

AUDIT PANEL

Friday, 30 June 2017

Director of Audit, Risk and Assurance Progress Report

Report by: The Director of Audit, Risk and Assurance

Report Summary

This report summarises the work carried out by the Directorate of Audit, Risk and Assurance (DARA) in the first quarter of 2017/18, which includes internal audit risk and assurance reviews, systems development and advisory work and counterfraud activity. The detail of work completed is shown in Appendix 1 and 2. There is also a forward look to quarter two planned activity.

Key Considerations for the Panel

- The DARA work programme is on schedule and a recruitment campaign has commenced to support the full implementation of the new DARA structure.
- DARA are conducting a joint advisory review with the College of Policing reporting, to provide assurance to the MPS and the DMPC on the adequacy and effectiveness of the Child Safeguarding internal review activity.
- An ex-MPS employee and three members of his family, have been convicted of fraud against the MPS following a counterfraud investigation relating to the receipt of goods and services. A compensation claim for £220,000 has been submitted. Work conducted at the time the fraud was discovered in 2014 strengthened internal controls. This year's pro-active counterfraud work programme will provide further assurance, pending the move to a single ERP for back office support.

Interdependencies/Cross Cutting Issues

The DARA Annual Report 2016/17 contains details of the outcome of risk and assurance reviews finalised this quarter that relate to last year's Audit Plan.

Recommendations

The Audit Panel is recommended to consider the DARA work undertaken to date and activity planned for the second quarter, and be assured that adequate progress against the Plan is being made.

1. Supporting Information

First Quarter Activity 2017/18

- 1.1. Fifteen audit reports, detailed in the Director of Audit, Risk and Assurance Annual Report for 2016/17 have been finalised this quarter (**Appendix 1** refers). Of the work planned for the 2017/18 plan, four risk and assurance reviews are at draft report stage and two in progress, and two follow up reports have been finalised with one at draft report and one in progress. **Appendix 1** summarises the outcome of the final follow up reviews, counterfraud activity and systems development and advisory work undertaken.
- 1.2. Key reviews at draft report include Operation Filesafe (the MPS response to the management of paper documents following independent inquiries) Assurance, Healthcare Practitioners - Use and Deployment, Pay and Conditions, Covert Control Environment (Covert Human Intelligent Sources) and a follow up review of Secure Intelligence Systems.
- 1.3. Contributions and designated pieces of work continue in support of a number of Gold Groups and key change programmes. The Director of Audit, Risk and Assurance attends the BSS Programme Board and auditors continue to provide advice supporting the transfer to the single ERP at the end of August. DARA attended the Child Protection Oversight Group, chaired by the DMPC and the MPS Delivery Board and are conducting a joint advisory review with the College of Policing. This work aims to provide assurance to the DMPC and the MPS on the adequacy and effectiveness of the Child Safeguarding internal review activity taking place for the Child Safeguarding Delivery Group.
- 1.4. There are currently 19 live investigations into potential fraud, abuse and/or non-compliance with regulations/legislation. This quarter, following a six week trial, one of the DARA investigations culminated in an ex-MPS employee and three members of his family, being convicted of various offences of fraud against the MPS. A compensation claim for £220K has been filed. DARA are also committed to case preparation for an upcoming case in the civil court. A significant review of a major procurement exercise has also been conducted.

Second Quarter 2017/18 Planned Activity

- 1.5. **Appendix 2** summarises progress against planned activity. In the second quarter DARA intend to finalise those reports at draft. Key work planned for the next quarter includes; Legacy Systems, Basic Command Unit (BCU) – Pathfinders, Alignment and Management of Strategic Risks to PCP and follow ups of Internal Communication, Offender Management and Police Officer Promotions Framework.
- 1.6. The Head of Audit and Assurance, Risk Management is working with Director of Commercial and Finance and the Directors of Finance, Procurement and Property to develop a Control Risk Self Assurance framework to help identify key process risks, key controls and sources of assurance. The outcome will inform the MPS approach to developing its corporate assurance framework.

- 1.7. Advisory work on the BSS Change Programme will continue and DARA representatives will continue to attend Gold Groups and Boards supporting the work being undertaken to strengthen the MOPAC and MPS governance and internal control frameworks.
- 1.8. The revised DARA organisational structure came into effect this quarter and plans implemented to make the transition. A number of new posts have been filled and further planned recruitment will conclude in the next quarter.
- 1.9. The Director will be chairing the National Police Audit Group Conference in Warwick in July. Representatives of the College of Policing, Association of Police and Crime Chief Executives, Chartered Institute of Internal Auditors, CIPFA and external audit will be presenting. This conference provides an opportunity for heads of audit in the policing environment to share best practice and keep up to date with latest developments.

2. Equality and Diversity Impact

The MOPAC and MPS commitment to equality and diversity are considered in all activities carried out by DARA. The DARA work plan is designed to provide as wide a range of coverage of MOPAC and the MPS as is possible and practicable.

3. Financial Implications

There are no direct financial implications arising from the report. There is a risk of loss, fraud, waste and inefficiency if agreed management actions arising as a result of audit activity are not implemented effectively. Savings and recoveries identified and made as a result of DARA activity enable funds to be better directed towards core policing activities.

4. Legal Implications

There are no direct legal implications arising from the report.

5. Risk Implications

There are no direct risk implications arising from the report. Completion of the audit plan enables the Director of Audit, Risk and Assurance to provide assurance on the effectiveness of risk management arrangements.

6. Contact Details

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7. Appendices and Background Papers

Appendix 1 – Summary of DARA activity Quarter 1

Appendix 2 – Progress Against the DARA Annual Plan for 2017/18

Summary of DARA Activity 1st Quarter 2017/18

Internal Audit Plan 2016/17

Risk & Assurance Review – Final Report	Assurance Rating
Police Officer Discipline Framework	Adequate
Mobile Devices Project – Governance Framework	Adequate
Key Financial Systems 2016-17	Adequate
MOPAC Governance - Regulatory Framework and Transparency	Adequate
MOPAC Oversight and MPS Professional Standards Framework	Adequate

Follow Up Review – Final Report	Assurance Rating
Facilities Management Contract Management Framework	Adequate
Crime Prevention Implementation Framework	Adequate
Investigations – Management, Capacity and Capability	Adequate

Risk & Assurance Review – Final Report	Assurance Rating
Police Productivity	Limited
Working Time Regulations Compliance Framework- Police Staff	Limited
Contract/Client Relationship Management Framework – SSCL	Limited
Contract/Client Relationship Management – DP SIAM Towers Model (incl. DP Transformation – Residual Risks)	Limited

Follow Up Review – Final Report	Assurance Rating
Risk Management Maturity – Directorate Level	Adequate
Equalities and Inclusion Strategy and Implementation	Limited

Note: Appendix 2 to DARA 2016/17 Annual Report contains the detail.

Summary of DARA Activity 1st Quarter 2017/18**2017/18 Interim Audits – Follow Up Review Final Reports**

Audit Title	Areas of Improved Control	Continuing Areas for Improvement	Management Action and Progress
Assurance Rating = Adequate Key risks are being managed effectively, however, a number of controls need to be improved to ensure business objectives are met.			
Firearms Licensing Management and Control May 2017	<ul style="list-style-type: none"> • Future accommodation requirements as a result of increased archived records added to risk register and appropriate action is being taken. • Firearms Licensing Toolkit launched and published, supported by documents addressing the most commonly asked questions and flowcharts. • Declaration of interest forms maintained in an electronic format and regularly monitored. • Full reconciliation of Firearms Licensing fees undertaken by SSCL and variances notified as appropriate. • All relevant details of firearms seized, licences refused and revocations maintained and monitored by senior officers. 	<ul style="list-style-type: none"> • Integration of the firearms licensing database with the mainstream intelligence database. • Continued monitoring of the ongoing discussions between the NPCC and the Home Office regarding information from British Medical Association members on the medical conditions of firearms licencing applicants. 	Of the seven medium risk agreed actions five have been fully implemented and two partly. The target date for completion is November 2017.
MOPAC Grants Allocation and Management June 2017	<ul style="list-style-type: none"> • Work underway to establish consistent approach to project monitoring. • Finance guidance note for Heads of Service. • Evidence and Insight Team consulted on verification of data in support of grants allocated. • Approval granted additional resources via Victims Support Grant. Recruitment 	<ul style="list-style-type: none"> • Improved contract monitoring following recruitment of additional resources. • Verification of data to support achievement of deliverables following the input from Evidence and Insight Team. • Internal Grants and Contracts Finance Monitoring meeting minutes to be recorded. 	Of the eleven medium risk agreed actions three have been fully implemented, five partly and three not implemented. The target date for completion is September 2017.

Summary of DARA Activity 1st Quarter 2017/18

Audit Title	Areas of Improved Control	Continuing Areas for Improvement	Management Action and Progress
	underway.		

Systems Development and Control Advice	DARA Activity
BSS Programme Board and Delivery Board	Attended the BSS Programme Board meetings and the fortnightly BSS Programme Joint Delivery Board meetings to advise on the governance arrangements supporting delivery of business support service objectives and on risk and control issues associated with the transition to a single ERP.
Transition to Single ERP SSCL Contract	Reviewed test plans and programme risk register and proposals for a self-approval process for expenses. Attended the weekly Portal 1 Working Group. Continued to provide control advice and volunteers for testing during the testing and training phase prior to go-live planned for August 2017. DARA met with SSCL, finance colleagues and external audit to discuss development of an integrated assurance framework post go-live. Also attended a number of Business Change Workshops seeking to ensure that the MPS is ready for the PSOP go-live.
Child Protection Gold Group and Delivery Board	Attended the Child Protection Gold Group and the Delivery Board advising on planned actions to address the issues reported by the HMIC. In particular, advising on the governance arrangements supporting the implementation of agreed actions and the wider governance issues relating to Child Safeguarding. This includes working with the College of Policing to review effectiveness of second line reviews undertaken by the Delivery Group Audit Team.
Strategic Crime Incident Recording Group (SCIRG)	Attend the monthly meetings advising on improvements to the governance framework. A DARA audit of Fraud and Linked Online Crime (FALCON) raised data quality issues and officers from FALCON will discuss issues at the June 2017 meeting. HMIC are to undertake a Crime Data Integrity Inspection later this year.
Financial Governance	DARA are working with MPS Finance, Procurement and Estates to developing a Control Risk Self Assurance (CRSA) that will help identify key process risks, key controls and sources of assurance. The CRSA will be developed over the next financial year to refine and identify any assurance gaps.
Risk and Assurance Board	Reporting progress on internal audit plan for 2017/18 and advising the Management Board on the effectiveness of governance, risk management and assurance arrangements and on key risks/issues emerging from internal audit review activity undertaken.
Risk and Organisational Learning Group	Advising on key emerging risks, control issues and themes arising from audit review activity to inform and embed organisational learning and review of operational risks. The Group had its last meeting during Q1 and going forward key operational risks will be escalated to other MPS Boards including the newly created Safeguarding Board and the Information and Security Assurance Board. A new Organisational Learning Board is to be established.
Organisation Learning Review – Diamond Groups	DARA are advising on the current changes to MPS Diamond Group structure which will see the groups with a link to child safeguarding being disbanded to rationalise decision making and reporting. Decisions about the future of the remaining groups, including SCIRGE, CES and Custody, have yet to be finalised. Also advised on the planned Open University review of organisational learning due to start in June 2017 with a two year completion date.

Summary of DARA Activity 1st Quarter 2017/18

Systems Development and Control Advice	DARA Activity
Information Assurance and Security Board and Sub Boards	Advising on security and information management risks and controls, informing the Board of key issues arising from audit activity in this area of the business via the relevant sub-groups. Attended the May 2017 Board where proposed DARA audits covering key information security risks such as cyber security were discussed.
Corporate Assurance Framework	Held further meetings with Information and Oversight colleagues to progress the actions agreed following the DARA review of the corporate assurance framework. This work will continue into 2017/18.
Leading For London Programme Board	Attended the Board in particular planning to advise on the process being developed to support the evaluation of the effectiveness of the Programme as it continues to be rolled out. The design phase is complete and commissioning phase is taking place.
Occupational Health Outsourcing	At the request of the business DARA are advising on risks and controls focussing on the development of an effective contract management framework for the outsourced occupational health service effective from May 2017.
Criminal Exhibits Management	DARA attended the Criminal Exhibits Diamond Group in May 2017 which was established to develop collective strategic support for the business change required to policies, processes and practises governing the management of criminal exhibits. The management of criminal exhibits are now a key organisational risk and DARA review activity is informing risk mitigation.
Health and Safety Board	DARA attend the quarterly Board to advise on audits that impact on Health and Safety of Police Staff and Officers. A recent follow up audit of working Time Compliance for officers and a separate planned review for police staff was discussed.

Counter Fraud Programme**Fraud Prevention Strategy and Training**

A new MOPAC/MPS combined counter fraud policy, strategy and response plan has been drafted. In line with other police forces, the document is a joint policy between Police and Crime Commissioners (or Mayor) and the police to provide both MOPAC and MPS staff with counter fraud information in one easily accessible document. It will subsequently be submitted to Audit Panel. Actions from the plan supporting the strategy will be taken forward by the joint Fraud Forum. An update of the fraud risk assessment for the MPS has commenced which will be used to assess potential 2nd and 3rd line defence work in minimising the risks of fraud. The assessment will be completed in quarter two. The mandatory e-learning anti-bribery and fraud awareness training continues to be completed by staff throughout the MPS.

Fraud Investigation

DARA continue to investigate issues of fraud, non-compliance and financial irregularities, in consultation and liaison with the DPS and the MPS Fraud Squad where appropriate. Financial recovery action is instigated when it is considered proportionate and cost effective. Recent recovery action has predominantly centred on pension and salary overpayments; and this has resulted in recovery of £65.8k. A further £78.3k has been identified for recovery. In addition, two ongoing trials (one criminal and one civil) involve monies fraudulently obtained from the MPS in the region of £400k. Following a six week trial, one of the DARA investigations culminated in an ex-MPS employee and three members of his family, being convicted of various offences of fraud against the MPS. The total value obtained was £220k and they are due to be sentenced on 30 September. Full compensation has been applied for.

Summary of DARA Activity 1st Quarter 2017/18**Counter Fraud Programme****Interrogating Key Financial Systems and Data**

Proactive analysis of key financial systems monitoring and identifying trends supporting investigations and audits. Research has been conducted into analytical systems to assist with automated identification of anomalies and trends. Monitoring continues into high risk fraud areas e.g. new vendor creations, overtime payments and allowances to identify any anomalies.

National Fraud Initiative

A total of 5,467 potential matches were received in quarter four, a 25% reduction from the last initiative. The majority (4,334) were creditor matches which are being reviewed by MPS and SSCL finance staff. Within the 1,001 pension matches, overpayments totalling £58,722 in respect of thirteen deceased pensioners have been identified. Pension payments have been stopped and overpayments of £28,273 recovered.

Summary of DARA Activity 1st Quarter 2017/18

Internal Audit Quarterly Activity – 2017/18 Plan

Risk and Assurance Review Programme (incl. Follow Ups)

Follow Up Review – Final Report	Assurance Rating
Firearms Licensing Management and Control	Adequate

Risk & Assurance Review – Draft Report Stage	Status
Operation Filesafe Assurance	Draft Report Issued
Healthcare Practitioners – Use and Deployment	Draft Report Issued
Pay and Conditions	Draft Report in Preparation
Covert Control Environment (CHIS)	Draft Report in Preparation

Risk & Assurance Review – In Progress	Status
Business and Financial Planning Framework	ToR issued
MOPAC Stakeholder Engagement	Fieldwork in progress

Risk & Assurance Review – Planned QTR 2	Status
Alignment and Management of Strategic Risks to PCP	Scoping
Legacy Systems	ToR in Preparation
BCU Reviews – Pathfinder Project Evaluation	Scoping
BCU Reviews – Operational Delivery	Scoping
Child Safeguarding - Advisory Review	ToR issued
Finance Control Risk Self Assurance	Scoping
Procurement Control Risk Self Assurance	Scoping
Estates Control Risk Self Assurance	Scoping

Follow Up Review – Final Report	Assurance Rating
MOPAC Grants Allocation and Management	Adequate

Follow Up Review – Draft Report Stage	Status
Secure Intelligence Systems (Restricted)	Draft Report Issued

Follow Up Reviews – In Progress	Status
FALCON - Cyber Crime	Fieldwork in Progress

Follow Up Reviews – Planned QTR 2	Status
Internal Communications – Workforce Engagement	Planned
Offender Management Framework	Planned
Police Officer Promotions	Planned
Training and Development – Implementation of Framework and VFM	Planned

Internal Audit Quarterly Activity
