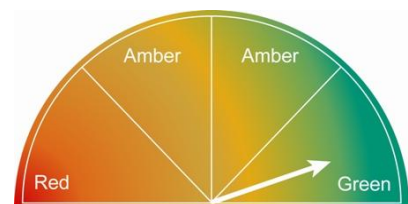


Cleveland Police Authority

Key Financial Controls

Internal Audit Report 05.11/12
November 2011

Overall Opinion



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Debrief meeting	11 November 2011	Auditors	Ian Wallace, Director
Draft report issued	14 November 2011		Sue Turner, Senior Manager
Responses received	29 November 2011		Claire Wood, Senior Auditor Leanne Brook, Auditor
Final report issued	29 November 2011	Client sponsor	Claire Hinnigan, Head of Finance Ged Gallagher (Steria), Lead Business Partner - Finance
		Distribution	Kate Rowntree, Executive Staff Officer



This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

An audit of Key Financial Controls was undertaken as part of the approved internal audit periodic plan for 2011/12.

Cleveland Police is working to a Standing Financial Regulations document dated March 2011. Due to the changeover to Oracle, no procedure documents or notes have yet been produced. Procedures were in place for the Welcom system however as this system is no longer used, we have not reviewed these as part of the audit. We were advised by the Head of Finance that once a number of month end and a year-end procedure has been undertaken, the procedure documents will be produced.

Access to the Oracle system is controlled by Systems Support and Accounts Manager. Access to Oracle is restricted via the Windows username and password. Once individuals are logged onto their computer they have access to their system.

Journals are completed by both Treasury and Steria. Most journals are held at Steria. Access to process journals is restricted and journals are processed by either a line by line process or a spreadsheet upload process.

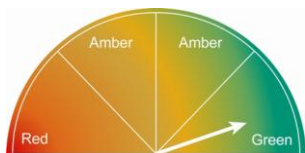
There are five bank accounts which are reconciled on a monthly basis by Treasury: General Account, Creditors Account, Income Account, Seized Cash Account and FIU.

Sales and Purchases Control Account reconciliations are performed by Steria on a monthly basis. Payroll Control Account reconciliations are undertaken by Treasury but CPA is looking at transferring this process back to payroll, who now sit within HR. There are currently no suspense accounts on the Oracle system. There were two suspense accounts on Welcom: SLBCC1 and PLBCC1.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	To ensure adequate systems are in place for ensuring the integrity and accuracy of Financial Data.
Risk	<ul style="list-style-type: none"> Access controls. Input to the ledger. Reconciliations and management of suspense accounts. Recording of income and debt management. Management information.

1.2 CONCLUSION



Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

- Cleveland Police Authority has Standing Financial Instructions in place which have been updated in March 2011.
- Access into Oracle is maintained by the Systems Support and Accounts Manager as "Administrator". Access into Oracle is restricted to a username and password for each user.
- Sequentially numbered journals are signed as prepared by a member of management accounting and signed as authorised by either the Treasury Manager or Lead Business Partner Finance depending whether the journals are prepared by Steria or Treasury.
- Reconciliations are undertaken on a monthly basis of the following bank accounts: General Account, Creditors Account, Income Account, Seized Cash Account and FIU. They are signed as prepared by a Treasury Manager and signed as authorised by the Finance Manager. The GL is also checked to the bank statements on the 1st day of each month as part of the closure process.
- Reconciliations are performed on a monthly basis of the sales and purchase ledger control accounts. Each are signed as prepared by a member of finance and signed as authorised by the Lead Business Partner Finance.
- A reconciliation of the payroll control account is performed on a monthly basis by the Treasury Manager. It is signed as prepared by the Treasury Manager and signed as authorised by the Finance Manager.
- We were advised by the Treasury Manager that there are no suspense accounts in Oracle. We were provided with the reports from the SLBCC1 and PLBCC1 suspense accounts from Welcom.
- There are four main funding streams: Main Grant Revenue Support Grant, Precept and National Non-Domestic Rates. A funding notification letter and schedules are retained by Treasury to aid in the identification and accounting of income. All income is received in the General or Income bank accounts.
- A Debtor Invoice Requisition Form is fully completed, signed by the raiser and authorised by finance. An invoice is raised within the sales ledger based on the requisition details and a copy retained on file.
- Debts are promptly followed up by phone, three stage letter process and legal action as per the debt recovery procedure.
- Debts written off are recorded on a Debtors Credit Note Requisition and authorised by the Head of Finance. Appropriate evidence is attached to the Debtors Credit Note Requisition to support the decision.
- Management accounts are produced on a monthly basis. We were advised by the Senior Management Accounts Assistant that a trial balance is not always produced however all income and expenditure accounts are downloaded and checked as part of the month end process.

Application of and compliance with control framework

- The Standing Financial Instructions includes information regarding Income and Debt Recovery, the Duties of Managers and Officers, Treasury Management and Bank Accounts and Banking Procedures.
- We were provided with a spreadsheet which showed all individuals' access to Oracle. This included non-financial and financial access. Through our review, it appears individuals' access to Oracle (particularly to amend data) is adequate. In addition, access to Oracle is restricted via the Windows username and password. Once individuals are logged onto their computer they have access to the system.
- Whilst we note the journals are not always signed and authorised prior to processing, the introduction of Oracle includes inbuilt restrictions and shows the date and exact time the journal was made.

- We viewed the sales and purchase ledger control accounts for July, August and September 2011. We note that these have all been prepared by either the Systems Support and Accounts Manager or Senior Accounts Assistant. All had been signed by the Lead Business Partner Finance and supporting evidence was provided from the accounting system.
- Through our review we were able to confirm that the payroll control reconciliations had been completed for the last three months.
- We were provided with supporting evidence to show that the suspense accounts on Welcom have either been cleared (PLBCC1) or that they are in the process of being cleared (SLBCC1).
- We were able to confirm all funding stream amounts sampled being received into the General and Income bank accounts.
- For a sample of 20 invoices, in all cases a debtor requisition form was available for review and was fully completed. The form had been signed by the member of staff who raised the invoice and had been authorised by finance. In addition, an invoice had been raised in all cases which agreed to the debtor requisition form.
- A sample of ten aged debtors was sampled with no issues arising.
- The write off spreadsheet was obtained from finance and a sample of five written off debts was selected. In all five cases we note that a Debtors Note Requisition was available for review, the requisition had been signed and dated for authorisation by an appropriate member of staff, the written off debt was posted to the general ledger and this was done in a timely manner.
- We viewed the management accounts on screen and note that they were prepared in August, July and June 2011. In addition, we were able to trace five figures from the management accounts to the general ledger.

1.3 SCOPE OF THE REVIEW

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. When planning the audit, the following areas for review and limitations were agreed:

Areas for consideration:

- Access controls.
- Journals and input to the nominal ledger.
- Bank reconciliation.
- Management of suspense accounts.
- Recording of income.
- Arrears management / debt enforcement.
- Month end closedown and reconciliation process.
- Production of trial balance.
- Production of management information.

Limitations to the scope of the audit:

- Testing was completed on a sample basis therefore we have not provided assurance that all transactions are legitimate or valid or that policies and procedures have been complied with in all instances.

- This audit did not include payroll and expenses or purchasing and payments as these will be covered by other audits during the year.

The approach taken for this audit was a Risk-Based Audit.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

	Priority		
	High	Medium	Low
Design of control framework	0	0	0
Application of control framework	0	0	0
Total	0	0	0

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Access controls	0	0	0
Input to the ledger	0	0	0
Reconciliations and management of suspense accounts	0	0	0
Recording of income and debt management	0	0	0
Management information	0	0	0
Total	0	0	0

1.5 ADDITIONAL FEEDBACK

We have included some comparative data to benchmark the number of recommendations made, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of Assurance	Percentage of Reviews	Results of this Audit
Green	100%	X

Recommendations	Average number in similar audits	Number in this audit
Recommendations made	4.50	0

2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

There are no recommendations arising from this review.

3 FINDINGS AND RECOMMENDATIONS

This report has been prepared by exception. There are no findings to report.