



Internal Audit

FINAL

PFCC for Cumbria & Cumbria Constabulary

Assurance Review of General Ledger

2023/24

February 2024

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

F&R/4 - Fail to meet timescales.

SCOPE

The review considered the arrangements for providing an effective audit trail for data entered onto the financial ledgers and the appropriateness of the reports generated. The scope of the review did not extend to the budgetary control arrangements and bank reconciliations.

KEY STRATEGIC FINDINGS



Testing highlighted that there is an effective audit trail for data entered into the general ledger and that generated reports are appropriate to the processes.



Journals are approved in accordance with delegated authorities. Interfaces with feeder systems are accurate and run smoothly.



Control accounts are subject to regular review and sign off, with reconciliations completed and reviewed in a timely manner with a good audit trail.



The general ledger's chart of accounts is well-controlled, with amendments requiring an appropriate degree of approval.

GOOD PRACTICE IDENTIFIED



The Financial Regulations and Financial Rules are supported by relevant, clear and detailed procedures specific to daily tasks and close-down routines.



A comprehensive timetable of period-end routines, ownership and deadlines helps to mitigate the recognised risk of failure to meet timescales.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

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

PRIORITY GRADINGS

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

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

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

Operational - Effectiveness Matter (OEM) Action Plan

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

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Assignment Engagement Details

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

Constabulary Staff	Title
Keeley Hayton	Financial Services Manager

Exit Meeting Date	2 nd February 2024
Attendees	Keeley Hayton, Financial Services Manager

Director/Commander Comment	<p>I welcome this report and its findings as part of the overall assurance placed on financial matters within the OPFCC and Constabulary. It is reassuring to note that the audit of the General Ledger system provides substantial assurance and contains no recommendations for improvement.</p> <p>Michelle Bellis, Constabulary Chief Finance Officer</p>
Deputy Chief Constable's Comment	<p>I have read this report and the comments from Michelle, as outlined above.</p> <p>I am satisfied that the audit has provided the highest level of assurance “substantial” with no recommendations.</p> <p>The grading provides chief officers with confidence in the way that the main accounting system is controlled and operated.</p> <p>DCC Darren Martland</p>
Considered for Risk Escalation	No recommendations to be escalated.

Findings



Directed Risk:

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

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

Other Findings



The Financial Regulations, dated March 2021, note that the Joint Chief Finance Officer (Joint CFO) has a statutory responsibility to ensure that financial systems are sound and should therefore be notified of any proposed new developments or changes. It should be noted that the Financial Regulations and Rules are to be subject to an update in 2024 to reflect the change in responsibilities following the introduction of separate CFOs for the PFCC/Fire and the Constabulary from April 2023.



The Financial Rules, also dated March 2021, are the detailed supporting guidance and instructions that accompany the Regulations. They note that responsibilities of the Joint CFO, Deputy Chief Finance Officer, Head of Commercial Solutions and Head of Central Services include ensuring that all financial transactions are recorded electronically on the financial system and that all financial transactions entered onto the financial system are supported by appropriate input documentation, authorisation and validation checks. The input of feeder data to the financial system is controlled by the Deputy Chief Finance Officer and for the payroll system by the Head of Central Services.

Other Findings

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An Oracle ERP Cloud Period Close Procedures document, prepared externally, provides generic step-by-step guidance on period-end closure routines. Two spreadsheets of more bespoke guidance have been prepared by the Financial Services Manager, relating to accounts receivable and to general ledger.
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The Finance Risk Register was last updated on 2nd February 2024 and comprises five risks; one of which is F&R/4 - Fail to meet timescales. This is the risk that the Constabulary fails to meet statutory timescales for delivering major financial products e.g., the budget and final accounts. The latest score for the risk is 12 (Amber) and was reduced from the previous score of 16 (Red) to reflect that staffing levels in the team were improved and had stabilised. Having robust arrangements for providing an effective audit trail for data entered onto the financial ledgers and having appropriate reports generated are fundamental in successfully managing this risk.
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A spreadsheet was provided of all journals posted to the general ledger throughout Q2 and Q3. An analysis showed there to be eight distinct sources of journals. The three largest sources of journals by volume accounted for 87% of all journals posted and 44% by value. A sample was selected of 20 journals, with each of the eight journal sources being selected. Testing included detailed discussions with the Financial Services Manager, screen-sharing of the finance system and viewing appropriate approvals and source documentation, such as invoices. No exceptions were noted and a good audit trail was evident and easily navigable.
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A Chart of Accounts spreadsheet was provided, which included a tab of new codes added and of amendments to existing codes. An analysis showed there to have been 131 codes added and 23 code details amended throughout the current financial year-to-date. A further four codes were deactivated. Four new codes and one amendment were selected at random for testing, which included a review of New GL Code Change Request Forms and discussions with the Financial Services Manager. It was determined that controls over changes to the chart of accounts structure are operating effectively, including that changes are affected on a timely basis and that reports generated continue to be appropriate.
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The nine monthly reconciliations of the accounts receivable ledger with the trial balance for the financial year-to-date were tested. There were no reconciling items throughout the period. A proper audit trail was provided with each reconciliation; which was prepared using a standard template format laid out in accordance with best practice. Each reconciliation was signed and dated by the preparer and by the reviewer. An analysis showed that, on average, reconciliations were prepared 10 days after the month-end and reviewed 17 days after being prepared.
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The nine monthly reconciliations of the accounts payable ledger with the trial balance for the financial year-to-date were tested. One month showed three reconciling items, totalling less than 0.2% of the balance. There were no other reconciling amounts throughout the period. An audit trail was provided with each reconciliation; which was prepared using a standard template format laid out in accordance with best practice. Except for one month, each reconciliation was signed and dated by the preparer and by the reviewer. An analysis showed that, on average, reconciliations were prepared 14 days after the month-end and reviewed six days after being prepared.



Delivery Risk:

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

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

Other Findings



A detailed and well-presented Financial Period-End Timetable 2023-24 spreadsheet was provided. This lists all close-down routines and provides for each month the date and time by which the routine should be completed, naming the team having responsibility for the routine. A review of a sample of reports generated from month-end close-down routines showed no exceptions having been reported.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

- The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	15 th January 2024	15 th January 2024
Draft Report:	12 th February 2024	
Revised Draft Report:	16 th February 2024	21 st February 2024
Final Report:	22 nd February 2024	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	PFCC for Cumbria & Cumbria Constabulary		
Review:	General Ledger		
Type of Review:	Assurance	Audit Lead:	Ian Goodwin

Outline scope (per Annual Plan):	The review considers the arrangements for providing an effective audit trail for data entered onto the financial ledgers and the appropriateness of the reports generated. The scope of the review does not extend to the budgetary control arrangements and bank reconciliations.		
Detailed scope will consider:	<p>The review will set out to provide assurance to Joint Audit Committee that the organisation has robust arrangements for maintaining the integrity of the financial ledgers.</p> <ul style="list-style-type: none"> The processes are directed by appropriate policy and procedures. Segregation of duties exists between preparing and authorising ledger entries. 	<ul style="list-style-type: none"> Journals are approved in accordance with delegated authorities. Month-end and daily reconciliations are performed in a timely manner with an audit trail to support completion and review. Control accounts are subject to regular review and sign off. 	
Requested additions to scope:	None		
Exclusions from scope:	None		

Planned Start Date:	29/01/2024	Exit Meeting Date:	02/02/2024	Exit Meeting to be held with:	Keeley Hayton
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SELF ASSESSMENT RESPONSE

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