 33 have been implemented, 9 are in hand (this includes two where agreed target implementation dates have not yet been reached), leaving one which has not yet been fully addressed. However, this relates to an issue around monitoring MSC claims which has become part of a corporate issue due to recent changes in refresher/subsistence allowances affecting officers and whether this also affects Specials. Once this has been resolved, the necessary controls will be implemented.

External Training and Further Education

Revised Draft Report issued December 2002

Final Report issued March 2003

Summary of Findings

Significant improvement is needed before business objectives can be met. The overall training strategy does not encompass external training and further education. There is also a need to develop a policy on external training and to improve budgetary control. Evaluation of external training courses or further education does not take place.

Analysis of Recommendations

Management accepted all the 19 recommendations made:

- 2 High Risk
- 12 Medium Risk
- 5 Low Risk

Senior Line Management Comment (Bernard Hogan-Howe – AC Human Resources)

Acquisition and Disposal of Property (C)

Draft Report issued October 2002

Final Report issued April 2003

Significant improvement is needed before business objectives can be met.

Analysis of Recommendations

Management accepted all the 33 recommendations made:

- 9 High Risk (6 implemented, 2 in progress)
- 24 Medium Risk (11 implemented, 10 in progress)

Senior Line Management Comment (Alan Croney – Director of Property Services)

Firearms Registration

Draft Report issued January 2003

Final Report issued April 2003

Summary of Findings

Significant improvement is needed before business objectives can be met. Controls for a number of key processes such as, requesting medical information, chasing renewals and issuing receipts, are not in place. Whilst controls over the issue and revocation of Firearms Licenses are adequate, there is a need to provide expert medical support for deciding the suitability of individuals on the basis of health.

The charging for licenses is adequately controlled and the security controls for income and firearms are adequate but needs to be consistently applied by all teams. The security of Firearms Enquiry Officers and data is also inadequate.

Analysis of Recommendations

Management accepted all the 23 recommendations made:

10 High Risk (3 implemented)
13 Medium Risk (8 implemented)

Senior Line Management Comment (David Veness – AC Specialist Operations)

Eleven of the twenty three recommendations have been completed. Some areas remain outside the sphere of direct influence of the MPS Firearms Enquiry Teams, namely the national project to a sharing of PNC and FIS information. This is a PITO driven initiative, colloquially known as the Section 39 project, which has experienced delay due to difficulties with tender and support of any proposed system.

The same problem is mirrored with the more localised plan for the sharing of firearms information with the rest of the MPS. However the contract is to be awarded in June with an expected roll out in February or March 2004. In essence both systems provide almost instant additional information for all officers concerning individuals or addresses, where licensed firearms are concerned and fulfil a need under current Health and Safety requirements in terms of officer safety.

Provision and Disposal of Vehicles (C)

Draft Report issued February 2003
Final Report issued May 2003

Summary of Findings

In our opinion there is an unacceptable level of control.

Analysis of Recommendations

47 recommendations made:

2 High Risk (2 accepted)
45 Medium Risk (40 accepted)

Senior Line Management Comment (Tarique Ghaffur – AC Specialist Crime)

Property Services - Management of Outsourced Contracts

Draft Report issued February 2003

Final Report issued May 2003

Summary of Findings

Our overall opinion is that adequate controls are not in place to ensure that all the objectives for delivering an effective outsourced service are being met. Those controls that are in place are not being consistently applied.

Controls in place to ensure that all payments against the contract are valid, correctly accounted for and authorised are adequate and operating effectively. The budgetary control process is also adequate. However there is an inadequate control framework in place to monitor the contract. There are no comprehensive documented procedures or clearly defined systems to facilitate proper monitoring. In addition, inadequate Key Performance Indicators have been set to aid the review of expectations, requirements and standards of the contract.

Analysis of Recommendations

Management accepted all 9 recommendations made:

2 High Risk

7 Medium Risk (1 Implemented, 3 in progress)

Senior Line Management Comment (Alan Croney – Director of Property Services)

Police - Travel & Subsistence Allowances and Expenses

Draft Report issued December 2002

Final Report issued May 2003

Summary of Findings

Significant improvement is needed before business objectives can be met. Claim payments for meal/refreshment and lodging/subsistence allowance are not always made in accordance with the Home Office policy. The controls in place for authorising claims also need to be improved.

Analysis of Recommendations

20 recommendations made:

6 High Risk (6 accepted)

12 Medium Risk (11 accepted)

2 Low Risk (2 accepted)

Senior Line Management Comment (Bernard Hogan-Howe – AC Human Resources)

Management of Outsourced Services IS/IT

Draft Report issued December 2002

Final Report issued May 2003

Summary of Findings

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. There has been no assessment as to whether the strategy and structure within the DoI are appropriate and provide effective control and accountability. Controls to verify contractors' performance are not operating adequately. There is also insufficient management information provided independent from the suppliers and thus undue reliance is placed on contractor information.

Analysis of Recommendations

34 recommendations made:

13 High Risk

21 Medium Risk

Senior Line Management Comment (Ailsa Beaton – Director of Information)

The level of control is better than at the time of the audit.

Diversity Application and Monitoring

Draft Report issued December 2002

Final Report issued May 2003

Summary of Findings

Some improvement is required to ensure that business objectives are met. There are annual reports from the MPS and MPA on their key diversity performance indicators and the progress is recorded adequately. However, the current focus on diversity is too narrow and is primarily focused on specific issues such as race. Strategies do not address the need for managing cultural changes that form the bases of diversity. There is also a need to clarify the roles and responsibilities of various committees and working groups.

Analysis of Recommendations

47 recommendations made:

14 High Risk
33 Medium Risk

Senior Line Management Comment (Catherine Crawford Clerk to the MPA and Commander Cressida Dick)

Civil Staff Overtime

***Draft Report issued March 2003
Management response is awaited***

Summary of Findings

Significant improvement is required before business objectives can be met. No assurance can be given on the validity and accuracy of all overtime payments due to inadequate authorisation and post payment checking and reporting. There is also inadequate monitoring of budgets and in our opinion budget provision is not linked to the achievement of objectives to meet performance targets.

Analysis of Recommendations

25 recommendations made:

23 Medium Risk (15 implemented)
2 Low Risk

Senior Line Management Comment (Sharon Burd - Director of Finance Services)

The risks identified in this audit were mainly at medium level. There were none that were high risk. Most of the recommendations related to local management procedures where documented records for authorising and monitoring overtime were not always available. A Notice published on 28 May 2003 reminded all staff of the need for proper management of overtime and this reminder has dealt with many of the issues raised by the auditor.

It remains the position that it is not for Capita to record reasons for rejection of overtime claims and the recommendation on this point was not accepted – contrary to the comment made in the Analysis of Recommendations. Similarly aspects of the recommendations for Business Support were not accepted because local budgets are managed to the bottom line not just as overtime expenditure. However, the reminder set out in the Notice will undoubtedly improve the completion of claim forms, leading to fewer being rejected and it also includes comment about budget management. To some extent, therefore, the auditor's concerns are being addressed.

HR Pay and Pensions Policy and the CMT have prepared a draft new overtime claim form. The draft is being discussed with Capita, together with the extent to which some streamlining of processes can be introduced. Some issues about the redrafted form have been identified that require further work. Hence, these two recommendations are still in hand.

Comprehensive guidance on the application of the Working Time Regulations has been sent to the Plain English Campaign and suggested amendments are now being considered. At this time, it is expected that the guidance will be published by 30 June 2003.

FOLLOW UP AUDITS

Write-Offs, Losses and Special Payments

Draft Report issued February 2002

Final Report issued June 2002

Summary of Findings

Management have implemented 2 of the 5 recommendations we made in our final report issued in April 2000 and control has improved in these areas. However 3 recommendations have not been implemented. 5 further recommendations have been made to improve the control framework.

Management and Resourcing of the Traffic Warden Scheme

Draft Report issued January 2002

Final Report issued July 2002

Summary of Findings

The original report made 8 recommendations, including one high risk. None of the recommendations have been implemented. Soon after the issue of the final report in January 2000 CO59 ceased as a Unit and responsibility for implementing the recommendations was not transferred. However, the new Transport OCU is reviewing the Traffic Warden Scheme and the results of that review will address most of the recommendations made. However the recommendation regarding the Traffic Warden Service at Heathrow remains unresolved. Three further recommendations have been made to improve the control framework.

Directorate of Legal Services – Imprest Account

Draft Report issued July 2002

Final Report issued August 2002

Summary of Findings

Management have taken action to implement 14 of the 16 recommendations in full and the remaining 2 have been partially implemented. The control framework has therefore significantly improved. Two further recommendations were made at the follow-up stage and management have confirmed that these have also been addressed.

Treasury Management

Draft Report issued October 2002
Final Report issued November 2002

Summary of Findings

Management have taken action to implement all 11 recommendations made. The control framework has therefore, significantly improved.

Forensic Medical Examiners

Revised Draft Report issued November 2002
Final Report issued December 2002

Summary of Findings

32 of the 54 agreed recommendations have not been implemented. The outstanding recommendations include 19 assessed as High risk. Significant improvement is, therefore, still required before business objectives can be met.

Catering Procurement

Draft Report issued September 2002
Final Report issued December 2002

Summary of Findings

44 of the 47 agreed recommendations have been implemented. One recommendation previously not agreed has also been implemented. Management actions have resulted in significant improvement to the control framework of Catering Procurement.

Warehousing – Socks and Stores Control - Ammunition

Draft Report issued January 2003
Final Report issued February 2003

Summary of Findings

19 of the 25 agreed recommendations have been implemented. Management actions have resulted in significant improvement to the control framework. However the outstanding recommendations included 2 categorised as High Risk.

System Supporting Underwater Searches

Draft Report issued February 2003
Final Report issued March 2003

Summary of Findings

All 12 recommendations made have been implemented. The control framework is therefore now adequate.

IS Strategy

Draft Report issued November 2002
Final Report issued March 2003

Summary of Findings

There has been significant improvement in the controls over the IS Strategy. Of 12 accepted recommendations, 7 have been fully implemented and 5 partially implemented. 3 further recommendations have been made to improve the control framework.

Health & Safety

Draft Report issued March 2003
Final Report issued May 2003

Summary of Findings

There has been significant improvement since the original audit was carried out. Of the 19 high risk recommendations which were accepted, 16 have been fully implemented, 2 partially implemented and 1 relating to the setting up of a specific budget for Health and Safety Branch has not been implemented.

DPA - Marketing, Advertising & Printing Contracts

Draft Report issued March 2003
Final Report issued March 2003

Summary of Findings

All the 21 agreed recommendations have been implemented. Management actions have resulted in significant improvement to the control framework.

Warehousing – Stocks and Stores Control – Transport Stores

Draft Report issued January 2003

Final Report issued March 2003

Summary of Findings

23 of the 29 agreed recommendations have been implemented. Management actions have resulted in significant improvement to the control framework. However the outstanding recommendations include 1 categorised as High Risk.

CO 14 Property Stores

Draft Report issued January 2003

Final Report issued May 2003

Summary of Findings

19 of the 22 agreed recommendations have been implemented. Management actions have resulted in significant improvement to the control framework.

Receipt and Banking of Income - Collision Book Copies

Draft Report issued September 2002

Final Report issued May 2003

Summary of Findings

Only 6 of the 35 agreed recommendations have been implemented. The 1 high-risk recommendation remains outstanding.

Fixed Penalty Notices

Draft Report issued January 2003

Summary of Findings

28 of the 40 agreed recommendations have been implemented in full and 3 in partial. Two High Risk recommendations, previously agreed, have now been rejected.

SYSTEMS DEVELOPMENT & CONTROL ADVICE

Devolved Financial Management

The Devolved Financial Management Scheme went live on the 1 September 2002. We were actively involved in giving advice on the scheme and the guidance that was issued to the Pathfinder Boroughs. We will be reviewing progress with the scheme and reporting back to Audit Panel in due course.

Outsourcing Action Groups

We 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 and Property Services ensuring that key lessons learnt from previous outsourcing and our audits in this area are being addressed.

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 and pensions data was provided to the NFI in October 2002 for data matching with that of other local authorities. We have received back the matched data and expect to identify a small number of pensions related frauds.

Crime Related Property

A working group was set up to progress the implementation of recommendations made in our final report issued in March 1999. This was superseded by another working group set up to discuss proposals for a new crime property computer system. The DIA has discussed the lack of progress being made in this area with Tim Godwin, AC Territorial Policing and agreed the way forward.

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 Service Security Branch. We share the results of investigations and audits and also provide advice and support to Service Security Branch on security issues. 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 project and the project is now not due to complete until September 2003.

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)

We are advising a cross-MPS working group who are preparing a systems requirement for an automated duties management systems. 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. 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.

Partnerships

The MPS is reviewing the arrangements it has in place for identifying and managing partnership initiatives and income and expenditure. We are advising on the control framework for managing partnerships and have suggested that a working group be set up to look at the key issues.

Records Management Project

The Records Management Best Value Review Project Board completed its activities with the publication of the final report in June 2002. The project has moved to the implementation phase and we are advising the working groups on document retention and records management.

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 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 2

INTERNAL AUDIT INVESTIGATIONS 2002/2003

1. Split of Investigations by MPS Business Area

<u>Business Area</u>	<u>Number of Cases</u>		<u>(2001/2002)</u>	
	<i>2002/2003</i>		<i>Internal</i>	<i>External</i>
Human Resources	0	0	(10)	(0)
Directorate of Information	5	1	(2)	(0)
Property Services Directorate	9	0	(1)	(0)
Directorate of Transport	0	0	(3)	(0)
Directorate of Procurement	0	0	(8)	(0)
Directorate of Commercial Services	1	20	(5)	(0)
Directorate of Finance	0	2	(0)	(0)
Specialist Operations/Crime	10	0	(9)	(0)
Territorial Policing	13	0	(26)	(0)
Deputy Commissioner's Command	4	0	(7)	(0)
Others	2	0	(7)	(0)
Total	44	23	(78)	(0)

2. Split by Type of Allegation

False claim for fees, expenses or overtime	25	(9)
Theft of cash	11	(9)
Missing Assets/Waste	7	(3)
Corruption or misconduct in public office	2	(4)
Forgery of documents	7	(2)
Theft of property	3	(2)
Computer misuse	5	(10)
Failure to notify death of pensioner	0	(6)
Failure to notify secondary employment	0	(19)
Other	7	(14)
Total	67	(78)

	Number of Cases	
	2002/2003	(2001/2002)
3. Outcome of cases		
Staff Suspended	6	(4)
Staff arrested	3	(6)
Others arrested	3	(0)
Staff charged	3	(4)
Others charged	3	(0)
Staff resigned/dismissed	8	(4)
Staff cleared by investigation	17	(32)
Cases still under investigation	36	(27)
4. Recovery of funds	£87,541	(£231,171)
Losses stemmed/prevented	£2,600,000	(£381,562)
Savings	£2,555,870¹	(²)
Total	£5,243,411	((£612,733))
5. Current Live Cases		
Pre- 2000/2001	0	(1)
From 2000/2001	3	(7)
From 2001/2002	7	(27)
From 2002/2003	36	
Total	47	(35)
5. Total number of cases		
Financial Year 2002/2003	67	
1997 to 31.3.2003	418	

¹ Savings made over 2001/2002 and 2002/2003 against a 2000/2001 baseline.

² Included in losses stemmed/prevented.

AUDIT PANEL DRAFT

Annex 3

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.