



Internal Audit

FINAL

PFCC Cumbria & Cumbria Constabulary

Assurance Review of Accounts Payable – Creditors

2023/24

February 2024

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

CSD09 - Departmental resourcing and service delivery.

SCOPE

The review considered the arrangements for reviewing and authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The review considered the management of amendments to supplier standing data, including the verification of requests for change of bank details. The allocation and use of procurement cards was also considered including the month end reconciliation to statements.

KEY STRATEGIC FINDINGS

- There is a strong suite of controls covering the reviewing, authorising and paying of costs, including additional checks for larger valued payments.
- Suppliers' standing data is only updated following rigorous and systematic checks and appropriate approvals, using detailed and standardised templates.
- Evidence is retained to support the ongoing scrutiny and the required approval of expenditure incurred on the corporate cards.
- Supplier payments are being made on a timely basis, with evidence provided to support that ongoing performance is above target.

GOOD PRACTICE IDENTIFIED

- The Financial Regulations, Financial Rules and the supporting procedures and instructions together provide for a proper segregation of duties.
- Staff are sufficiently trained and experienced in a range of relevant and appropriate disciplines to help ensure a continuous and acceptable service level.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No Recommendations were deemed necessary.							

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

Assignment Engagement Details

TIAA Auditors	Title	Contact Email	Telephone
Ian Goodwin	Principal Auditor	Ian.Goodwin@tiaa.co.uk	07867526292
Andrew McCulloch	Director of Audit	Andrew.McCulloch@tiaa.co.uk	07980787926

Constabulary Staff	Title
Sarah Bradley	Central Services Team Leader
Ann Dobinson	Head of Central Services

Exit Meeting Date	18 th January 2024
Attendees	Sarah Bradley, Central Services Team Leader

<p>Director/Commander Comment</p>	<p>I am very pleased to observe that this Audit review of Accounts Payable – Creditors has achieved a substantial level of assurance with no recommendations being made. This recognises and highlights the excellent level of controls and governance in place which operates effectively across both the Accounts payable and Corporate Card management areas.</p> <p>The report also highlights the supplier payment performance exceeds the target of 80% of suppliers paid within their invoice terms, this shows the importance and recognition placed by the Constabulary to support businesses.</p> <p>The positive findings in this report are a credit to the Central Services & Financial Services departments who are committed to ensuring that the Accounts payable process continues to be managed effectively.</p> <p>Ann Dobinson Head of Central Services 13/02/2024</p>
<p>Deputy Chief Constable’s Comment</p>	<p>I have read the report and the comments from Ann above.</p> <p>I can confirm that I am satisfied that the audit has provided the highest level of assurance “substantial” with no recommendations.</p> <p>The grading provides chief officers with confidence in the way that the creditor payments system is controlled and operated.</p> <p>DCC Darren Martland</p>
<p>Considered for Risk Escalation</p>	<p>No recommendations to escalate</p>

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

Other Findings





The Financial Regulations, dated March 2021, set out the internal framework and procedures for financial administration and control within the Cumbria Office of the Police and Crime Commissioner (OPCC). They include a section headed Ordering and Paying for Work, Goods and Services, which details the responsibilities of the Joint Chief Finance Officer (Joint CFO) and of the Chief Officers. The Financial Rules, also dated March 2021, are the detailed supporting guidance and instructions that accompany the Regulations. The section headed Ordering and Paying for Work, Goods and Services lists the key controls and details the responsibilities of the Joint CFO, of the Head of Central Services, of the Head of Commercial Solutions and of all Officers and Staff. Taken together, the Regulations and the Rules provide for a proper segregation of duties.





The Financial Regulations are subject to a biennial review and update, as a minimum, from the date of approval. The Commissioner is responsible for approving or amending the Regulations. The PFCC CFO is responsible for maintaining and reviewing the Regulations and submitting any additions or amendments to the Commissioner after consulting with the Chief Executive. The Constabulary Chief Finance Officer advised that an update is to be presented to the Joint Audit Committee in 2024, with the delay being due to staffing capacity issues.


Other Findings


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A document entitled 'Fusion Payment Run Instructions' was evidenced. From an overall review, it was seen to be very detailed, comprising over 50 numbered steps supported by multiple screenshots and additional notes and comments. Three PFCC Corporate Card Procedures documents were evidenced, dated February 2023: Business Continuity Cards; Chief Officer Cards; and General Cards. Each was reviewed and seen to be laid out in a consistent manner and cover the expected areas.
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The Central Services Risk Register was last updated on 6th February 2024 and comprises five risks; one of which is CSD09 - Departmental Resourcing and Service Delivery. This is the risk that staff turnover and lack of resilience will impact on the ability of CSD to deliver support services in a timely way. The latest score for the risk is 4 (amber). The mitigation strategy is to accept this level of risk. The risk owner is the Head of Central Services. The response action or management approach if the risk occurs is stated to be that priority would be given to delivering key services, including supplier payments.
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There is a weekly BACS payment run. Five such runs were sampled at random from the current financial year-to-date. In each case, payment was properly authorised in line with the Financial Rules. Prior to payment, additional internal checks are carried out. These include specific checks on all payments over £10,000 and on a further sample of individual payments. Evidence was reviewed of these checks having been carried out on each of the five sampled payment runs.
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From each of the five sampled payment runs, four invoice payments were sampled at random. Testing was successful in that, for each of the 20 invoices, it was confirmed that a segregation of duties was observed between key stages. In particular, the relevant provisions of the Financial Rules had been followed.
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A spreadsheet was provided summarising 129 supplier additions or changes affected during the current financial year-to-date, from which ten were sampled at random for testing. In each case, it was confirmed that a standard template Supplier Details Form had been completed and signed by the supplier and that a standard template Supplier Approval Form had been properly completed and signed internally.
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A spreadsheet entitled 'Current Corporate Card Issue List' was provided, from which three cards were selected. For each card, statements were reviewed for each of the three most recent months. For all sampled statements it was confirmed that individual transactions were within authorised limits and that the overall balance on the card was within its authorised limit. In line with the requirements of the relevant PCC Corporate Card Procedures document testing was performed to determine whether: (i) the month's accounting journal for the card was in agreement with the transactions in the statement; (ii) a Payment Record had been properly completed and authorised; (iii) invoices had been provided to support the expenditure; and, (iv) expenditure was allowable per the provisions of the relevant Procedure document. All testing was successful.
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Corporate Card Procedures give examples of approved and excluded expenditure. For two of the sampled months, several potentially excluded expenses were noted. The expenditure had been approved in line with the Procedures. The Head of Central Services corroborated the approval by sufficiently clarifying the circumstances giving rise to their approval. Additional testing revealed that one further small item of expenditure had not been approved and was subsequently repaid by the card holder. Overall, this confirmed that sufficient internal scrutiny is being undertaken on corporate card expenditure.
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Payments are also made by direct debit, cheque and CHAPS. A spreadsheet was provided of all such payments made during the current financial year-to-date. This was reviewed and a sample of large and/or unusual payments was selected. Reasons for the expenditure were determined to be appropriate and the payment methods in line with business requirements.





Delivery Risk:


Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings

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A spreadsheet was provided listing all supplier payments during the current financial year-to-date. An analysis of this data showed that overall almost 81% of payments were made within the invoiced term. The target is set at 80%.
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The most recent Payables Invoice Aging Report was provided. This was reviewed and a sample of five large and/or unusual overdue balances was selected. In each case, satisfactory explanations were provided as to why the amounts remained showing in the report. Additional evidence was provided showing that reasonable efforts are made to clear these and other such balances in a timely manner.
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Meeting Notes from a recent finance team meeting were reviewed. It is evident that matters within the scope of this review are regularly discussed at these meetings, including appropriate training arrangements.

Scope and Limitations of the Review

- The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

- The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

- The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

- The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

- We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th January 2024	8 th January 2024
Draft Report:	12 th February 2024	
Revised Draft Report:	16 th February 2024	21 st February 2024
Final Report:	22 nd February 2024	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PCC Cumbria & Cumbria Constabulary		
Review:	Accounts Payable - Creditors		
Type of Review:	Assurance	Audit Lead:	Ian Goodwin

Outline scope (per Annual Plan):	The review considers the arrangements for reviewing and authorising and paying costs incurred by the organisation and the arrangement for control of the organisation's cheques and automated payments. The review will consider the management of amendments to supplier standing data, including the verification of requests for change of bank details. The allocation and use of procurement cards will also be considered including the month end reconciliation to statements. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.		
Detailed scope will consider:	<p>Governance Framework:</p> <ul style="list-style-type: none"> Assessing whether policies and procedures are appropriate. <p>Risk Mitigation:</p> <ul style="list-style-type: none"> Assessing whether risks are properly identified, monitored and mitigated. <p>Compliance:</p> <ul style="list-style-type: none"> Assessing the extent of compliance with relevant policies and procedures, including sample testing. 	<p>Performance Monitoring:</p> <ul style="list-style-type: none"> Assessing whether performance monitoring is sufficient to enable key decisions to be made in a timely manner. <p>Sustainability:</p> <ul style="list-style-type: none"> Assessing the extent to which arrangements align with targets. <p>Resilience:</p> <ul style="list-style-type: none"> Assessing whether there are sufficient resources in place. 	
Requested additions to scope:	None		
Exclusions from scope:	None		

Planned Start Date:	08/01/2024	Exit Meeting Date:	18/01/2024	Exit Meeting to be held with:	Sarah Bradley
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N