



MANAGEMENT AUDIT UNIT

CUMBRIA POLICE INTERNAL AUDIT REPORT

POLICE SOUTH AREA BCU

Draft Report Issued: December 2005
Final Report Issued: January 2006

1.0 INTRODUCTION

- 1.1 An audit was carried out of the financial management and administration of South Area BCU in December 2005. The review included visits to Kendal and Barrow Police Stations, and Carleton Hall to meet the Finance Advisor for the BCU, David Cooke, who is currently seconded to the Police Merger Task Group.
- 1.2 The following members of staff provided information during the audit review:
- D. Cooke, Finance Manager;
 - C. Davidson, Finance/Admin Assistant.
 - A. Sibley, Office Manager (Barrow)
- 1.3 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
- Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
- Grade 3: Minor recommendation made to improve the system under review.
- 1.4 Recommendations to this report are included as Appendix 1 – Summary of Recommendations & Action Plan.

2.0 OVERALL EVALUATION & CONCLUSION

- 2.1 **The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Management Audit assesses the controls operating in each audited area as 'good', 'satisfactory', 'fair', or 'weak'. This assessment is based on the number and grading of recommendations made.**
- 2.2 **Controls have been evaluated as follows:**

AREA REVIEWED	EVALUATION
Budget management & financial reporting	Good
Petty cash administration	Satisfactory
Income collection & banking	Good
Ordering/Cheque requisitions	Satisfactory
Found Property	Good
Equipment Inventory	Satisfactory
OVERALL EVALUATION	Good

3.0 FOLLOW UP TO PREVIOUS AUDIT RECOMMENDATIONS

- 3.1 The previous audit review was carried out in September 2003 and one action was agreed – to create an inventory record as required by the Constabulary's Financial Regulations. The creation of the Register is ongoing and extracts were viewed with Clive Davidson. It was agreed that IT equipment does not need to be included, as this is already recorded in a separate register kept by IT Dept at HQ.

4.0 AUDIT SCOPE

- 4.1 The following areas were reviewed:
- Budget management & financial reporting;
 - Petty cash administration;
 - Income collection & banking;
 - Ordering & cheque requisitions;
 - Found property;
 - Equipment Inventory.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

CONTROL	COMMENT	EVALUATION	REC. REF.
<p>Budget management & financial reporting.</p>	<p>Base budgets are set out in the Constabulary budget book and the Area Commander has formally accepted responsibility for these as Budget Holder. In South BCU, this was initially Chief Superintendent G Horlacher, but is now Chief Superintendent D Collins.</p> <p>Responsibility for committing and approving expenditure is delegated and there is still a need to formally document this within the BCU. F Miller (Budget & Accounting Manager) requested that this be done in September 2005, but the Finance Manager has had limited time as he has been seconded to the Merger Task Group.</p> <p>Monthly budget monitoring reports are prepared by the Finance Manager and considered by the BCU Senior Management Team (SMT). Regular and timely reports have been done throughout the year, and SMT minutes showed that these had been given due consideration.</p> <p>The financial report is supported by a clear and comprehensive narrative, which addresses key issues that the SMT need to consider.</p>	<p>Good</p>	<p>R1</p>

The latest report at the date of the audit (to end of October 2005) was reviewed. Figures correctly reflected budget details per the budget book and actual year-to-date income and expenditure.

A sample of virements was checked to confirm that the revised budget was accurate and that budget changes were approved.

The full year forecast outturn and assumptions made were reviewed with the Area Finance Manager and appeared reasonable.

The only issue identified was that income from fees & charges had already reached £64,249 but the full-year forecast was only £61,000. This is matched by corresponding understatement on costs lines and will have no net effect on the overall BCU financial position.

The budget for fees & charges has reduced significantly for 2005/06 as operations for certain operations in Barrow are now funded via the CDRP, and income is not accounted for within the BCU.

South Area BCU is projecting (as at October) an under-spend of £47,720. This will increase to over £100,000 once the costs of specific operations are recovered.

The BCU had an underspend in 2004/05, and all reported forecasts for the current year show the budget as marginally underspent (maximum of around 0.5% of budget).

Payroll costs make up around 93% of gross expenditure and adequate control and forecasting of these costs is paramount to achieving the delegated budget. The Finance Manager was able to demonstrate how these costs are kept under review (particularly overtime) and how projections are calculated.

Good

RECOMMENDATIONS

R1	The Financial Delegation document issued by the Budget & Accounting Manager should be completed to evidence who has devolved financial responsibility in South Area BCU (3)
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CONTROL	COMMENT	EVALUATION	REC. REF.
Petty cash administration.	<p>The South Area holds a petty cash imprest of £6,000. This includes a £2,000 cash sub-float held at Barrow Police Station, of which £150 is held at Ulverston and £30 at Dalton.</p> <p>The account is regularly reconciled and was reconciled at the time of the audit.</p> <p>A petty cash record is maintained on spreadsheet at Kendal and all amounts were supported by signed vouchers and receipts.</p> <p>Barrow office</p> <p>No petty cash record is maintained in Barrow but all receipts are forwarded for inclusion in the spreadsheet record maintained in Kendal.</p> <p>A cheque is then issued to Barrow as reimbursement for the total of receipts received. This cheque is then cashed to bring the cash float at Barrow back up to its imprest level.</p> <p>Vouchers are not issued for signature by the recipient for re-imbursements or cash advances at Barrow and this control should be introduced.</p> <p>The petty cash sub-float did reconcile, but it would be better controlled if a local record were maintained, which could then be added to the Kendal record.</p>	Satisfactory	R2
Income collection & banking.	<p>All income had been receipted and promptly banked and cash held overnight was within the £2,000 insurance limit.</p> <p>A sample of receipts was checked to Oracle input vouchers and coding was confirmed as correct. The totals were also agreed to Oracle GL via the bank paying-in slip number.</p>	Good	
Ordering and cheque requisitions	<p>Purchase orders were reviewed and expenditure appeared reasonable. Orders had been authorised by a number of staff, which underlines the need for a clear scheme of financial delegation within the BCU. – see previous recommendation. There needs to be clarity on who can commit the BCU to expenditure.</p> <p>Cheque requisitions were also reviewed – usage was mainly for the payment to Magistrates of fines collected when warrants were executed.</p> <p>Invoice approval is checked as part of the HQ Creditors review.</p>	Satisfactory	
Found property.	<p>The found property records were reviewed, and a sample of items held in the store traced to the records, and a sample of items per the records traced to the store, at both Kendal and Barrow.</p> <p>Records were found to be accurate and well maintained in Kendal, but there was some scope to improve completion of the 5 sections of each record in the found property record book in</p>	Good	

	Barrow. This is a minor issue and no formal recommendation is raised, but some refresher training may be beneficial.		
Equipment Inventory.	<p>The absence of an equipment inventory was raised at the last audit and it was agreed that this would be compiled on the following basis:</p> <ul style="list-style-type: none"> • All individual items with a cost of £250 or above; • Any other items that are considered desirable and which are portable. • To exclude equipment recorded in IT register (held at HQ) <p>An inventory is currently being prepared and extracts from the new spreadsheet record were viewed on screen in Kendal. Information has been collected from all offices, however the process of collating the data into the main spreadsheet record has been delayed by the Finance Manager's secondment to the Merger Task Force.</p>	Satisfactory	

RECOMMENDATIONS

R2	A petty cash record should be maintained at Barrow Police Station to list petty cash expenditure and vouchers should be issued to evidence receipt of re-imbusement to each claimant (2)
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SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(TO BE COMPLETED BY POLICE SOUTH AREA HQ)

REPORT REFERENCE	GRADE	RECOMMENDATION	PERSON RESPONSIBLE (to be completed by client)	AGREED BY (to be completed by client)
R1	3	The Financial Delegation document issued by the Budget & Accounting Manager should be completed to evidence who has devolved financial responsibility in South Area BCU.	South Area Commander	The collation of delegation w Commander
R2	2	A petty cash record should be maintained at Barrow Police Station to list petty cash expenditure and vouchers should be issued to evidence receipt of re-imbusement to each claimant.	South Area Finance Manager	The same pr administer th will be introd

ACTION PLAN AGREED BY: Roger Marshall

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