



THE POLICE, FIRE AND CRIME COMMISSIONER FOR NORTH YORKSHIRE AND THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Key Financial Controls: Accounts Payable

Internal audit report 9.22/23

Final

9 May 2023

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1. EXECUTIVE SUMMARY

Why we completed this audit

As part of the approved internal audit plan for 2022/23, we have undertaken a review of the Force's accounts payable process to determine whether robust controls are in place to ensure all expenditure is committed, approved, and accounted for accurately and creditors are correctly paid in a timely manner. North Yorkshire Police receives a significant amount of public funding from central government and therefore the Force has a responsibility to use public funds in a responsible and accountable way.

The Force maintains a Devolved Resource Manual (DRM) which acts as a set of financial regulations and contains information regarding audit records and resource management, expenditure and income amongst other areas. Creditor payments are included within the expenditure section of the DRM. The Force also maintains a scheme of delegation outlining the arrangements made to delegate statutory powers on behalf of the Commissioner. The accounts payable process is primarily the responsibility of the Finance Team, which is led by the Chief Accountant and the Accountant. Accounting Technicians are responsible for maintaining a scheme of authorisation and access to the finance system.

The Force uses the Oracle system and the iProc module to raise and approve purchase requisitions, document when goods and services have been received and record and match invoices to the associated purchase requisitions and goods receipt. A separate system called Tranman is used for fleet management and has a built-in purchasing function enabling purchases to be ordered and documented. Suppliers are usually paid by BACS payment; however, payments can also be made via CHAPS (Clearing House Automated Payment System), Direct Debit, purchase cards and occasionally by cheque.

Our review has also included the use of the IDEA data analytics software to conduct testing of the accounts payable data. Details of the tests conducted and management responses can be found under Appendix B of this report. Due to the unavailability of some required data sets, we have been limited in our capacity to complete all data analysis tests; the details of these limitations can be found under Appendix B.

Conclusion

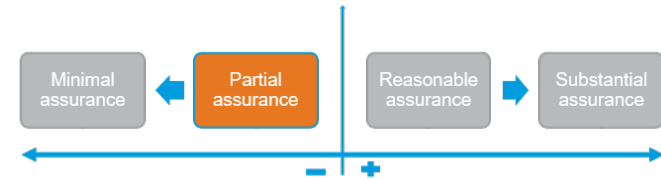
As a result of our review, we have agreed **three high, four medium** and **two low** priority management actions. We have also referenced two high priority management actions that were agreed in the previous Fleet Management review (6.22/23) and are still ongoing areas for improvement. We have not re-agreed these actions but referenced them where applicable in the report and have highlighted the original agreed implementation dates and action owners.

Our review has identified several instances where controls are not being implemented as designed, including new supplier forms not being completed, retrospective purchase requisitions and Force leavers not being removed from the Oracle system in a timely manner. We identified significant control deficiencies within the Tranman system including a lack of segregation of duties, lack of an effective audit trail for purchase requisition approvals and the use of a drop-down list for users to select who they are when approving purchase requisitions. Weaknesses in the Tranman system were also highlighted during the RSM Fleet Management (6.22/23) review.

Internal audit opinion:

Taking account of the issues identified, the Police, Fire and Crime Commissioner for North Yorkshire and the Chief Constable of North Yorkshire can take **partial assurance** that the controls upon which the organisations rely on to manage this area are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified area.



Key findings

Our audit identified the following exceptions resulting in three high priority management actions being agreed:



Tranman approval process

As part of our sample testing of 21 purchases, we selected one sample that had been processed using the Tranman system. The Tranman system is a fleet management system and is used by the Force for vehicle related purchases (more than 100 purchases per week). Whilst testing this sample, we undertook a system walkthrough of the Tranman system with the Fleet Review Manager and identified that when approval is required for a purchase requisition, users select their name from a drop-down bar. However, this drop-down bar is not restricted, and a user can select any individual on this list (including the Head of Assets who has a limit of £2,500,000). We further identified that the limit for the Head of Assets within the Tranman system exceeded the limits in the scheme of authorisation.

There is therefore a significant risk that if users are able to select other users and their authority limits, individuals could bypass assigned authorisation limits and inappropriately authorise, raise and approve purchases without the correct authorisation to do so, which could risk fraudulent purchases. **(High)**



Tranman segregation of duties

During our walkthrough of the Tranman system, we identified that secondary review of a purchase requisition is not required if the individual raising the purchase requisition has an authorisation limit that exceeds the value of the purchase. For example, the Fleet Review Manager has an authorisation limit of £10,000 and so secondary review and approval would not be required if the Manager was raising a requisition of less than £10,000.

If secondary review and approval is not required for all purchase requisitions, there is an increased chance of fraud and this going undetected. **(High)**



New supplier forms and supplier amendment

Whilst a new supplier form is in place and available to all staff on the intranet, the Force does not have an amendment form. For our sample of 10 new suppliers, in three instances a Form 41 had been completed and was on file rather than a new supplier form. A Form 41 is used when an invoice is unlikely to be raised, such as, where seized property has been sold and the proceeds are returned. In three instances, a new supplier form had been completed and was on file. In the remaining four instances, no new supplier form was provided to support the setup of the supplier on the Oracle system.

If a new supplier form is not completed and on file, there is a risk that a new supplier could be added with the incorrect payment details leading to suppliers not being reimbursed or wrong accounts receiving Force funds.

For supplier amendments, in five instances we were supplied with no evidence to support the changes in supplier details. For the remaining five instances, evidence was on file to support this in the form of emails, Teams messages and spreadsheets but this was not documented using an amendment form. As well as this, there was no evidence that the changes had been checked and verified by a separate individual to confirm details had been correctly recorded in the Oracle system. This is an important control and we have seen a number of successful frauds in the public sector where these controls are not being applied effectively and this needs urgent attention.

If supplier amendments are not documented on an amendment form and reviewed and verified by a separate individual, there is a risk that changes could be made to a supplier that are incorrect and lead to a financial loss for the Force. Without adequate supplier change control, there is an increased risk of fraud. **(High)**

For details of the **four medium** and **two low** priority management actions agreed and the two high actions referenced from the RSM Fleet Management review (6.22/23), please see section two of this report.

Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:



Policies and procedures to support DRM and scheme of delegation

The Force maintains internal process notes and guidance documents which are available to the Finance Team on the internal shared drive. These include:

- a procedure document showing how to enter invoices into the Oracle system; and
- a flowchart showing the requisition and approval for the different systems used by the Force.

These documents demonstrate the current operational processes and highlight how to use the Oracle system to support staff in understanding required processes.



Training

Users of the Oracle system complete on the job training to ensure key processes are understood and completed correctly. Additional training is available and is completed on an ad-hoc basis. For example, the Chief Accountant has recently completed a training session covering approval within Oracle. The training sessions delivered are supported by process documents and guidance notes within the Finance Team's shared drive and videos released by the Procurement Team that are available on the Force's intranet, The Source.



Purchase requisitions

We initially selected a sample of 20 purchases; however, due to one sample being a Direct Debit payment, we extended the sample by one purchase totalling 21 samples reviewed. We tested each to determine whether a purchase requisition had been completed and whether this had been approved by an individual with authority to do so. For the 21 samples:

- we verified that 17 purchase requisitions had been raised, approved by an appropriate individual and was within their authorisation limit;
- one purchase was made through the Tranman system and a purchase requisition was on file. We could not confirm that the purchase had been approved correctly as no audit trail was visible within the system for this. A high priority action for this system limitation was raised as part of the previous RSM Fleet Management review. We have not re-raised this action but reference to this can be found below in section two of the report;

- one purchase was paid through Direct Debit and did not have a purchase requisition on file. We confirmed this was a noted exception in the DRM and relates to travel costs and that this has been approved by an appropriate individual; and
- for the final two samples we noted a Form 41 had been completed. This form is used where an invoice is not appropriate such as grant agreements, seized property and drug money. For the two samples, we confirmed that one was for a grant agreement payment (and we confirmed a grant agreement was on file for this) and another was for a seized vehicle that had been sold at auction and the proceeds were being returned.



Exceptions

There are only four suppliers that do not require purchase requisitions. These suppliers are Agiito, Enterprise, PHH, and Softcat. We reviewed and discussed each with the Accountant who confirmed the goods and services that are provided to the Force for these suppliers. Following this, we reconciled the services against the DRM that has a list of instances where a purchase requisition is not required. In all four cases, we confirmed that the DRM clearly states that purchase requisitions are not required.



Reconciliations

We selected a period of three months (November 2022, December 2022, and January 2023) and through testing, confirmed for each month that the Accounting Technician reconciles the accounts payable and creditor control accounts to identify any discrepancies. The reconciliations are then reviewed by another member of staff, and the details of both parties are recorded along with the date of the reconciliation and review. In all three instances, we did not identify a reconciliation discrepancy.



IDEA data analytics testing

As part of our audit work, we used IDEA data analytics software to identify potentially duplicate suppliers and suppliers with potentially duplicate bank details. We selected a sample of anomalies identified from the analysis and identified no issues in the records selected. The full details of IDEA testing can be found under Appendix B.

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: Key Financial Controls – Accounts Payable		
Control	The Force maintains a DRM which contains detail on the accounts payable process. The DRM is up to date, reflects current processes, and is available to all staff on the Force’s intranet platform, The Source.	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>We confirmed that the Force maintains a DRM which is available to staff on the intranet, The Source.</p> <p>We obtained a copy of the DRM to determine whether it contains details regarding the accounts payable process. Chapter 12 within the DRM covers the creditor payment process, covering payments made to outside organisations for receipt of goods and services. The chapter does not cover purchases from petty cash or purchase cards, these are covered in subsequent chapters. The chapter covers purchases and receipt of goods and services, including exceptions where invoices are processed as requisitions in retrospect (e.g. vestuary for call out work, weighbridge charges, etc.), consolidated invoices checked against authorised booking forms (e.g. car hire, fuel, etc.) and items where requisitions are not required and NYP invoice authorisation forms can be used (e.g. doctors invoices, vehicle recovery, etc.). The process also covers goods received notes and the process when discrepancies are identified, processing invoices for payment, processing credit notes, different methods of making payment to creditors (e.g. BACS, CHAPs, Direct Debits etc.). The document notes when BACS payments are made, any individual invoices above £20,000 must be checked by the authorised payment signatory to the original invoice, and a spot check of at least five other invoices is completed also. A purchasing flow chart is also included in the appendix to the document.</p> <p>Through review of the DRM, we noted that delivery notes are not required to be added to the Oracle system but should be retained, signed, and dated by the requisitioner and the individual receiving the goods or services. We also identified that the DRM states that when goods or services are received, Oracle must be updated and the GRN section “ticked” to confirm receipt.</p> <p>Whilst reviewing the DRM it was noted that each chapter has a different date of review (for example, June 2014, November 2015, February 2016, etc.) despite the review date on the face of the document being 2022. Whilst we have been informed these chapters have been reviewed and updated recently, it is not clear from the review dates that this is the case.</p> <p>The DRM being outdated has been identified in previous audits we have undertaken. A medium priority action was raised as part of the CIPFA Code of Governance review in November 2021 for the Force’s financial governance documents, including the DRM, to be reviewed and updated to reflect current processes. The due date for this action was October 2022.</p>	

Area: Key Financial Controls – Accounts Payable

This action was re-agreed and escalated to a high priority action based on the findings of the Fleet Management review (6.22/23), as the action had not been completed at this point. As such, we have not agreed a new action but instead referred to the action within the Fleet Management review to avoid action duplication.

There is a risk that if the DRM is not reviewed and up to date, it may reflect incorrect practices, and, as above, any employee using it as reference will be unaware of the correct procedure.

Reference to previously agreed Management Action	See Management Action 3 from Fleet Management (6.22/23) The Chief Finance Officer of the Chief Constable will allocate resource to ensure that the Force financial governance documents are reviewed and updated to reflect current governance arrangements within the Force.	Responsible Owner: Chief Finance Officer (Chief Constable)	Original Implementation Date: 31 July 2023	Priority: High
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Area: Key Financial Controls – Accounts Payable

Control	<p>The Force maintains a scheme of delegation that outlines staff roles and responsibilities for finance processes including the individuals responsible for the accounts payable process.</p> <p>The scheme of delegation is reviewed on an annual basis and is available to all staff on the intranet, The Source.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>We obtained a copy of the scheme of delegation maintained by the Force, effective from 1 April 2014. The scheme is maintained by the Senior Accountant, though it was noted that this role is currently vacant. We confirmed the scheme of delegation is available on The Source intranet platform.</p> <p>The scheme outlines the delegations of responsibilities to key individuals within both the Force and the Office of the Police, Fire and Crime Commissioner (OPFCC). Such individuals include the Chief Constable and the Chief Finance Officers (for both the Chief Constable and the OPFCC). The scheme of delegation includes information regarding how the OPFCC requires decisions to be reached by individuals and how this should be documented.</p> <p>Whilst reviewing the scheme of delegation, we could not identify when the last review was undertaken as this has not been documented. It is best practice to review and update key documentation on a regular basis and to record the date of when this occurred and who undertook the review.</p> <p>There is a risk that if the scheme of delegation has not been updated and this information has not been documented, the document could be out of date and not reflect current practices and processes. We have agreed a low priority action as no issues were identified in the roles outlined within the scheme of delegation.</p>	
Management Action 1	<p>The Force will ensure the scheme of delegation is reviewed on a regular basis and review dates are clearly included within the document. An owner will be assigned to the scheme of delegation to facilitate this.</p>	<p>Responsible Owner: Chief Accountant</p> <p>Date: 31 December 2023</p> <p>Priority: Low</p>

Area: Key Financial Controls – Accounts Payable

Control	<p>The Force maintains a scheme of authorisation for approval of purchase requisitions and the list documents the assigned authorisation limits.</p> <p>The authorised signatories list is regularly reviewed and kept up to date.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>An authorised signatories list (called the scheme of authorisation) is in place outlining staff authorisation limits for purchase requisitions for each cost centre. All requisitions are assigned a cost centre depending on the department and only staff included in the scheme of authorisation for that cost centre can approve these requisitions. The scheme of authorisation is owned by the Accounting Technician, and it is their responsibility to ensure that the document is up to date and new staff have been correctly added and old staff have been removed.</p> <p>We reviewed the scheme of authorisation and noted that the document mentions that it was last updated on 1 August 2022; however, we have noted some staffing changes since its last review. It is unclear whether it has since been reviewed and not dated, or whether the review has been missed.</p> <p>There is a risk that if the scheme of authorisation is not kept up to date and reviewed on a more regular basis, incorrect authorisation limits could be in place on the Oracle system leading to staff that are not authorised approving purchase requisitions. This includes updating the document for relevant new starters and removing individuals that have left the Force.</p> <p>The Oracle system has not been set up to require invoice approval. Instead, when an invoice is input into the system, it is checked against the purchase requisition to confirm that both values match. As such, there are no authorisation limits for invoice approvals.</p> <p>No authorised signatory list exists for recording goods and services as it is the responsibility of the original individual that completed the purchase requisition and order. Despite this, the Oracle system does allow other users to confirm that goods and services have been received and this has been set up to allow invoices to be paid in the event that goods and services have been delivered but the original user that raised the requisition and order is unavailable or absent.</p>	
Management Action 2	<p>The scheme of authorisation will be kept up to date with the date recorded on the document after each update. This will also be reflected in Oracle with leavers removed from the system as soon as possible.</p>	<p>Responsible Owner: Accounting Technician</p> <p>Date: 31 July 2023</p> <p>Priority: Low</p>

Area: Key Financial Controls – Accounts Payable

Control	<p>Approval limits from the scheme of authorisation are built into the finance system to ensure individuals are only able to approve up to their limit.</p> <p>Users are added to the Oracle system by the Accounting Technician within the Finance Team.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>Using the scheme of authorisation, we selected a sample of 10 users to determine whether the limits recorded in the scheme of authorisation are built into the Oracle system correctly. Through discussions with the Accountant, we noted that the Accounting Technician maintains the scheme of authorisation and makes changes to approvals, where appropriate. The document is available to all staff in a read-only format to ensure no unauthorised changes are made.</p> <p>In nine instances, we obtained system evidence that the user's limit in the scheme of authorisation agreed to the limit per the Oracle system.</p> <p>In the remaining instance, we noted that the limit per the scheme of authorisation was £50,000; however, the user's limit in the Oracle system was £500,000. Upon further inspection of the scheme of authorisation, we noted the user was able to authorise up to £500,000 across certain cost centres. Purchases are split into different cost areas to prevent staff from approving requisitions that are not relevant to them, or they are not responsible for.</p> <p>Through discussions with the Accountant, it was explained that only one authorisation limit can be set in the Oracle system and this is the highest available to the individual. In instances where a member of staff has multiple authorisation limits for different cost centres, the Purchasing Team is responsible for checking to ensure the appropriate limit has been used. This check is not documented and is instead visual and therefore could not be validated.</p> <p>The Force should investigate whether it is possible to allow the Oracle system to be set up to allow individuals with multiple cost centres and authorisation limits, to have this built into the system, rather than relying on the Purchasing Team to check. Alternatively, the Force may consider reviewing authorisation limits for those with differing values and consider streamlining limits across the different cost codes, if appropriate.</p> <p>There is a risk that if authorisation limits are not set up in the Oracle system correctly, purchase requisitions could be approved by an individual that does not have authorisation to do so.</p>	
Management Action 3	<p>The Force will determine whether the Oracle system can be updated to allow for authorisation limits for specific cost centres rather than one limit for all cost centres.</p> <p>Alternatively, the Force may consider carrying out a reconciliation to streamline authorisation limits between the Oracle system and the scheme of authorisation.</p>	<p>Responsible Owner: Accountant</p> <p>Date: 31 July 2023</p> <p>Priority: Medium</p>

Area: Key Financial Controls – Accounts Payable

Control	<p>Only authorised individuals can use the Oracle system.</p> <p>To become authorised, the individual contacts the Accountant Technician who adds them to the system.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>Through discussions with the Accountant and Accounting Technician, we understood that the Oracle system is updated with new users by the Accounting Technicians. Users contact the Accounting Technicians to request access to the system, usually when they first need to order items. When users leave, it was explained that they are not automatically removed from the system.</p> <p>No checks are conducted when adding users to Oracle to determine whether they are appropriate as the only action that they could complete would be to raise a purchase requisition. Given capacity, it is not possible to check each new user to see whether they need access to the Oracle system.</p> <p>A report can be run of the system showing users who have left the Force but still have active Oracle accounts and the accounts can then be closed in bulk. However, it was noted this is not done on a regular basis.</p> <p>There is a risk that if leavers or those no longer requiring access do not have Oracle access restricted in a timely manner, inappropriate orders could be raised or approved.</p>	
Management Action 4	<p>The Finance Team will ensure a regular review of leavers and those no longer requiring access from the Force is undertaken to ensure they are removed from the accounts payable system in a timely manner.</p>	<p>Responsible Owner: Accounting Technician</p> <p>Date: 31 July 2023</p> <p>Priority: Medium</p>

Area: Key Financial Controls – Accounts Payable

Control	<p>Almost all purchases require a purchase requisition to be submitted. Exceptions are documented in the DRM.</p> <p>Purchase requisitions are required to be raised and authorised by two separate individuals.</p> <p>Purchase requisitions are approved by individuals with an appropriate authority limit as determined in the scheme of authorisation.</p>	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>We selected a sample of 21 payments and with assistance from the Accountant, we undertook a walkthrough of the Oracle system to confirm that a purchase requisition had been raised and approved for all 21 purchases. An original sample of 20 samples had been selected; however, during testing we identified that one of the samples was a Direct Debit and does not require a purchase requisition or invoice, therefore selected one further sample. We confirmed this exception has been noted in the DRM and does not require a purchase requisition to be submitted.</p> <p>For the 21 samples, we identified that:</p> <ul style="list-style-type: none"> • a purchase requisition was on file for 17 purchases. We confirmed that all 17 purchase requisitions had been approved by an individual on the scheme of authorisation and the requisitions approved were within their authority limit; • one purchase requisition was not on the Oracle system but instead on Tranman system - a fleet management system that is used by the Force for vehicle related purchases. We met with the Fleet Review Manager to walkthrough the sample and discuss the Tranman system. Through discussions, we noted that each week more than 100 orders are processed using the system. We reviewed the system for our selected sample and confirmed the delivery was recorded along with order documents and the individual that raised the order. However, we were unable to view an audit trail of the approval process for the requisition or the date and time this occurred and as such we cannot provide assurance that approval was completed correctly. This issue was identified in the RSM Fleet Management review; • one sample was paid via Direct Debit and therefore did not have a purchase requisition on file. We reviewed the DRM and confirmed this was included on the list of exceptions (travel, transport, and accommodation) as the Direct Debit was with regards to a travel cost. We confirmed that the Direct Debit payment had been checked and authorised by the Fleet Manager in line with the DRM requirements; and • for the final two samples, we were informed that a Form 41 had been completed. The Accountant confirmed the form is used in instances where it is not appropriate for the supplier to raise an invoice, which could include seized property, grant agreements and money returned that was seized under suspicion that it was obtained from criminal activities. For our two samples, we noted one was for a grant agreement payment and another was for an auctioned vehicle. In both instances, we reviewed the form and confirmed this had been reviewed and approved by separate individuals, with the approver not exceeding their authorisation limit. <p>During the walkthrough of the Tranman system, it was noted that authority limits are built into the system; however, there is only a requirement for orders to be approved when they exceed the requisitioner's limit. For instance, a user could raise and approve a requisition of £50,000 without secondary review and approval, if their approval limit was £100,000. This indicates a lack of segregation of duties, which could lead to purchases being inappropriately ordered and increases the risk of fraud.</p>	

Area: Key Financial Controls – Accounts Payable

It was noted that the Fleet Review Manager's limit is £10,000, the Fleet and Logistics Manager's limit is £50,000 and the Head of Asset's limit is £2,500,000. We noted that these individuals would be able to process requisitions up to their limit without requiring approval. We also noted that the system allows users to select who they are from a drop-down list of all users and there are no controls in place to prevent an individual selecting a different user with a higher authority limit to enable them to process requisitions above their own limit. As there is no audit trail available within Tranman to show the order authorisations, it is not clear if this would be identified or whether this could go undetected. We identified that the limit for the Head of Asset in the scheme of authorisation is only £500,000 despite the Tranman system having a limit of £2,500,000. If Tranman users do not have the correct authorisation limits as per the scheme of authorisation, there is a risk that they could authorise purchases that exceeds their authorisation limit.

By not maintaining appropriate controls over the Tranman system, there is a risk that users could fraudulently process invoices using another employee's higher limits. As there is no segregation of duties when limits are not exceeded, the system would not flag this issue to any other team members.

Management Action 5	The Tranman system will be reviewed to ensure users are not able to utilise other users' details and authority limits. Authorisation limits on Tranman will also be reviewed to ensure they match the scheme of authorisation.	Responsible Owner: Head of ICT Chief Finance Officer (Chief Constable)	Date: 30 April 2023	Priority: High
Management Action 6	The Tranman system will be reviewed to ensure appropriate segregation of duties are in place when raising purchase requisitions.	Responsible Owner: Head of ICT Chief Finance Officer (Chief Constable)	Date: 30 April 2023	Priority: High

Area: Key Financial Controls – Accounts Payable

Control	<p>Goods and services are recorded as receipted within the system. Evidence of goods received are not stored on Oracle.</p> <p>Invoices cannot be paid without goods and / or services being marked as received.</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>We reviewed the DRM and noted that there was no requirement to evidence that goods and / or services had been delivered. Instead, Oracle and iProcurement are required to be updated to say that they have been received and no evidence is required to be saved.</p> <p>From our sample of 21 payments, we identified that:</p> <ul style="list-style-type: none"> • in 18 instances, Oracle and iProc have been updated to state that goods have been received. We also verified that in all 18 instances, the goods have been marked as received after the purchase requisition was approved; • in two instances, no goods have been marked as received as a Form 41 has been completed. In one instance, a payment had been made in relation to a grant agreement and in another, the payment was related to the funds from auctioning a vehicle that had been abandoned. The Accountant confirmed goods and / or services would not be recorded where a Form 41 has been completed; and • in the final instance, we identified that the payment was a direct debit payment. We confirmed that evidence was on file for this including review and approval. <p>Apart from the sample from Tranman, evidence of goods received such as a delivery note have not been saved on the Oracle system and we confirmed this is not a requirement as per the DRM. We spoke with the Accountant who confirmed that delivery notes are not saved on the Oracle system and that it is the responsibility of the requisitioner and the individual marking the goods as received on the Oracle system to obtain and retain evidence of goods received, such as a delivery note; however, there is no requirement for this to be saved on the Oracle system. It is the responsibility of the requisitioner to ensure that goods have been received. The Finance Team would not have capacity to check against goods received notes. However, the lack of goods received notes was identified as an issue during the Fleet Management review (6.22/23) in relation to the purchasing of fleet vehicles. This finding identified that vehicles were purchased and accounted for in the incorrect financial year and could potentially have been identified if evidence of goods received had been recorded on purchasing systems. Where evidence is not retained of goods received notes on the Oracle system, there is a risk that goods are not received by the Force and could be incorrectly accounted for. Whilst we recognise that the Finance Team would not have resource to check against goods received notes, outlining the requirement for goods received notes to be stored on the Oracle system would strengthen the Force's control framework by ensuring auditable evidence is saved on file to support accountability for Force purchases. Where staff can tick to confirm goods have been received and not provide supporting evidence in a central location, there is a risk that invoices are paid for goods or services not acquired by the Force, which could lead to fraudulent activity that could go undetected.</p>	
Management Action 7	<p>In light of the findings identified within the RSM Fleet Management review (6.22/23) and the issues identified within this report, the Force should consider whether the requirement to not attach goods received notes on the Oracle system is sufficient</p>	<p>Responsible Owner: Chief Finance Officer (Chief Constable) Chief Accountant</p> <p>Implementation Date: 30 April 2023</p> <p>Priority: Medium</p>

Area: Key Financial Controls – Accounts Payable

and provides adequate assurance that goods and services have been received prior to invoice payment.

The updated process would be reflected within the DRM and communicated to all budget holders.

Area: Key Financial Controls – Accounts Payable

Control	<p>In the Oracle system, invoices are matched to purchase requisitions before being paid. The value of both the invoice and the purchase requisition has to match before payment can occur.</p> <p>A tolerance is in place of 5% up to £30 for matching invoices to purchase orders.</p>	Assessment: Design ✓ Compliance ×
Findings / Implications	<p>From our sample of 21 payments, we identified that:</p> <ul style="list-style-type: none"> no invoice was on file for two payments. These were both Form 41 payments and no invoice is required for these; no invoice was on file for the one Direct Debit payment. We confirmed the payment had been reviewed and approved by a member of staff; and for the remaining 18 payments, we confirmed that an invoice has been matched to the approved purchase requisition. <p>Of the 18 samples where an invoice has matched a purchase requisition, we identified a discrepancy between the purchase requisition value and the invoice value in six instances. We queried this with the Accountant and reviewed the Oracle system and confirmed that:</p> <ul style="list-style-type: none"> one discrepancy is because the purchase requisition covers a full year of training, whereas the invoice only covers half the year. We verified that the invoice amount was exactly half of the purchase requisition value; a similar discrepancy was identified for another payment due to the purchase requisition covering a training programme and the supplier invoicing for individual days rather than the entire programme; two discrepancies were within the 5% tolerance (up to £30) set out within the DRM. The difference for one was £1.23 and the other was £0.94 for a total of £2.17. For reference, the total value of both invoices combined was £1,271,202.23; one discrepancy was due to the invoice covering multiple purchase requisitions. We confirmed that the total value of all purchase requisitions matched the value of the invoice; and the final discrepancy was due to an error by the supplier. This was rectified by the Finance Team and the Force only paid the amount recorded in the purchase requisition. <p>We are satisfied with the response for all six discrepancies.</p> <p>Of the 18 samples where an invoice has matched a purchase requisition, we reviewed the invoice dates and compared this to the date when the purchase requisition was approved. We identified:</p> <ul style="list-style-type: none"> two instances where an invoice was received before a purchase requisition had been raised and approved. In one instance, the invoice was received on the 1 November 2022 and a purchase requisition not approved until the 14 November 2022 and in another instance the invoice was received on the 24 November 2022 and the requisition not approved until the 28 November 2022. In both instances, we verified the invoice was not paid until after the requisition was approved; a further instance where we could not determine when the purchase requisition had been approved. This was for the sample taken from the Tranman system. An action has not been raised as this was identified during the Fleet Management review (we have referenced the previously agreed management action below); and 	

Area: Key Financial Controls – Accounts Payable

- all 15 remaining samples had no discrepancies as the date on the invoice was after the purchase requisition approval date.

If invoices are received before a purchase requisition has been raised and approved, there is a risk that the Force are ordering goods and services without the appropriate authorisation.

Using a list of purchase orders, we selected a sample of five and reviewed the Oracle and iProcurement system to confirm that a matching invoice has been assigned to the purchase order and the purchase requisition was approved before the date of the invoice. For all five purchase orders sampled, we confirmed that a matching invoice was on file and all invoices were dated after the purchase requisition had been approved.

Management Action 8	All staff will be reminded of the requirement for purchase requisitions to be raised and approved before ordering goods and services.	Responsible Owner: Accountant	Date: 31 July 2023	Priority: Medium
Reference to previously agreed Management Action	<p>See <i>Management Action 12 from Fleet Management (6.22.23)</i>:</p> <p>The Force will consider whether the use of the Tranman system for vehicle orders is appropriate to enable adequate monitoring of repairs and maintenance costs to ensure value for money is achieved. <i>Client confirmed that the Tranman system will be used to procure vehicle parts and the iProcurement for vehicles.</i></p> <p>The Force will also consider alternative solutions and as a minimum, adequate controls will be put in place to ensure any expenditure incurred within the Tranman system is subject to adequate checks, and that Tranman costs are appropriately accounted for in the ledger in a timely manner.</p> <p>In addition, the Tranman system will be reviewed to confirm whether approvers of job costs can be viewed for audit purposes.</p> <p>A sample of repair jobs should be tested to confirm that jobs are authorised in line with delegated authorities.</p> <p>The Fleet and Logistics Team will ensure that email evidence of file transfers submitted to the P2P Team is retained on file to confirm adequate authorisations have been sought.</p>	Responsible Owner: Fleet and Logistics Manager Head of ICT	Original Implementation Date: 31 October 2023	Priority: High

Area: Key Financial Controls – Accounts Payable

Control	<p>A new supplier form is completed when a new supplier is set up on the Oracle system.</p> <p>Partially missing control - When supplier details are required to be changed or updated, no document is completed documenting these changes and who completed the change.</p> <p>Secondary checks are not completed before supplier data is added or amended.</p>	Assessment: Design × Compliance -
Findings / Implications	<p>Through discussions with the Accountant, we noted that whilst new supplier forms are required to be completed, there are no amendment forms completed by the Force. It was noted in some examples a Form 41 is completed instead of a new supplier form, and part of the Form 41 is retained instead as evidence. We obtained a list of changes made to suppliers and selected a sample of 10 new suppliers and 10 amendments. Our findings are documented below:</p> <p><u>New Suppliers</u></p> <p>In three of the 10 samples selected, we confirmed with the Accountant that a Form 41 had been completed rather than a new supplier form. For these three suppliers, we confirmed with the Accountant that this was the correct set up procedure for these three suppliers. In a further three instances, a new supplier form has been completed and is on file. In the remaining four instances, no evidence was on file to support the new supplier.</p> <p><u>Amendments</u></p> <p>For five samples, no evidence was provided to support the supplier amendment. As noted above, no supplier amendment forms are created or retained. Of the remaining five instances, we confirmed the following:</p> <ul style="list-style-type: none"> • in one instance, the supplier payment details had been removed as part of data cleansing, which is where suppliers that are not used for a set period of time are removed from the system. As such, we were unable to evidence this as no form was retained on file; • in another instance, we understood the update was due to a change in VAT code raised as part of the VAT return completed monthly. We evidenced an extract from the VAT return and an email noting the correction; • in another instance, we evidenced an email from the supplier requesting change of the contact details as the previous contact left; • in another instance, we understood an invoice was provided with the updated bank details. Through screenshare with the Accountant, we confirmed an email from the supplier was received, referencing a phone call and confirming what was discussed over the phone to verify the new supplier details were correct; and • in the remaining instance we evidenced a Teams message requesting the supplier be re-activated so a requisition could be raised.. <p>Where the Force does not maintain appropriate new supplier or supplier amendment forms, there is a risk that suppliers are being created or changed fraudulently.</p>	
Management Action 9	<p>A supplier amendment form will be created. This will be to ensure all details regarding amendments to supplier details are correctly recorded.</p> <p>Staff will be informed of the requirement to fully complete the new supplier forms and amendment forms where appropriate.</p>	Responsible Owner: Accountant Date: 31 July 2023 Priority: High

Area: Key Financial Controls – Accounts Payable

This process will also be reviewed to consider potential changes which could include secondary review and approval by a separate member of the Finance Team to ensure details have been accurately input into the system.

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			Previously agreed Management Actions Referenced in this report
	Low	Medium	High	Low	Medium	High		
Key Financial Controls: Accounts Payable	1	(15)	7**	(15)	2	4	3	2
Total					2	4	3	2

* 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.

** More than one management action raised against each control

APPENDIX B: DATA ANALYTICS

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

Analytics Findings:

The following is a summary of findings from our data analytics work which we have discussed with management. This has involved us sharing the data analytics spreadsheets which detail the findings for further consideration and checking.

For the purpose of our findings, we have used a 'pause' and 'tick' approach to highlight at a glance which areas require further investigation following our findings.



Area: Duplicate suppliers (1)

Criteria:	Identify potential duplicate suppliers
Source Data/Reports:	Creditors Standing Data
Period Covered:	2022
Testing Undertaken:	Identify potential duplicate suppliers by creditor reference and address.
Issues identified:	<p>The supplier list included included 2,741 individual supplier records. Analysing the report for duplicates based on creditor reference identified 407 potential duplicates, comprising of 171 different creditor references. When analysing the report for duplicates based on creditor reference, we identified 21 potential duplicate records, comprising of 10 different creditor references, 21 different site IDs, and 9 different Address Line 1s.</p> <p>We selected a sample of five sets of duplicates from the results to discuss with management and determine why they are marked as a duplicate. . We discussed the sample with the Accountant who confirmed three instances of duplicates identified are suppliers who have multiple addresses. In one instance, we confirmed the duplicate was a motor group, and the Force has recorded each dealership on the same code with the same bank details as payments are made to the overall group. In the remaining instance, the duplicate identified was due to bank details being changed as the initial sort code was incorrect. We confirmed the incorrect entry was inactive.</p> <p>We have provided the full data analysis files to management.</p>



Area: Duplicate suppliers (1)

Overall Conclusion: No issue noted

Report Reference Listing – Duplicate reference
Listing – Duplicate Code Address 1

Area: Duplicate suppliers (2)

Criteria: Identify potential duplicate suppliers

Source Data/Reports: Creditors Standing Data


Period Covered: 2022

Testing Undertaken: Identify multiple suppliers with the same bank details.

Issues identified: The supplier list included 2,741 individual supplier records. Analysing the report for duplicates based on sort code and account number identified 517 potential duplicates, comprising of 114 different sort codes and 114 different account numbers, and 179 blank bank account details. Further analysis identified 66 instances where the same bank account number was assigned to different suppliers by supplier reference. From the 66 discrepancies, we selected a sample of five bank account numbers and discussed with management why these are associated with different creditor references.

In one instance, we noted this was due to a factoring agency being used and the bank details were the same for both suppliers as both had used the same factoring agency. We confirmed the bank details on each invoice and supporting email agreed to the bank details recorded on the Oracle system.

In two instances, we confirmed that the different suppliers associated with the same bank account details were barristers all part of the same chambers. Fees are collected into one account for various counsel.

In one instance, we noted the supplier was the same business; however, there had been a name change. 

In the remaining instance we confirmed the two suppliers with duplicate bank details were both HMRC. Two separate suppliers have been set up as each is for a different payment reason and to ensure it is clear what the payment is for. We have provided the full data analysis files to management.

Overall Conclusion: No issues noted.

Report Reference Listing – Supplier Bank Account Detail

Area: Purchase orders above delegated authority thresholds (3)

Criteria:	Identify purchase orders above delegated authority thresholds
Source Data/Reports:	N/A
Period Covered:	N/A
Testing Undertaken:	<p>We have not undertaken data analytics testing for this area due to limitations in producing a report documenting authority thresholds. Instead, we have undertaken sample testing of 21 purchases to determine whether the requisitions were approved within the authority limits of an authorised individual.</p> <p>Of the 21 purchases, we confirmed 18 had been approved within authority thresholds. The remaining purchases relate to two Form 41 purchases and one Direct Debit payment, and we have confirmed these have been authorised by an appropriate individual and within their authority limits.</p>
Overall Conclusion:	No issues identified following our sample testing.

Area: Purchase orders above delegated authority thresholds (3)

Criteria:	Identify duplicate payments.
Source Data/Reports:	N/A
Period Covered:	N/A
Testing Undertaken:	We have not undertaken data analytics testing for this area due to limitations in producing a report with the required fields for all payments. As such, we have not been able to undertake IDEA testing and this is a limitation.
Overall Conclusion:	No testing completed due to report limitations

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Additional evidence received 23 February 2023
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