

Mr John O'Brien
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London Councils

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Our ref LC-TPP-2014/15

Date 27th June 2014

Dear John,

Third Party Payments

Introduction

In accordance with the agreed Internal Audit plan for 2013/14, a review of third party payments was recently conducted with the assistance of the Head of Financial Accounting. Owing to overlapping audit coverage with the majority of the original proposed scope for 'Partnerships and Third Party Payments', Internal Audit conducted a review of payments to London boroughs for the one-off refund from reserves and the Metropolitan Police Service's contribution to child safeguarding in 2013/14 with the agreement of the Director of Corporate Resources.

Summary

This review focussed on ensuring that the refunds supplied to each London borough were consistent and in accordance with the terms agreed by councillors, following the agreement to reduce London Councils' reserves. In addition, the distribution of funds for the Metropolitan Police Service (MPS) child safeguarding initiative across the boroughs was assessed. For both areas, Internal Audit considered promptness of payment, consistency and transparency of process.

No recommendations have been made as a result of this review.

Conclusions

Reserves

The level of surplus on which calculations for the refunds to London boroughs were based was verified by checking the relevant audited financial statements and Internal Audit obtained assurance that that officers have given due consideration to London Councils' financial and operational sustainability prior to revising the level of reserves held.

Refunds

The level of refunds which was proposed to committee based on the assessment of reserves held is transparently documented. It was also noted that there was due consultation with appropriate senior officer's and the approval process is well documented. The refunds were verified as being distributed to the London boroughs as proposed by officer's and agreed by councillors.

Procurement and accounts payable

Best practice for procurement was also assessed in order to gain assurance that adequate internal control was in operation for the approval of significant expenses. Business continuity arrangements are in place to ensure that payments are processed in the event that the officer responsible is absent. In lieu of electronic authorisation limits, London Councils maintains a list of 48 officers who have delegated authority to sign off expenditure. 10% sample testing indicated that sample signatures are held on file for the administrative assistant to check against prior to processing invoices.

The major percentage of expenditure is for contracts for Freedom Passes and Parking & Traffic. Hand written orders are raised for these payments, which is in keeping with all other London Councils' purchase arrangements.

Sample testing of 20 randomly selected invoices to third parties indicated that there is adequate separation of duties in effect for Accounts Payable, payment is processed within the statutory 30 days, expenditure is reasonable and coding to CBIS for the organisation's management accounts is accurate.

MPS Child Abuse Investigation Command

London Councils' financial involvement with the Metropolitan Police Service's safeguarding of children initiative was undertaken as agreed with the Force. The Police was charged the correct sum of £232,000 promptly, and the sums were distributed according to the agreement.

I should be grateful to receive your comments on the contents of this letter by **11th July**. I should also like to thank your staff for their co-operation. If you have any queries, please contact **Jeremy Mullins** at Jeremy.Mullins@cityoflondon.gov.uk.

Yours sincerely,

Paul Nagle

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Head of Internal Audit and Risk Management

Copied to:
Frank Smith, Director of Corporate Resources
David Sanni, Head of Financial Accounting