

Item 8 (iii)

THE POLICE, FIRE AND CRIME COMMISSIONER OF STAFFORDSHIRE AND CHIEF CONSTABLE OF STAFFORDSHIRE

Finance Systems

Internal audit report 6.23/24

FINAL

22 February 2024

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1. EXECUTIVE SUMMARY

Why we completed this audit

An audit of the Finance System was undertaken as part of the approved Internal Audit periodic plan for 2023/24 to allow the Staffordshire Police, Fire & Crime Commissioner and Chief Constable of Staffordshire (the Force) to take assurance over those key controls in place following the recent migration to the Integra system. As part of the system change, data migration activities and reconciliations were completed to confirm data integrity.

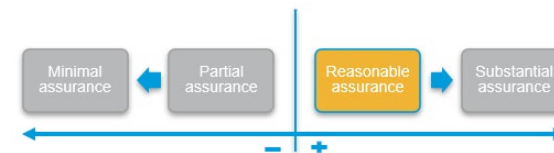
Conclusion

Overall, there is an appropriate control framework in place for the operational management of the Finance system. We identified a number of well designed controls, a number of which were being complied with based on the sample testing undertaken. Some improvements have been highlighted in relation to the need to gain assurance from the relevant third party regarding system back-ups and clarity regarding the mechanisms in place to efficiently and effectively manage user activity. We have agreed two medium and two low priority management actions.

Internal audit opinion:

Taking account of the issues identified, the Commissioner and the Force can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.

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).



Key findings

We identified the following key findings that have led to the agreement of two medium and two low priority management actions:



Month-end timetable

Review of the month end timetable confirmed that it does not currently log the completion date of tasks. As such, we have been unable to confirm if tasks have been completed timely as part of the month-end process. Furthermore, without the date being logged, the ongoing monitoring of task completion to target date cannot be facilitated and interventions put in place (if required). **(Low)**



User Access monitoring

During the audit we established that there is currently no process in place to review inactive users on the finance system, but we were informed that the Force are working on the implementation of such a process. The Systems Accountant informed us that they have tried to replicate the integration that previously existed between the previous system Oracle and Integra, whereby access would be removed from Integra once being marked as a leaver in the Oracle system. It is intended that a member of staff will be responsible for ensuring leavers have their access rights removed.

Without a process to check leavers have had their rights withdrawn from finance systems, there is a risk that leavers could still access confidential information. *It is noted that the risk is reduced further by the fact that the system can only be accessed from a Staffordshire Police or Fire IP address.* **(Medium)**



Finance System back up

It is important that where a third party is responsible for completing such tasks that assurance is provided on a regular basis to confirm tasks have been completed and their outcome. Furthermore, we were informed that the data back ups are not currently been tested to ensure data can be fully restored.

As part of the debrief process, we were informed that clarity around back ups and their restoration is something that is being understood and clarified with the third party. Until this is resolved there is a risk that back ups may not be successful and the ability to restore data may be compromised. **(Medium)**



Journals

Testing on journal sampling identified that in all but one instance, journals were being reviewed timely following the end of the quarter. The exception is considered to be an isolated incident and therefore no management action has been agreed.



Control account reconciliations

During the 2023/24 financial year control account reconciliations had not always been reviewed in a timely manner (although improvements had been made). This was as a result of resource constraints. Without control account reconciliations being reviewed in a timely manner, there is an increased risk that any errors or balancing items are not being efficiently identified and resolved. **(Low)**



Data Migration – Oracle to Integra

As part of the data migration process, a series of control account reconciliations were performed by the Finance Team to test the migration of the data for accuracy and completeness. As part of the reconciliations, data was reconciled between the legacy and the new system. Totals were confirmed and reconciled to ensure the data had been transferred accurately and completely. We were provided with the reconciliations for the key control accounts, and we confirmed that the recorded balances between the legacy and new systems correlated.



Financial Regulations & Finance Procedures

The Financial Regulations detail responsibilities around Financial Control areas and the supporting General Ledger. They are subject to regular review and approval and are available to all staff. In addition, the Finance Department have a series of procedures which cover standard financial operations. They are maintained up to date and are located on the local shared drive which is accessible to all relevant staff members.



Budget Setting

There is a documented budget setting process which outlines the process by which budgets are prepared and submitted. A budget setting timetable is used to effectively track the completion of budget setting activities. Both of which are available to staff involved in the budget setting process, so that they are aware of the process and are able to adhere to deadlines.



Cashflow

The Force have prepared a cashflow forecast for the 2023/24 financial year (which is formally reported on a monthly basis). The forecast also showed detailed cash movement from the year to date, with variations between actual and forecasted figures calculated. Where variances are significant, a note is prepared explaining the reason why.



Reporting

Command Boards take place on a quarterly basis and as part of these meetings financial performance is reported, including a review of budget performance. Finance Business Partners hold meetings with Budget Holders ahead of the Command Board meetings to understand and review any specific issues. On review of a sample of finance reports included at the Command Board meetings we confirmed that the finance updates were detailed and clearly reported the budgetary and financial position.

In addition to the reporting at Command Board, regular finance updates and reporting take place at Executive Management Board. The reports include Revenue Position, Pay, MTFS Savings, Reserves and Risks/Opportunities. A Capital Programme Monitoring report is also included which provides an update on the value of the capital programme, together with any notable changes regarding programme delivery.



Treasury

There are quarterly Treasury Management Meetings held between the Force and the County Council (treasury management is outsourced to the County Council). Through testing of the last three months, we confirmed that they had received timely correspondence and update reports from the Council. The reports include detail on investments, cash balances, debt balance and loan obligations. We have not completed any testing on any transactions made, as these are managed and processed by Staffordshire County Council.

2. DETAILED FINDINGS AND ACTIONS

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

Area: Month-end timetable			
Control	A month-end timetable is in place which details when key month-end procedures need to be completed. The timetable is updated each month to record the name of the member of staff that completed each reconciliation and the date of completion.	Assessment:	
		Design	✓
		Compliance	×
Findings / Implications	<p>Review of the month end timetable confirmed that it includes the following tasks:</p> <ul style="list-style-type: none"> • All Sales Invoice to be raised (including internal invoices for grants, etc.) • Income accruals to be posted • All approved budget virements to be posted to the ledger • Starters & Leavers reports to be run • Review Expected Receipts / Goods Received not Invoiced / On Hold reports • Consolidation and review of forecast (minimal resource depending on month) • Finance Report submitted to be finalised <p>Review of the timetable confirmed that it does not currently log the completion date of tasks. As such, we have been unable to confirm if tasks have been completed timely as part of the month-end process. Furthermore, without the date being logged, the ongoing monitoring of task completion to target date cannot be facilitated and interventions put in place for any exceptions.</p>		
Management Action 1	The month-end timetable will be updated to include the date of task completion. Once added, monitoring of completion dates will be undertaken to ensure deadlines are being met.	Responsible Owner:	Date:
		Senior Finance Business Partner	31 March 2024
			Priority:
			Low

Area: User Access monitoring

Control	Missing Control - On a periodic basis, user access to finance systems is reviewed. Amendments to user access are processed in line with updates recorded from the review (where applicable).	Assessment:
		Design ×
		Compliance -

Findings / Implications In discussion with the Systems Accountant we were advised that :

- User records are created automatically via processes originating from a file transferred by the Police HR system twice each day. These are automatically set up as “inactive” and require human intervention upon request for access. User records are not created independently of this process by system admin. We were informed that the process cannot be fully implemented until a reliable nominal report can be generated from Origin. It was noted that the Systems Accountant had started to put a process together based on January’s nominal report, but this was remained work in progress.
- We were informed that Integra can only be accessed by users from either the Staffordshire Police or Staffordshire Fire network. This would mean that leavers cannot access the system if they leave the force/service.
- Many securities are managed based on an employment position rather than by specific user. Approval limits, for example, are managed on a job role basis with users simply moving in and out of these roles based on information provided by the HR data transfer.

During the audit we established that there is currently no process in place to review inactive users on the finance system, but we were informed that the Force are working on the implementation of such a process. The Systems Accountant informed us that they have tried to replicate the integration that previously existed between the previous system Oracle and Integra, whereby access would be removed from Integra once being marked as a leaver in the Oracle system. It is intended that a member of staff will be responsible for ensuring leavers have their access rights removed. We were informed that it is the intention for the System Administratr to utlisie the nominal report each month, once this information is reliably available (refer to comment above).

Without a process to check leavers have had their rights withdrawn from finance systems, there is a risk that leavers could still access confidential information.

Management Action 2	User access to the finance system will be reviewed on a periodic basis, to ensure that users are exisiting employees and that they have appropriate access given their role and responsibilities. Once the process is agreed (in terms of administration and review) for user access, this will be documented.	Responsible Owner: Jasraj Purewal	Date: 30 August 2024	Priority: Medium
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Area: Finance System back up

Control	<p>A third party are responsible for completing the back-up of the finance system. The finance system is backed up daily at 11pm and all daily back ups are retained for 30 days.</p> <p>Additionally, there is a monthly backup which is taken on the last day of the month at 11pm and these are retained for 12 months.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>	
Findings / Implications	<p>At the time of the audit, we were provided with some evidence to confirm that the recent back up had been completed successfully. It is important that where a third party is responsible for completing such tasks that assurance is provided to confirm tasks have been completed and their outcome.</p> <p>Furthermore, we were informed that the data back ups are not currently been tested to ensure data can be fully restored.</p> <p>As part of the debrief process, we were informed that clarity around back ups and their restoration is something that is being understood and clarified with the third party.</p> <p>Until this is resolved there is a risk that back ups may not be successful and the ability to restore data may be compromised.</p>		
Management Action 3	<p>We will continue with our discussions with the third party to seek assurance that the back up of the system is completed successfully and that data can be fully restored.</p> <p>Once the process is agreed (in terms of administration and review) for back up and restoration, this will be documented.</p>	<p>Responsible Owner:</p> <p>Jasraj Purewal</p>	<p>Date:</p> <p>31 August 2024</p> <p>Priority:</p> <p>Medium</p>

Area: Control account reconciliations

Control	In line with the month-end timetable, control account reconciliations are completed on a monthly basis for the creditor, debtor and payroll control accounts. A reconciliation schedule is prepared with supporting documentation, including system generated reports. The individual who prepares the reconciliation signs and dates the schedule. This is reviewed and dated by a second member of staff. All discrepancies are investigated and rectified during the reconciliation process and evidence is retained.	Assessment:	
		Design	✓
		Compliance	×

Findings / Implications Review of the control account reconciliation schedule for December 2023 identified that the majority of reconciliations had been completed and a segregation of duties existed between the preparer and reviewer. However, most of the reconciliations had been completed a month after their target date, as per the schedule (completed on the 31st January 2024 with a target date of 31st December 2023). Through discussions with the Head of Financial Accounting we were informed that as the Force are currently understaffed, some control account reconciliations have not been reviewed in a timely manner.

Through discussions with the Head of Financial Accounting, we were informed that control account reconciliations are prepared by the Finance Officers and signed off by the Head of Financial Accounting.

From the control account summary, we selected the following five key control accounts:

- DEBT02 - Debtors Control Account
- CRED02 - Creditors Control Account
- SUSP14 - Payroll Bacs Payments Control Account
- CRED07 - Month End Accruals Control Account
- DEBT28 - Other Debt Control Account

For the above control accounts we looked at the October, November and December 2023 control account reconciliations and tested to confirm that:

- They were completed in a timely manner.
- Supporting documentation exists for all reconciliations.
- The reconciliation schedule had been signed and dated by preparer and there is evidence of review by a second individual

Our testing found the following exception:

- In one instance, the reconciliation had not been reviewed in a timely manner (the month after in which it relates).

Without control account reconciliations being reviewed in a timely manner, there is an increased risk that any errors or balancing items are not being efficiently identified and resolved.

Management Action 4	The Force will complete control account reconciliations, as per their target date in the control account reconciliation schedule.	Responsible Owner: Jasraj Purewal	Date: 31 st March 2024	Priority: Low
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APPENDIX A: CATEGORISATION OF 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 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, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
To assess the adequacy and effectiveness of the internal controls in place at the Force for managing its key financial systems.	1	3	2	2	0
Total			2	2	0

* 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.

APPENDIX B: INTERNAL AUDIT OPINIONS

Graphic	Opinion
	<p>Taking account of the issues identified, the Force and Commissioner can take minimal assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the Force and Commissioner can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Action is needed to strengthen the control framework to manage the identified risk(s).</p>
	<p>Taking account of the issues identified, the Force and Commissioner can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
	<p>Taking account of the issues identified, the Force and Commissioner can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.</p>

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

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

Objective of the risk under review

To assess the adequacy and effectiveness of the internal controls in place at the Force for managing its key financial systems.

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

The audit will consider the following;

- There are clear financial regulations, policies and procedures are in place for all key financial areas
- Access to the finance system is adequately controlled
- The finance system is periodically backed up and assurances are received confirming its completion
- Following the implementation of the new finance system, we will review the processes completed for data migration between the two systems to ensure the data has been completely and accurately migrated and reconciliation completed;
- Controls are in place to ensure accurate financial reporting is made to all levels of the organisation (strategic and operational information)
- Journal creation and posting is controlled and includes a segregation of duties
- There is a month end timetable in place which sets out the key deadlines
- Control account reconciliations are undertaken and independently reviewed in a timely manner following month end (reconciliations include Purchase Ledger, Sales Ledger)
- Budget monitoring reports are produced and disseminated to budget holders
- Regular management information reports are produced and presented to Management, Committees, and the Board

Limitations to the scope of the audit assignment:

- We will not confirm that the finance system work flows are enforcing approval limits
- We will not confirm that journals are valid, only that they have been reviewed and approved appropriately

- We will not confirm that the finance system has been backed up, only that a confirmation has been received
- We will not substantively re-perform control account reconciliations
- We will not confirm the accuracy of budget reporting within this review
- All testing will be compliance-based sample testing only
- Our work does not provide assurance that material error, loss or fraud do not exist.

Please note that the full scope of the assignment can only be completed within the agreed budget if all the requested information is made available at the start of our fieldwork, and the necessary key staff are available to assist the internal audit team. If the requested information and staff are not available we may have to reduce the scope of our work and/or increase the assignment budget. If this is necessary we will agree this with the client sponsor during the assignment.

To minimise the risk of data loss and to ensure data security of the information provided, we remind you that we only require the specific information requested. In instances where excess information is provided, this will be deleted, and the client sponsor will be informed.

Debrief held 13 February 2024
Draft report issued 19 February 2024
Responses received 21 February 2024

Final report issued 22 February 2024

Internal audit Contacts Daniel.Harris@rsmuk.com
Head of Internal Audit / 07792 948767

Angela.Ward@rsmuk.com
Associate Director / 07966 914171

Client sponsor John Bloomer / Director of Resources ACC
Katharine Ross / Director of Finance

Distribution John Bloomer / Director of Resources ACC
Katharine Ross / Director of Finance

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