

**GWENT POLICE AUTHORITY**  
**INTERNAL AUDIT SUMMARY REPORT**  
**February to April 2008**

**Monmouthshire County Council**  
**Internal Audit Section**

<b>Date of Report Issue:</b>	April 2008
<b>Report Status:</b>	Final
<b>Chief Auditor:</b>	Andrew Wathan
<b>Principal Auditor:</b>	David Walton
<b>Distribution:</b>	Audit and Resources Committee Treasurer Director of Finance & Administration External Audit

## **1. Introduction**

- 1.1 This summary report provides a commentary of performance against the agreed Audit Plan for the 2007/08 financial year (Section 2). Further details of those audit reviews completed since the date of the previous report to the Audit & Resources Committee are given in Section 3.

## **2. 2007/08 Work Plan Status Report**

- 2.1 Since the previous meeting of the Audit and Resources Committee, four reports have been finalised, namely:
- Payroll System
  - Implementation of Financial Procedures
  - Treasury Management System; and
  - Estate Management follow-up.
- 2.2 Draft versions of a further five audit reviews have been issued to the relevant Police Force managers and will be finalised as soon as possible. The reports concerned are:
- Information Security;
  - Freedom of Information;
  - Procurement;
  - Income Collection Follow-up; and
  - Compliance Testing – Divisions.
- 2.3 In a further four cases, draft reports have now been completed and are being reviewed prior to issue. In each case the draft report should be issued before the end of April. These reports are:
- Post Implementation Review of the Police Authority IT Project;
  - Police Surgeons;
  - Training Review; and
  - Compliance Testing – Systems.
- 2.4 Due to unforeseen staff absences, it has not proved possible to complete the planned Post Implementation Review of Financial Management (following up on recommendations from the earlier Best Value Review). It is therefore proposed to carry forward this review to the Internal Audit Work Plan for 2008/09. A separate report on the 2008/09 Work Plan is included elsewhere on the agenda.
- 2.5 The latest update of the 2007/08 Work Plan is shown in Appendix 1 of this report.

### 3. Audit Work Completed Since Previous Report

3.1 The following paragraphs set out brief details of each of the four audit reports that have been finalised since the last meeting of the Audit & Resources Committee. As usual, we have listed any high priority recommendations from these reports separately in Appendix 2 of this report.

#### ***Payroll System***

3.2 A full audit of the Payroll system has been completed. In total nearly 2,600 Police Officers, Staff and Authority Members are paid salaries, expenses and allowances through the Payroll system. Total Payroll costs in 2006/07 were £88.5million.

3.3 The review showed that most of the expected payroll controls were in place and operating effectively. There were some control weaknesses however, notably in the areas of:

- Administration of starters and leavers; and
- Reconciliation of control accounts.

3.4 Accordingly, the system and procedures relating to Payroll have been given an **internal control rating of 3**, meaning:

<b>The system provides acceptable controls in most key areas and controls can be implemented in areas found to be lacking.</b>
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3.5 It should be noted that this audit covered the whole scope of the Payroll system, including elements that are not directly under the control of the Payroll Section. This is reflected in the Action Plan, where of the 14 recommendations made in total, only six are the responsibility of the Payroll Manager.

#### ***Implementation of Financial Procedures***

3.6 The main purpose of this audit was to review a sample of Financial Procedure Notes and test to confirm that the instructions contained therein were being adhered to.

3.7 The following sample of Financial Procedure Notes was used for this year's audit review:

- Purchasing Cards;
- Periodical Payments Register;

- Accounting for VAT; and
- Control Account Reconciliations.

3.8 Conclusions for each area reviewed are set out separately in the following paragraphs.

### **Purchasing Cards**

3.9 Purchasing Cards were generally being operated in accordance with the Procedure Note, although a number of departures from approved procedures were apparent. The most important ones being:

- The monthly analysis of Purchasing Card transactions compiled by a Procurement Officer to review off-contract use did not include all Purchasing Cards; and
- At the time of the audit there were 64 Outstanding VAT Receipt forms amounting to £1,795 of VAT relating to 2006/07.
- Monthly payments to the Bank in respect of purchasing card transactions were not authorised in writing by a Principal Accountant.

**Control Rating 3: The system provides acceptable controls in most key areas and controls can be implemented in areas found to be lacking.**

### **Periodical Payments Register**

3.10 The Periodical Payments Register is being operated appropriately in line with the requirements of the Financial Procedure Note. However, there are still very few items on the Register (only 15 at the time of the audit) and the register needs to be expanded to cover items such as Non Domestic Rates, Rents, Telephones and Rental of Equipment and Software.

**Control Rating 2: The system provides acceptable controls in all areas however certain controls are not operating effectively.**

### **Accounting for VAT**

3.11 Accounting for VAT was being performed efficiently and generally in accordance with the Financial Procedure Note. Nevertheless some weaknesses were identified, including:

- Outstanding claims for VAT on interim payments relating to November and December 2006 (amounting to £49,686) and other outstanding items relating to March 2007 (amounting to £152,180) were not claimed until September 2007 (after the amounts were queried by Internal Audit); and
- Some of the laid down procedures were not being properly followed with the result that although the VAT amounts claimed were correct, the analysis of outputs and inputs shown in boxes 6 and 7 of the VAT Returns were incorrect.

**Control Rating 3: The system provides acceptable controls in most key areas and controls can be implemented in areas found to be lacking.**

### **Control Account Reconciliations**

- 3.12 The reconciliation of control accounts is generally being carried out and reviewed in an efficient and timely manner. There were some weaknesses however, the main ones being as follows:
- At the time of the audit visit some accounts had not yet been reconciled during the 2007/08 financial year; and
  - Although most reconciling items appear to have been cleared on a timely basis, some control accounts have reconciling items which have been outstanding for a number of months.

**Control Rating 2: The system provides acceptable controls in all areas however certain controls are not operating effectively.**

### ***Treasury Management System***

- 3.13 The Treasury Management function covers both the short term investment of surplus cash balances and also borrowing to finance long term capital expenditure. As at 31<sup>st</sup> December 2007, the Police Authority had short term investments of £32 million and long term outstanding borrowing of £6.3 million.
- 3.14 Our review looked at both investments and borrowing. All expected controls were found to be in place and testing confirmed that they were operating effectively. Just one recommendation was made relating to the requirement for the annual report on Treasury Management to be presented within six months of the end of the relevant financial year.

- 3.15 Accordingly the Treasury Management system was given an **internal control rating of 1**, meaning:

**The system provides acceptable controls in all key areas and these have been found to be operating effectively.**

***Estate Management Follow-up***

- 3.16 A follow-up review of the 2006-07 audit report on Estate Management has also been completed.
- 3.17 The report reviewed the implementation of the Action Plan agreed as part of the 2006/07 review. Good progress has been made, with all of the seven recommendations agreed at the time of the previous audit report found to have been implemented satisfactorily. No new weaknesses were identified at the time of this review. The one outstanding issue from the previous report concerning the monitoring of slippage on the capital programme throughout the year remains under discussion with the Director of Finance and Administration.

**GWENT POLICE AUTHORITY**

**Internal Audit Work Plan 2007/08**

**APPENDIX 1**

<b>ACTIVITY</b>	<b>PLANNED REVIEW DATE</b>	<b>ACTUAL REVIEW DATE</b>	<b>STATUS</b>	<b>BUDGET DAYS</b>	<b>ACTUAL DAYS</b>
<b>PLAN 2007/08:</b> <b>Planning/Risk Assessment</b>	April 2007	April 2007	Completed	1	1
<b>Completion of Outstanding 2006/07 Programmed Work:</b> Information Security Review Freedom of Information Corporate Governance Estate Management Compliance Testing Asset Management Follow-up Procurement Review	April/May 2007	April 2007 to January 2008	Revised Draft issued Revised Draft issued Completed Completed Completed Completed Draft issued	1 0.5 0.5 5 4 3 2	0.5 0.5 1 9.5 4.5 4.5 4
<b>Data Integrity Testing</b> DETAIL: Payroll Creditors	April/May 2007	April/June 2007	Completed	8	8.5
<b>Payroll System</b> DETAIL: Full Systems based audit review Compliance with Financial Procedures Starters/Leavers/Amendments Overtime payments Expenses and Allowances	June 2007	June/August 2007	Completed	15	16
<b>Implementation of Financial Procedures</b> DETAIL: Reviews of the following FPN's: Procurement Cards Periodical Payments Register Accounting for VAT Control Account Reconciliations	July/August 2007	August/ October 2007	Completed	15	15

**GWENT POLICE AUTHORITY**

**Internal Audit Work Plan 2007/08**

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<b>Computer Audit</b> DETAIL: Post implementation Review of IT support for Police Authority Members	August/ September 2007	December 2007/ March 2008	Draft prepared	10	9
<b>Police Surgeons</b> DETAIL: Review of current arrangements following collapse of the previous contract	September/ October 2007	February/ March 2008	Draft prepared	10	9
<b>Financial Management</b> DETAIL: Follow-up of previous Best Value Review	October/November 2007		Carried Forward to 2008/09	12	0
<b>Treasury Management System</b> DETAIL: Full systems based audit Compliance with Financial Procedures Loans/Borrowing	November/ December 2007	December 2007/ January 2008	Completed	9	9
<b>Training</b> DETAIL: Post implementation review of earlier Best Value Review	December 2007/ January 2008	February/ March 2008	Draft prepared	10	9
<b>Follow-up of Previous Reviews</b> Income Collection System Corporate Governance Estate Management	January/February 2008	January 2008	Draft issued Not required Completed	4 2 3	4 0 2.5

**GWENT POLICE AUTHORITY**

**Internal Audit Work Plan 2007/08**

<b>ACTIVITY</b>	<b>PLANNED REVIEW DATE</b>	<b>ACTUAL REVIEW DATE</b>	<b>STATUS</b>	<b>BUDGET DAYS</b>	<b>ACTUAL DAYS</b>
<b>Compliance Testing - Divisions</b> DETAIL: Divisional & Station Visits B & D Divisions, Brynmawr, Caldicot Cwmbran, Pill & Ystrad Mynach	January/February 2008	January/February 2008	Draft issued	10	9
<b>Compliance Testing - Systems</b> DETAIL: Key Control Testing of Creditor Payments, Income Collection and Stores Systems	January/February 2008	February/March 2008	Draft prepared	10	8.5
<b>Financial Procedure Notes</b> DETAIL: Reviews of new draft Procedure Notes	As required		Completed as required	3	2
<b>Reporting &amp; Committee Attendance</b>	Throughout year		Completed	12	12
				<b>Total Planned</b>	<b>Total To Date</b>
				<b>150</b>	<b>139</b>

Summary of High Priority Recommendations

Recommendation	Management Response	Responsible Officer	Planned Implementation Date
<b><i>Payroll System</i></b>			
The holding of back-up tapes in fireproof conditions at Newport Central Police Station should be implemented as soon as possible.	Agreed. Weekly back-up tapes of the Delphi and Lawson systems have been stored off-site at Newport Central since January 2008.	Head of IS Department	Now implemented.
New starters should not be paid until the checklists are fully completed and authorised by the Payroll Manager.	Agreed.	Payroll Manager	Immediately
Control accounts should be reconciled on a monthly basis and cleared in a timely fashion.	It is accepted in principle that control accounts should be reconciled on a monthly basis; however work pressures mean that this may not be achievable in the first three months of the financial year. Financial Procedures will be amended accordingly.	Principal Financial Accountant/ Payroll Manager	June 2008

Summary of High Priority Recommendations

Recommendation	Management Response	Responsible Officer	Planned Implementation Date
<b><i>Implementation of Financial Procedures</i></b>			
The monthly analysis of usage compiled by the Procurement Officer should include all Purchasing Cards.	Agreed.	Procurement Officer	April 2008
The requirements of the Accounting for VAT Financial Procedure Note should be followed precisely to ensure that the correct income, expenditure, input tax and output tax figures are calculated for inclusion on the VAT return.	Differences between the GL290 and TX221 report will be investigated to ensure input tax and expenditure is shown correctly on VAT returns. Existing procedures will be reviewed when the reconciliation process has been completed. Similarly for output tax and income.	Principal Financial Accountant	April 2008
Where substantial amounts of input VAT are not included in VAT returns voluntary declarations should be submitted as soon as possible to ensure that amounts due are received promptly.	Agreed.	Principal Financial Accountant	April 2008