



CHIEF CONSTABLE OF STAFFORDSHIRE POLICE

Financial Management

FINAL

Internal audit report: 1.18/19

9 October 2018

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		Distribution	John Bloomer, Chief Finance Officer & Section 151 Officer, Staffordshire Police

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1 EXECUTIVE SUMMARY

1.1 Background

We have undertaken a review of Financial Management for the Chief Constable of Staffordshire as part of our annual internal audit plan for 2018/19. The purpose of our review was to provide assurance that the internal control processes and governance structures around financial management were appropriately designed and were operating effectively.

Financial sustainability is currently a critical issue for the Force and Office of the Police and Crime Commissioner (OPCC). In the last two financial years (2016/17 and 2017/18), the Group has used approximately 80% of its usable reserves, impacting on the organisation's financial resilience. In addition, it was reported through a CRPB update that there have been material errors uncovered in the budget for the financial year 2018/19. The current forecast, as at period 5, shows a group overspend of £1.401m, with an outline plan of those areas of where the overspend can be managed. However, we noted that the working reserves balance of £2.025m allows for a maximum overspend of 1.1% on the net revenue budget.

As part of the audit we issued a questionnaire to ten individuals with budget responsibilities to understand their views around financial management and reporting. The results of the questionnaire have been included within the main body of this report (control 1.7) and a copy of the questionnaire, together with the average score per question has been included within Appendix B.

Furthermore, we took the opportunity to perform some data analytics as part of this audit and inform the scope of the Key Financial Controls audit, that is due to take place later on in quarter 3. The results of the exercise are included within Appendix C and any relevant findings and actions have been incorporated within the main body of the report.

1.2 Conclusion

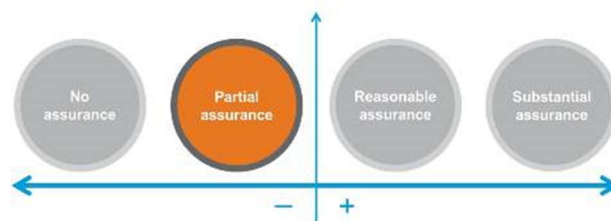
We have provided a partial assurance opinion that recognises the key weaknesses identified within our audit around training, timeliness, transparency of financial reporting but also reflects the improved internal scrutiny and review of the financial information. We are fully aware of the changes that are being made internally to the Finance Team and Finance system around structure, responsibilities and reporting to improve accountability, challenge, scrutiny and transparency. We would encourage the organisation to continue to implement and embed the proposed changes to enhance and significantly improve the control framework.

It is important that the agreed actions are implemented and that the Force has clear focus on implementing those high and medium priority actions included within this report and continue with the direction of travel in improving the financial outturn.

We would suggest that we follow up the management actions, understand the financial position during quarter 4, and certainly if the outcome of our work reflects positively then this will clearly contribute and help to inform our year end opinion.

Internal audit opinion:

Taking account of the issues identified, the Force can take partial assurance that the controls in place to manage this area are suitably designed and consistently applied. However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area(s).



1.3 Key findings

The key findings reported below are as at 31st August 2018 and shown in italics is the progress that we have been advised of that has been made by the Force since our initial fieldwork. The following key findings resulted in **six high priority** management actions:

Timeliness of Reporting

We identified some instances of delay to financial reporting. It was noted that the Force had started to utilise a summary report with the results being available only two weeks after the end of the quarter. Without the provision of timely information, there is a risk to the organisation's ability to respond timely to adverse spending variances.

Savings Plan

At the start of 2018/19 financial year, there were £2m savings recorded within the plan however, they were not formally agreed or tracked. Following a discussion with the Force CFO in September 2018 we were advised that £1.287m saving had been achieved and removed from budget. The remaining £713k was a work in progress as at September 2018. It was noted the Force did not formally utilise a tracker to track these savings, there was no responsible owner identified reporting on the status of the delivery of the saving each month (together with the impact on the service that continues to be delivered) and the savings were not RAG rated and reported within the Finance Report to the relevant Boards for transparency and likelihood of delivery. If the organisation does not have a clear plan in place to meet its savings target, including an appropriate contingency, which is regularly reported, there is a further risk to the financial sustainability of the Force and OPCC.

Budget Setting Timetable

We obtained a budget setting timetable for the 2018/19 financial year and were able to confirm it outlined; tasks to be completed, date, requirements, who was responsible and the decision point. There was however no formal requirement for budget holders to sign off budgets. Furthermore, through review of meeting minutes in line with the timetable, we were able to evidence non-compliance and areas of misalignment with other key governance documents such as the Force Strategic Board (FSB) – Corporate Resource Planning Board (CRPB) Terms of Reference. Without the full and proper use of a budget setting timetable there is a risk that the full budget setting process may not be completed in a timely manner. This could result in the organisation missing key deadlines and not allocating sufficient time to an appropriate level of challenge and scrutiny prior to the budget approval. *(We were advised by the Force CFO that for 2019/20 accountability statements will be required to be signed by each budget holder)*

Finance Business Partners

The Force did not historically employ any Finance Business Partners (FBP) to support the Superintendents and Executive Team with their particular business unit, creating a real and active partnership with both operations and management. We were advised that there had been limited involvement at the budget holder level in the development of the 2018/19 budget. This creates a risk that the resulting budget does not maximise efficiency, economy and effectiveness, and that it is not realistic given the resources of the organisation. Without such support, there is an increased risk of inappropriate spending decisions being made.

Approval of Budget Allocations

We were unable to obtain evidence the budget allocations were reviewed or approved by the FSB as outlined within the CPRB Terms of Reference. Without a sufficient audit trail confirming that the FSB had reviewed and agreed the Forces budget allocations, we cannot be assured that budget holders understood and/or agreed with the budget for 2018/19. Therefore, it was not possible to evidence that the budget holders had been correctly informed of their allocated budget. This could increase the risk of under/overspend, should budget holders not be actively involved in the preparation, agreement and ownership of the budget. *(We were advised that the Force has implemented mitigating controls to manage expenditure through the Enabling Board)*

Financial Reporting Tools

The Financial Reporting completed by Staffordshire Police required the use of a manual coded report to pull the correct data off the Oracle finance system and the process for summarising the data into simplified reportable data was completed through a series of pivot tables on an excel spreadsheet. A very large spreadsheet in excess of 19mb was being used by the Force to carry out this process. There is a significant level of reliance on formulas to summarise the correct data from the financial extracts, if an error was to occur within the spreadsheet this could affect the reliability and timeliness of the data given the number of manual elements and use of pivot tables involved in the process.

The remaining key findings resulted in **six medium priority** management actions:

Financial Regulations

There was insufficient evidence to confirm that the organisation's Financial Regulations had been reviewed and approved at an appropriate level. The Financial Regulations document identified it was created by the Interim Financial Accountant in March 2017 and approved in April 2017 however, it did not include who had approved the document. The document itself did not include any requirement for annual approval or any indication of the group responsible for formally approving it. However, we were informed by the Section 151 Officer that this would be completed when the Financial Regulations are updated to integrate the Fire and Rescue Service. There is therefore some risk that the regulations do not include up to date requirements.

Financial Reporting Timetable

The organisation does not have a financial reporting timetable including responsibilities for key tasks and reporting deadlines. We noted this could limit the level of effective review and challenge if data being presented to groups is outdated by the time of the next meeting. This could create a risk that financial reporting is not undertaken in a timely and efficient manner, which is a key requirement given the current financial position of the organisation.

Contingency for Savings Plan

Our review identified that £1.287m of the £2m unallocated savings had been made since the start of the 2018/19 financial year. We noted that there were no initial plans developed prior to the 2018/19 financial year to make the saving. We would expect there to be an identified sum of over £2m of pre-identified potential savings, to build in some contingency should some savings identified fail to deliver. A contingency was not built in for the 2018/19 savings to help support the Force in achieving its target savings. There is a risk that if certain savings schemes do not achieve their planned savings, the overall savings target may not be achieved.

Training of Budget Holders

We confirmed through discussions with the Force Section 151 Officer that there was no training in place for budget holders to ensure they understand their responsibilities and roles in preparing, understanding and reviewing key financial reporting information. We acknowledged that this had been identified as a part of the Financial Sustainability Plan in that the Force aimed to deliver training for Budget Holders by mid November 2018. However, we have reiterated the importance of this being actioned, with the inclusion of a medium priority action.

Reconciliation of 2018/19 Budget Paper to 2018/19 Quarter One Reporting

A review of the quarter one finance report against the budget paper presented to the Police and Crime Panel identified a number of differences in relation to the budget values noted under specific categories within each report. We have outlined specific examples in our detailed findings below. As a result, we were unable to reconcile the budget identified in the quarter one report to the precept paper approved by the Police and Crime Panel (and the staff who had prepared the budget had left the Force by the time of the review). There was an insufficient audit trail retained to evidence the reason for the differences between the budget paper presented to the Police and Crime Panel and the quarter one finance report.

Clarity of Police and Crime Panel Budget and Precept Papers

The Staffordshire Police and Crime Panel reviewed budget and precept papers at its January 2018 meeting. Our review of the papers identified that there were a number of areas of confusion within the papers, more specifically documenting of assumptions and projections. We noted that the papers included key assumptions for a proposed increase in council tax base and precept of 1.66 percent and 5.92 percent respectively. These assumptions were not factored in consistently throughout the report which could potentially lead to the confusion for the reader of the documents, including the Force, for forward planning purposes.

Validation of Reported Data

Our sample testing of 10 values reported as 'forecasted outturn' within the Quarter One Finance Report identified two values that did not correspond to the data held within the budget monitoring spreadsheet or the Financial Statement Generator (FSG) extracts. We requested written confirmation from the Section 151 Officer for the reasons for the differences and confirmed both were clearly justified, however, there was no audit trail retained to confirm the reason for the amendments. There is a risk that if the Section 151 Officer was not available or leaves the organisation, the justification for any differences may not be available, leading to concerns in relation to transparency and validity of financial information.

Journal Authorisation

We undertook testing for a sample of journals using our data analytics system. Whilst we were able to confirm that appropriate supporting documentation was in place for our sampled journals, and that each journal had been appropriately coded based on the nature of the supporting documentation, we noted in discussion with the Financial Accountant that there is no process at the organisation for the authorisation of journals prior to posting to the system. Without an authorisation process for journals above certain thresholds, there is an increased risk of inaccurate or inappropriate journals being posted. *(In the new structure there is a management level authorisation).*

In addition, we have agreed two low priority management actions in relation to the review and update of terms of references and report formatting.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Risk	Control design not effective*		Non Compliance with controls*		Agreed actions**		
					Low	Medium	High
Failure to meet financial and operational commitments	8	(14)	5	(14)	1	6	6
Total					1	6	6

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

** Multiple actions have been assigned to both controls not designed effectively and those controls not complied with.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those risks of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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Risk: Failure to meet financial and operational commitments

1	<p>Staffordshire Police have Financial Regulations in place which outline the roles and responsibilities in relation to Financial Management. The key responsibilities in relation to Financial Management are held by the:</p> <ul style="list-style-type: none"> The Police and Crime Commissioner; The Chief Constable; The Ethics, Transparency and Audit Panel (ETAP); 	Yes	Yes	<p>We obtained the Financial Regulations and identified that they were last approved in April 2017 and identified responsibilities for key individuals/groups in relation to the financial affairs of the organisation.</p> <p>We noted that the Financial Regulations were developed by the Interim Financial Accountant at the time in March 2017, and were approved in April 2017 however, we were unable to identify which group had reviewed and approved the Financial Regulations.</p> <p>We were also unable to identify a review requirement or version control within the Financial Regulations and therefore have agreed a management action in relation to this.</p>	Medium	<p>The Financial Regulations will be reviewed by the new Financial Accountant in conjunction with the Chief Finance Officer.</p> <p>Once this process has been completed, the document will be updated to include version control, an annual review requirement, and the group responsible for the approval.</p> <p>The Financial Regulations will be ratified by the Strategic</p>	31 March 2019	Chief Finance Officer
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> Director of Finance and Performance; and Chief Finance Officer. <p>The Financial Regulations outline the duties and responsibilities of the individuals noted above as at April 2017 however, the Organisation began a Finance restructure process on 21 May 2018, with a Collective Consultation meeting on 21 May 2018.</p>			There is a risk that the Financial Regulations may have not been subject to the review and challenge required and therefore may not include the correct practices.		<p>Governance Board prior to issue to all staff, and evidence of ratification will be retained in a central location.</p> <p>We will ensure that key staff involved with aspects of financial management have received, read and understood the relevant aspects of the Financial Regulations.</p>		
2	<p>Staffordshire Police are in the process of restructuring their finance department.</p> <p>The new restructure will include the employment of four new positions of Finance Business Partners (FBP). Job Roles Profiles have been developed and are being used to recruit for the posts within the new structure.</p> <p>There is no timetable which outlines the responsibilities of key staff and when they are</p>	No	N/A	<p>During our review, we were able to confirm following discussions with the Financial Accountant and Section 151 Officer that the finance department was going through a restructure process. We obtained the Finance and Commercial Services Structure diagram and confirmed that it had identified the recruitment of some new roles, promotion opportunities and vacancies.</p> <p>We were able to obtain evidence to confirm that role profiles had been developed for some of the new roles identified within the diagram.</p> <p>We noted the role profiles were clear in identifying the role purpose and the responsibilities of the roles. We identified that the role profile for the Head of Finance, Business Partnering included responsibilities for supporting Heads of Service and Senior</p>	High	<p>The Organisation will develop a timetable, which will include flash reporting which clearly outlines the responsibilities of key staff.</p> <p>This will detail when they are required to perform monthly reporting activities for the production, monitoring, review and reporting of the financial information presented to the SGB, FSB and Finance Panel.</p>	31 December 2018	Chief Finance Officer

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	required to perform monthly reporting activities for the production, monitoring, review and reporting of the financial information that is being produced and reported on a monthly basis.			<p>Managers with professional financial and business advice and guidance to allow them to effectively manage the Force's budgets and ensure that value for money is achieved and spending against budgets is accurately recorded and reported.</p> <p>Furthermore, we reviewed the role profile for the FBP and noted that it included the responsibility to deliver the Directorate budget setting process, identifying areas and recommending areas for additional benefit realisation and ensuring that the impact of any subsequent changes are identified and fed into the Medium Term Financial Plan. The responsibilities also included ensuring the financial month end is closed on an accruals basis, analysing financial reports to discuss with Heads of Service and Senior Managers to report on variances, identify pressures and support the realisation of identified savings.</p> <p>Therefore, we were able to evidence that the Organisation was moving towards a more focussed approach for production, monitoring, review and reporting of the financial information however, noted that, at the time of the review the change to processes had not been implemented.</p> <p>Our review of the role profiles confirmed that a number of individuals will need to perform activities to ensure the reporting of the financial information on a monthly basis is completed effectively and efficiently. To support the successful delivery of this we noted that the Organisation should consider the implementation of a monthly reporting timetable which outlines the responsibilities of the key staff involved in the processes and</p>				

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				<p>when they are required to complete certain activities for the production, monitoring, review and reporting of the financial information that will be produced and reported on a monthly basis to ensure this is completed in an effective and efficient manner.</p> <p>We obtained the finance reports which are presented to the SGB on a monthly basis. We identified from review of the meeting minutes and corresponding papers for the SGB the period 11 data (February 2018) was reported on 26 April 2018 and period 10 data (January 2018) was reported on 7 March 2018. It was noted that this was almost 6 weeks after the period end date.</p> <p>We noted that the Force have taken steps towards introducing flash reporting and we noted the Quarter One revenue report was a revised format for reporting; this was a summary report with the results being available just two weeks after the end of the quarter.</p>				
3	Finance Reports are prepared on a monthly basis by the Chief Finance Officer & Section 151 Officer who is responsible for the production of monitoring report of budget.	Yes	Yes	<p>Format of Reporting</p> <p>Through review of the finance reports for Period 10 and 11, we identified that overspends were being displayed as negative values which is not similar to other Organisations within the sector.</p> <p>At period 10, the finance report identified that the expected full year overspend, against a budget of £178,592m is £1.129m with the Force anticipating an adverse variance of £1.369m & the OPCC are reporting a favourable variance of £0.240m. We noted that the overspend was recorded as (1,129)</p>	Low	<p>The Force Chief Finance Officer will ensure that all finance reports produced are in line with the format of the 2018 Quarter One Finance Report.</p> <p>For 2019/20 financial reporting, the format of the budget papers will be utilised for monitoring to support the transparency and clarity of the group's financial reporting.</p>	Implemented	Chief Finance Officer

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				<p>and that this could be interpreted as a underspend if the reader does not read the context below the table.</p> <p>We did however note that this was amended for the Quarter one report produced by the new CFO which recorded an overspend of 1.578m against the revenue budget.</p> <p>Furthermore, on comparison of the precept and budget paper presented to the Police and Crime Panel, we noted the categorisation of the budget was different, and therefore we were unable to reconcile the budget proposed to the reporting completed.</p> <p>There is a risk that the Organisation may mislead readers of the financial reports, given the Organisation is reporting its finances in an unusual or inconsistent format.</p>					
4	<p>The Financial Sustainability Plan (FSP) identified £4.640m of pressures within the budget set during January 2018. These pressures can be categorised into 3 main categories;</p> <ul style="list-style-type: none">Pressures arising from a reduction in reserves leading to a desire and need not to use these reserves in year;Pressures from events that have	N/A	N/A	<p>We obtained the Q1 revenue report and were able to confirm that £1.287m of savings were made against the initially anticipated unallocated savings of £2m. This was made up as follows:</p> <ul style="list-style-type: none">£200k unsocial hours reduction;£400k control room reduction (from holding vacant posts);£87k finance review;£100k income generation (as per the FSP); and£500k capitalisation of Sergeants. <p>We noted that there was no formalised plan to make the remaining £0.743m of savings however, were informed that this would be potentially drawn back through some short-</p>	High	<p>Where savings are required to be made in the financial year, we will ensure that a savings plan is developed which clearly documents:</p> <p>1. the required savings; and</p> <p>2. the impact to the delivery and quality of services</p> <p>We will ensure these savings plans are regularly monitored, challenged, measured and reported.</p>	31 March 2019	Chief Finance Officer	

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	<p>occurred since the budget was set; and</p> <ul style="list-style-type: none"> Pressures carried forward from last year that were not corrected during the budget setting process. <p>On top of these pressures the Force is committed to delivering £2m of transformation savings as well as reducing overtime by £0.750m to further increase officer numbers above the investment made from raising the precept.</p> <p>There was no formal Savings Plan in place at the Force which identifies the strategy to make the savings identified by the FSP and the Transformational Savings however, as at September 2018, the force had saved £1.287m through budget and spending cuts.</p>			<p>term control measures or income generation through the year.</p> <p>Nonetheless, we noted that there was no initial plan in place to deliver the savings of £2m and therefore we have agreed that going forwards where savings are identified, a plan will be developed which clearly documents both risks and assumptions related to the savings to be identified. Our review identified that only £1.287m of unallocated savings had been made and we would expect for the Force to be identifying in excess of the required amount (£2m in 2018/19) prior to the commencement of the financial year to allow for any non-delivery of certain savings schemes.</p> <p>We noted that a contingency was not built in for the 2018/19 savings to help support the Force in achieving its target savings. Therefore, there is a risk that if certain savings do not achieve their planned savings, the savings target may not be achieved.</p> <p>This also presents the risk that savings which have failed may not be identified and resolved, and budget holders may become complacent around the delivery of savings and rely on budget surpluses in other areas that are easier to deliver.</p>	Medium	<p>Furthermore, the Force will ensure these savings are tracked, each saving has a pre-identified responsible owner who will report on the status of the delivery of the saving each month and the saving will also be RAG rated and reported within the Finance Report to the relevant Boards for transparency and likelihood of delivery.</p> <p>Any future saving plans will include a contingency built in when formulating future savings targets.</p> <p>Furthermore, any changes to the savings target will need to be formally approved by the relevant Board.</p>	31 March 2019	Chief Finance Officer
5	Staffordshire Police does not have any Financial Management training in place to support the budget holders in	N/A	N/A	We confirmed through discussions with the Chief Finance Officer & Section 151 Officer that there was no training in place for budget holders to ensure they understand their responsibilities and roles in preparing,	Medium	The Force Chief Finance Officer will implement, as planned, a formal requirement for budget holder training which will	30 November 2018	Chief Finance Officer

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	preparing, understanding and reviewing key financial reporting information being reported within the Finance Reports.			<p>understanding and reviewing key financial reporting information.</p> <p>There is a risk that the Budget Holders of the Organisation may not have the correct skills and support to ensure that the budget setting and monitoring processes are completed as efficiently and effectively as possible.</p> <p>The Financial Sustainability Plan update in June 2018 identified that the Force CFO has commissioned CIPFA to deliver finance and commercial training to senior staff in both the Force and OPCC.</p>		be implemented once the finance restructure has been fully completed.		
6	<p>Staffordshire Police had a budget setting timetable in place for 2018/19 which identified the completion requirements for individual components of the budget setting process.</p> <p>The budget setting process usually takes place between November and March of each year and is developed by the Management Accounts team in conjunction with the Chief Finance Officer & Section 151 Officer using the previous year's outturn values.</p>	Yes	No	<p>We obtained a budget setting timetable for the 2018/19 financial year and were able to confirm it outlined tasks to be completed, date, requirements, who was responsible and the decision point.</p> <p>Through review of the 2018/19 budget timetable, we were unable to confirm that the budget allocations were reviewed or approved by the FSB as outlined within the Corporate Planning and Resources Board (CPRB) Terms of Reference. This was not included as a part of the budget setting timetable.</p> <p>Furthermore, the budget timetable suggested that in March 2018, the SGB would be briefed on the final budget and precept. We identified through review of meeting minutes for March 2018, that there was no discussion on the budget for 2018/19 instead the minutes identified discussions were held around period 10 reporting.</p> <p>Without the full and proper use of a budget setting timetable there is a risk that the budget</p>	High	<p>The budget setting timetable for 2019/20 will be developed confirming the exact target dates for requirements to be completed and the individuals responsible for the components of budget setting for the Force.</p> <p>This will include:</p> <ol style="list-style-type: none"> 1. timescales for completion of initial budget holder meetings; 2. agreement and sign-off of individual budgets for each budget holder; 3. agreement of the Force's budgets; 4. approval by the Strategic Governance 	30 November 2018	Chief Finance Officer

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				being set may not be fully completed in a timely manner, this will result in the Organisation missing key deadlines and ensuring that sufficient time is allocated to an appropriate level of challenge and scrutiny prior to the budget approval.		Board (includes PCC); and 5. the final sign off by the Police and Crime Panel.		
7	<p>There is limited engagement with budget holders throughout the budget setting process and there is limited scope for the budget holders to review and discuss variances identified following the production of the finance report.</p> <p>The current structure of the Organisation does not include Finance Business Partners who provide support and analysis to the Superintendents and Executives who are the budget holders within the Organisation however, these positions were being recruited for at the time of our review as a part of the restructure.</p>	No	N/A	<p>Limited budget holder involvement and indeed the structure of budget responsibilities has been identified as a weakness by the Organisation and as such a position for four new finance business partners had been agreed into the newly approved structure for the finance team.</p> <p>Without Finance Business Partners, there is a risk that the Superintendents and Executive Team are not receiving the required support and analysis to ensure that they make the best decisions in accordance with the forces financial circumstances.</p> <p>As part of the audit we issued a questionnaire (Refer to Appendix B) to nine individuals who were identified as being responsible for budgets. We received five responses (potentially due to the timing clashing with annual leave). From the responses received, we were able to identify some common themes:</p> <ul style="list-style-type: none"> • Budget holders were not made aware of their budgets until after the financial year; • Budget holders had no input into the development of their budgets; • Budget holders were unclear on their responsibilities in relation to budgeting; • Budget holders lacked training and supporting procedural documentation to 	High	The Force will ensure that a sufficient support mechanism is developed and maintained for the Superintendents and Executives of the Force through the employment of Finance Business Partners who will provide support and analysis to aid the decisions being made.	31 March 2019	Chief Finance Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>support them in their roles as budget holders;</p> <ul style="list-style-type: none"> Budget holders felt that monthly reporting was improving however, was not provided promptly; and Information being provided for reporting purposes is improving but is not necessarily in an easily understandable format. <p>It is noted that personnel, roles and responsibilities around budget setting and control have changed since the budget for 2018/19 (given the introduction of directorate budgets in June 2018) was set and some of those individuals that completed the questionnaire may not have been required to input into the budget, given their responsibilities at that time. Nonetheless, without the involvement of budget holders in the budget setting process, there is a risk that the budgets may not be set maximising efficiency, effectiveness and economy.</p> <p>Through the involvement of budget holders in the process, there will be sufficient opportunity to review, challenge and agree amendments to budgets each year and the ability to meet targets and potential savings will be substantially increased as this will include the participation of the responsible budget holder.</p>				
8	Budget Papers are presented to the SGB each year by the Chief Finance Officer at the Force and Director of Finance and	Yes	No	We were unable to obtain evidence which confirmed that the budget allocations were reviewed or approved by the FSB as outlined within the Corporate Planning and Resources Board (CPRB) Terms of Reference.	High	The Force will ensure, following development of a new planning timetable, that the FSB jointly agree to the budget allocations identified as per its Terms	31 December 2018	Chief Finance Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>Performance at the OPCC.</p> <p>The Strategic Governance Board which is chaired by the Police and Crime Commissioner is responsible for approving the group budget and this is completed in January 2018.</p> <p>Once the Strategic Governance Board has approved the group budget, this then requires final approval from the Police and Crime Panel.</p> <p>The Terms of Reference for the Corporate Planning and Resources Board (CPRB) which is one of the four components of the Forces Strategic Board and its meetings identified that the CPRB were responsible for the sign off of the budget allocations as devolved by the PCC.</p>			<p>Without a sufficient audit trail confirming that the FSB had reviewed and agreed the Forces budget allocations, there was no evidence to confirm that budget holders understood and agreed with the budget for 2018/19 and therefore it was not possible to evidence that the budget holders had been correctly informed of their allocated budget.</p> <p>This could increase the risk of under/overspend, should budget holders not be actively involved in preparation and agreement of the budget, they may see themselves as not responsible for the budget that they had never agreed to.</p> <p>We did however obtain evidence which confirmed that a draft budget was presented to the SGB on 17 January 2018 and had been reviewed. The meeting minutes confirmed that the budget was agreed to be presented to the Police and Crime Panel as proposed.</p> <p>.</p>		of Reference and this is formally captured within meeting minutes.		
9	The Budget Papers are presented to the Strategic Governance Board in January of each year. Once these have been	N/A	N/A	We obtained a paper from the Staffordshire Police and Crime Panel meeting in January 2018 and were able to identify that a balanced budget was presented and approved, for 2018/19.	Medium	The Chief Finance Officer will ensure a full audit trail is retained for the 2019/20 budget, through the use of working	31 March 2019	Chief Finance Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>approved, this requires review and approval by the Staffordshire Police and Crime Panel.</p> <p>Monitoring of the delivery of the budget takes place on a monthly basis, by which the Chief Finance Officer prepares a finance report identifying the groups forecasted revenue financial outturn against the budget. This will then identify either an under/overspend against the revenue budget.</p>			<p>We reviewed the quarter one finance report and the budget identified within, and identified a number of differences in relation to the budget values noted under specific categories within the quarter one finance report and approved precept paper presented to the Police and Crime Panel.</p> <p>The differences noted included:</p> <ul style="list-style-type: none"> • Officer Pay & Allowances which were recorded as £86.4m within the MTFS of the Precept Paper and the Quarter One Revenue report noted current budget as £89.4m. • Another instance was Police Staff Pay & Allowances which was recorded as £41.2m within the MTFS of the Precept Paper and the Quarter One Revenue report noted current budget as £43.9m. • The MTFS within the Precept Paper included £1.9 as additional investment however, we were unable to match this through to the Quarter One Revenue report. • Unallocated savings were recorded on the Quarter One Revenue report however, there was no unidentified savings recorded within the MTFS Detailed Projections. <p>As a result, we were unable to reconcile the budget identified in the quarter one report to the precept paper approved by the Police and Crime Panel, as the staff who had prepared the budget had left the organisation by the time of the review.</p> <p>We did however note the Net Revenue Budget of £183,449,000 matched between the two</p>		papers, which identifies movements within the categories recorded within the budget.		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>papers however, we were unable to identify the reason for this, given the discrepancies exemplified above.</p> <p>There was an insufficient audit trail retained to evidence the reason for the differences between the budget approved by the Police and Crime Panel and the quarter one finance report.</p>				
10	<p>Staffordshire Police and Crime Panel consider the Proposed Budget & Precept Report in January of each year once the budget has been agreed by the Strategic Governance Board.</p> <p>The 2018 Police and Crime Panel meeting where the Police and Crime Commissioner's Proposed 2018/19 Precept for the Policing Element of the Council Tax Bill and Medium Term Financial Strategy was held on the 29 January 2018.</p> <p>The Paper was prepared by the OPCC Director of Finance and Performance at the time.</p>	Yes	No	<p>We obtained the papers presented to the Staffordshire Police and Crime Panel and noted that there were a number of areas for confusion within the papers, more specifically documentation of assumptions and projections.</p> <p>Within Appendix 2, Key Assumptions, there is a table which outlined key assumptions for a proposed increase in council tax base and precept of 1.66 percent and 5.92 percent respectively. For example, the aforementioned assumptions were not factored in to the Medium Term Financial projections on the following page which showed a £5.046m deficit in 2019/20 and £7.650m in 2020/21 shown as a funding gap on the following page.</p> <p>We noted that it was documented that this could be filled by efficiencies, collaborations precept increases or all three however, if assumptions are documented these should be factored into the Medium Term Financial Projections to avoid any confusion.</p> <p>The current papers may mislead the readers of the Medium Term Financial Projections (MTFP) as the key assumptions are clearly documented on the page before the MTFP.</p>	Medium	The Force will seek clarity from the PCC regarding the allocations to the Force for the proposed annual budget.	31 March 2019	Chief Finance Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
12	<p>The Quarter One Finance report includes a table which provides the subjective analysis at group level. The report is compiled on a group level in the spirit of joint endeavour to deliver the overall Financial Sustainability Plan as well as the practicality that a number of areas of spend that are directly Policing related are held in the OPCC (detention officers, healthcare in custody).</p> <p>The values reported are captured from a budget monitoring spreadsheet which is made up of a significant number of pivot tables maintained by the Management Accounts team.</p> <p>The Finance system doesn't allow the Force to perform the reporting which is needed, instead this is completed manually using an excel spreadsheet and a large number of pivot tables.</p>	No	Yes	<p>We selected a sample of 10 reported values within the Q1 revenue report and tested to confirm how these were extracted from the finance system. Our testing identified the following:</p> <ul style="list-style-type: none"> • The process of reporting involved the use of a manual coded report to pull the correct data from the system; • The process for summarising the data into simplified reportable data was completed through a series of pivot tables on an excel spreadsheet; • A very large spreadsheet in excess of 19mb was being used by the Force to carry out this process; and • A reconciliation was performed each month which reconciled the Financial Statement Generator (FSG) data to the trial balance. <p>Through sample testing of 10 values reported as 'forecasted outturn' within the Quarter One Revenue Report, we identified the following:</p> <ul style="list-style-type: none"> • Two values sampled did not correspond to the data held within the budget monitoring spreadsheet; • We were able to reconcile eight values reported within 'Pay' and 'Non-Pay' to the Financial Statement Generator extract with some manual minor adjustments for which a clear audit trail was retained. <p>For the two values which did not match the Budget Monitoring Sheet or FSG extract we requested clarification and were informed of the following:</p>	High	Staffordshire Police will consider implementing a reporting tool which will reduce the amount of manual intervention and risk of inconsistencies occurring between the data held within the finance system and the data being reported within the finance reports.	31 May 2019	Deputy Chief Finance Officer

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>1. The line for 'Sales, Fees & Charges' differed by £100k from the report run from Oracle. The CFO confirmed this was a manual estimated adjustment completed following recognition of the mutual aid income from the Trump visit. This was confirmed at the time of the review to be c.£130k.</p> <p>2. The line for 'Reserve Transfers' was originally assumed to be £831k from the Medium Term Financial Strategy (MTFS). We were informed that the budget upload was incorrect as some of the additional investment from the precept rise was included within this and as such the monitoring outturn showed the reserves line as per the MTFS with the corresponding entries being to pay and non-pay budgets.</p> <p>We noted that this required confirmation from the Chief Finance Officer as there was no audit trail available to confirm the reason for the amendments. We have however, obtained written confirmation confirming this was the reason for the differences.</p> <p>We have included a management action at number 9 above regarding the retention of working papers to support manual adjustments.</p> <p>Budget Upload</p> <p>Furthermore, we selected a sample of 10 'Current Budget' values from the Quarter One Revenue Report and tested to confirm whether these had been accurately loaded into the finance system and found that in all</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				instances these had been correctly uploaded into the finance system.				
13	IDEA Testing - Exception Feedback There is no process at the organisation for authorisation of journals prior to posting to the system.	N/A	N/A	<p>We used IDEA to output a sample of manual journals for further testing, relating to those account codes demonstrating unusually large balance changes over the financial year.</p> <p>While we were able to confirm that appropriate supporting documentation was in place for each journal, and that each journal had been appropriately coded based on the nature of the supporting documentation, we noted in discussion with the Financial Accountant that there is no process at the organisation for authorisation of journals prior to posting to the system.</p> <p>While we recognise that the authorisation of all journals may create a significant resource burden, without a process for authorising journals above certain thresholds, there is a greatly increased risk of inaccurate or inappropriate journals being posted.</p>	Medium	The Force will agree a process for sample testing high-value journals to test the accuracy and appropriateness of journals being posted.	31 December 2018	Deputy Chief Finance Officer

APPENDIX A: SCOPE

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following risks:

Objective of the risk under review	Risks relevant to the scope of the review	Risk source
Financial data is prepared, reviewed and challenged on an efficient, effective and timely basis to ensure key decisions can be made on current data	Failure to meet financial and operational commitments	Management Concern

Controls selected from your risk register and reviewed during the audit:

To be ascertained and evaluated

When planning the audit the following areas for consideration and limitations were agreed:

- We will ascertain the structure in place, roles and responsibilities for the production, monitoring, review and reporting of the financial information that is produced and reported on a monthly basis;
- We will provide assurance that there is appropriate training in place across the Organisation around budget information and understand how key officers ensure they are kept up to date with any key financial reporting changes as a result of regulatory or legislation amendments;
- We will review the arrangements that are in place to ensure budgets are appropriately forecast, set, managed, revised and reported throughout the Organisation in order to ensure financial reports are produced timely, accurately and are reflective of key data/updates;
- We will review the internal governance that is in place that particularly provides focus on the review, challenge and scrutiny of the financial data that is produced and reported to both Management and Board;
- We will review the financial reports for June 2018 and understand how the reports are produced and reviewed. We will select a sample of budget lines and verify the data that is reported back to system and/or supporting working papers including journals. We will provide assurance that for a sample of items that they have been coded correctly and timely.
- We will consider the format of the financial reports and ensure that they are in a format that is understood by its users. We will attempt to meet or at the very least telephone a sample of budget holders to understand the information that is received and their understanding of that data;
- It is our intention to complete some data analytics as part of the audit to provide assurances regarding the risk of duplicate payments, correct postings and processing of invoices (an invoice can be matched to a purchase order); and
- Throughout the audit we will consider the effectiveness and efficiencies of the processes reviewed and provide any best practice to assist the Organisation moving forward, as appropriate.

Limitations to the scope of the audit assignment:

- The testing around the control framework for the key finance systems will be completed as part of the key finance controls audit scheduled for November 2018;
- We will not re-perform activities undertaken as part of the month end process;
- We will not re-perform control or suspense account reconciliations;
- All testing will be performed on a sample basis; this sample will be chosen at the discretion of the Auditor.

Our work will not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

APPENDIX B: BUDGET HOLDERS QUESTIONNAIRE

- 1 Strongly agree with the statement
2 Agree with the statement
3 Disagree with the statement

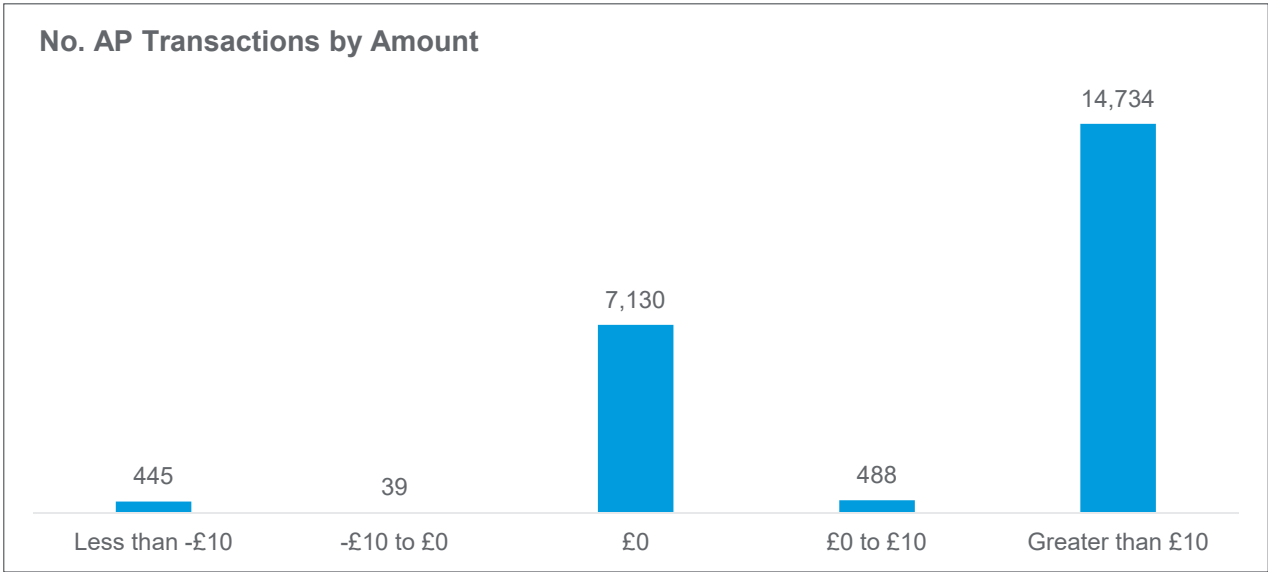
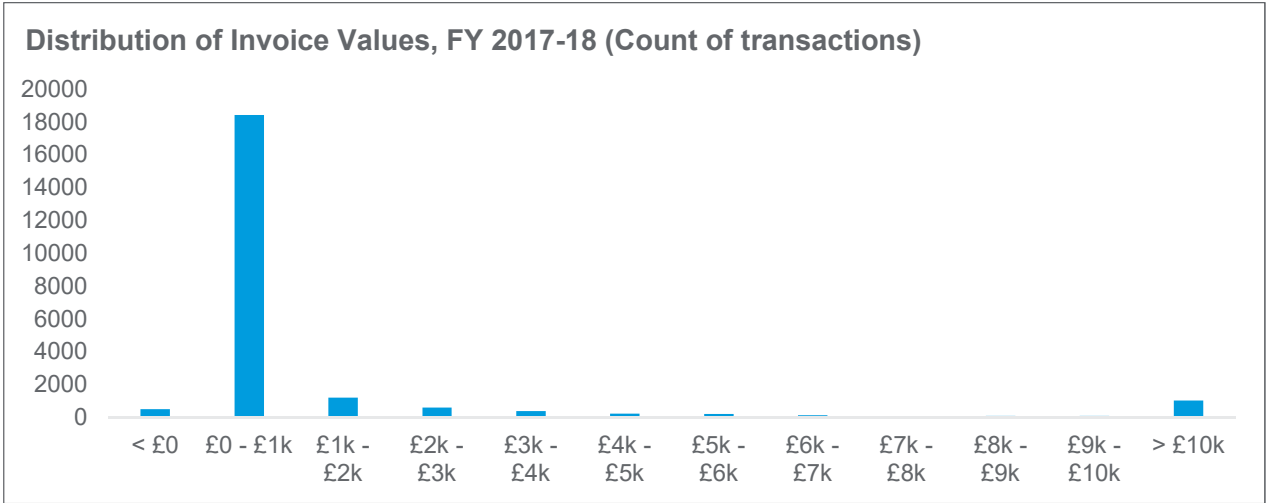
- 4 Strongly disagree with statement
5 N/A – Not Applicable to my job role

	Question	Average Rating*
1	I am aware of the Financial Regulations and Scheme of Delegation and the requirements contained within them	3
2	I am fully aware of my responsibilities as a budget holder.	2
3	I have received sufficient training in respect of my role as a budget holder.	4
4	I have access to procedural notes which provide sufficient guidance in understanding my roles and responsibilities regarding the budgetary control process should I need to refer to them.	4
5	I feel well supported by the finance team.	3
6	I consider myself as being the owner of the budget codes allocated to me and responsible for the achievement of the approved budget.	2
7	I am involved in developing and forecasting my budget in conjunction with the finance team, including the identification and agreement of any savings schemes.	3
8	My agreement to my budgetary allocation is sought prior to the start of each financial year.	4
9	I am comfortable in raising any issues and concerns that I may have with my budget allocation with my designated finance lead.	2
10	Budget reports presented to me are in a clearly understandable format and indicate which budget codes I am accountable for.	3
11	I am provided with my final budget and monthly budget statements on a timely basis to allow for sufficient inspection and challenge.	2
12	It is my responsibility to review my budget statement and identify any issues to rise with the finance team.	2
13	I am accountable for ensuring that I do not overspend my agreed budget during the year.	2
14	I am comfortable in reviewing my budget statements and identifying the required steps to obtain information on the reason for any negative variances.	2
15	If an overspend occurs I am responsible for identifying the corrective action required to bring the expenditure back in line with the budget.	2
16	I am comfortable in taking ownership of action plans through to completion for any variances that require them.	2
17	I am able to refer to my finance team for assistance if needed with the development and management of action plans for any variances that require them.	2
18	I find the information provided to me to easy to understand and read. I feel comfortable using this information to make management decisions.	3

*The average ratings are rounded to the nearest full number.

APPENDIX C: DATA ANALYTICS

The following is a summary of findings from our analytical work which we have discussed with management.



Accounts Payable Data Profile

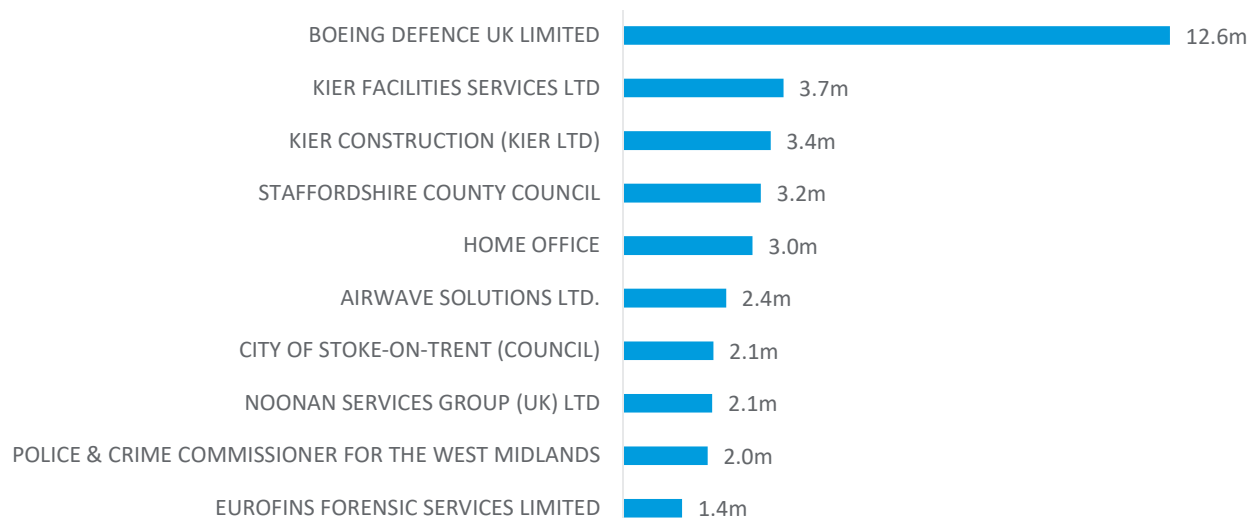
We profiled the distribution of invoice values for the financial year 2017-18, confirming that the number of transactions was greatest within the £0 to £1k bucket, with a descending frequency of transactions in subsequent buckets. We note this is as expected for an AP dataset.

We also profiled the AP dataset to determine whether there were unusual numbers of transactions within specific buckets. We noted that the dataset contained approximately 7k transactions at zero value.

As this can often indicate inefficiencies in the invoicing process, we queried the reason for the large number of zero-value transactions. We were informed that the Force currently uses an outdated financial system which processes zero-VAT elements of an invoice as a separate transaction. As this is done automatically and does not represent an inefficient use of AP resources, we have not raised a finding here.

No issues noted

Top Ten Suppliers by Invoice Value, FY 2017-18



Accounts Payable Top Ten Suppliers

We analysed the value of invoices by supplier, and have extracted the top ten suppliers by total invoice amount in FY 2017-18 for management information.

We noted from review of these suppliers that all appeared appropriate to the business of the Force.

No issues noted.

Largest Confirmed Duplicate Invoices:

Supplier ID	Supplier	Invoice No.	Invoice Date	Amount
8010478	BMW AUTHORITIES (PARK LANE LTD)	236981	03/10/2017	44,975.63
8010478	BMW AUTHORITIES (PARK LANE LTD)	237050	18/10/2017	44,975.63
8016437	APJ PSYCHOLOGICAL CONSULTING LTD (ANNABEL POATE-JOYNER	252	06/12/2017	4,125.00
8016437	APJ PSYCHOLOGICAL CONSULTING LTD (ANNABEL POATE-JOYNER	252 DUPLICATE	29/01/2018	4,125.00
8001660	LOCKHART CATERING EQUIPMENT LTD (division of BUNZL UK LTD)	3124188	16/01/2018	2,070.00
8001660	LOCKHART CATERING EQUIPMENT LTD (division of BUNZL UK LTD)	3125093	16/01/2018	2,070.00

Duplicate Invoice Testing

We performed duplication tests on the accounts payable dataset provided by the Force to determine whether any duplicate invoices had been processed leading to duplicate payments. This included testing for the following duplications:

- Same invoice number only
- Same invoice number, date, amount but different supplier
- Same invoice date, amount, supplier but different invoice number
- Same invoice number, amount, supplier but different date

We found not potential duplicates in any but the third case, for different invoice numbers. We selected a sample of ten pairs of possible duplicates and attempted to trace to supporting documentation. We found three examples of true duplicates. In each instance the duplication had already been identified by the Force. We confirmed through inspection that credit notes were received for two of these duplicates. The third instance had been paid, but we confirmed a refund had been requested and a process put in place to prevent further similar incidents. Details of these invoices are included to the left for management's information.

Journal Testing

We used IDEA to output a sample of manual journals for further testing, relating to those account codes demonstrating unusually large balance changes over the financial year.

While we were able to confirm that appropriate supporting documentation was in place for each journal, and that each journal had been appropriately coded based on the nature of the supporting documentation, we noted in discussion with the Financial Accountant that there is no process at the organisation for authorisation of journals prior to posting to the system. While we recognise that the authorisation of all journals may create a significant resource burden, without a process for authorising journals above certain thresholds, there is a greatly increased risk of inaccurate or inappropriate journals being posted.

Management action: The Force will agree a process for sample testing high-value journals to test the accuracy and appropriateness of journals being posted.

FOR FURTHER INFORMATION CONTACT

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