

SCOTTISH POLICE
AUTHORITY

Meeting	Audit Committee Public Session
Date	18 April 2018
Location	SPA, Pacific Quay, Glasgow
Title of Paper	Audit Visit Memo Report, 2017/18 Annual Accounts Preparedness Review
Item Number	5.7
Presented By	Gary Devlin, Partner, Scott-Moncrieff
Recommendation to Members	Members are requested to note the report and the progress that is being made to deliver the 2017/18 plan.
Appendix Attached	Audit Visit Memo Report, 2017/18 Annual Accounts Preparedness Review

PURPOSE

This paper presents our partial findings to the annual account preparedness review.

Our findings are presented in an audit visits memo report as we have been unable to fully complete the compliance objective of the review. We originally planned to compare the 16/17 accounts against the Financial Reporting Manual (FReM) and the Audit Scotland 2017/18 annual report checklist. However the Audit Scotland annual report checklist has not yet been published, preventing the completion of this work. The FReM review has been finalised but for completeness it makes sense for us to report our findings to both the FReM and Audit Scotland checklist together. The review will be finalised once the annual report checklist becomes available and the findings will be reported to management immediately to inform annual account preparation work. A subsequent update report will be presented to the Audit Committee at the July meeting.

The paper is presented in line with the Internal Audit contract with Scottish Police Authority.

The paper is submitted for noting.

1. BACKGROUND

- 1.1 SPA's financial management has come under close scrutiny in the last two years. External audit commentary included concerns on the preparation/submission of draft financial statements. This led to the recommendation that Finance officers should prioritise the accounts preparation process and ensure sufficient time is built in for a comprehensive review process by the SPA and PS senior executive teams prior to submission for audit.

Police Scotland Finance has developed a project plan for the production of the 2017/18 accounts to help ensure all year end tasks have been identified, are conducted and performed in a timely manner. Internal audit have been asked by the Audit and Risk Committee members to undertake a review over the project plan and year end close procedures to support preparation in advance of the 2017/18 external audit arrangements.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 The report notes that Police Scotland has adopted a project management approach for the accounts planning work ensuring there are sufficient controls in place to provide assurance that the production of the 2017/18 accounts will be managed effectively and within agreed timescales. The Finance team has committed considerable effort and resources to develop the 2017/18 Annual Report and Accounts Project and supporting Year-end and Property Plant and Equipment (PPE) timetables. In addition, specific steps have been taken to prevent previous year-end issues from recurring, for example the remuneration report timetable has been significantly overhauled to give sufficient time for work to be completed.

The report contains one improvement action to enhance the design and operation of the annual account preparedness process. The findings contained within the report have been accepted by management with action owners and timescales for completion assigned.

Next steps: We will follow up management responses contained within the report on a periodic basis to monitor progress being made towards implementing management actions

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising as a direct result of this report.

4. PERSONNEL IMPLICATIONS

4.1 There are no personnel implications associated with this report.

5. LEGAL IMPLICATIONS

5.1 There are no legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

6.1 There are no reputational implications arising from with report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications directly associated with this report

8. COMMUNITY IMPACT

8.1 There are no community impact implications directly associated with this report.

9. EQUALITIES IMPLICATIONS

9.1 There are no equalities implications directly associated with this report.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are requested to note the report and the progress that is being made to deliver the 2017/18 plan.



Scottish Police Authority

Audit Visit Memo

2017/18 Annual Accounts Preparedness Review

April 2018



Scott-Moncrieff
business advisers and accountants

Scottish Police Authority

Audit Visit Memo

2017/18 Annual Accounts Preparedness Review

Introduction	1
Observations and commentary	2

Introduction

Background

SPA's financial management has come under close scrutiny in the last two years, particularly reflecting external audit commentary on weaknesses in the preparation and submission of draft financial statements. As a result, the finance team has prioritised the accounts preparation process to ensure sufficient time is built in for a comprehensive review process by the SPA and Police Scotland senior executive teams prior to submission for audit. Internal audit have been asked to be part of this internal review process as a check on the adequacy of the finance team's accounts preparation processes.

Police Scotland Finance has developed a project plan for the production of the 2017/18 accounts to help ensure all year end tasks have been identified and are conducted and performed in a timely manner. Internal audit have undertaken a review over the 2017/18 financial statements project plan and year end close procedures to support preparation of those financial statements in advance of the 2017/18 external audit visit.

Scope

We reviewed the production of the project plan for the preparation of the 2017/18 accounts to ensure all relevant tasks have been identified and that the plan is progressing in line with approved timescales.

In addition, we agreed to undertake a compliance review of the SPA 2017/18 accounts against the requirements of the Financial Reporting Manual (FReM) and the Audit Scotland 2017/18 annual report checklist. At the time of our review, the Audit Scotland annual report checklist had not been published preventing the completion of this piece of work. We will complete the review when the annual report checklist becomes available and review findings will be reported to management immediately to inform the 2017/18 annual account production process and to the SPA Audit Committee at the July meeting.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Observations and commentary

Conclusion

As part of our review, we assessed Police Scotland's achievement of the following objectives:

- The accounts production project plan has been prepared and reviewed for completeness by senior management;
- Roles and responsibilities in relation to the project have been clearly defined and communicated to responsible staff across the organisation; and
- The project plan addresses relevant areas for improvement identified in Audit Scotland's 2016/17 Annual Report.

Police Scotland has adopted a project management approach for the accounts planning work ensuring there are sufficient controls in place to provide assurance that the production of the 2017/18 accounts will be managed effectively and within agreed timescales. The Finance team has committed considerable effort and resources to develop the 2017/18 Annual Report and Accounts Project and supporting Year-end and Property Plant and Equipment (PPE) timetables. In addition, specific steps have been taken to prevent previous year-end issues from recurring, for example the remuneration report timetable has been significantly overhauled to give sufficient time for work to be completed. We have identified one opportunity to enhance existing year-end account production arrangements.

Good practice

- The Annual Report and Accounts Project clearly articulates the objectives of the project, the roles and responsibilities of key stakeholders, the project governance structure, key risks and the project timetable. The project is supplemented by a detailed year-end accounts timetable and a Property, Plant and Equipment (PPE) timetable. Both timetables are aligned with project objectives and clearly set out project actions, action owners and action due dates. The project and supporting timetables have been reviewed and approved by the Chief Financial Officer and the Police Scotland Audit Committee and have been tabled for approval at the April 2018 meeting of the SPA Audit Committee.
- Year-end annual report and account training and workshop sessions have been arranged and delivered to relevant Police Scotland staff. Finance attended a training day in March 2018 which explicitly covered the project plan and associated timetables. Detailed sessions were held to explain specific year-end roles, responsibilities and cut-off periods to the capital accounting team, management accounts team and transactional staff. In addition, the Annual Report and Account Project, year-end accounts timetable, PPE timetable and other year-end procedures have been provided to relevant staff and are easily accessible to staff via the Police Scotland intranet.
- Police Scotland year-end account weekly planning meetings were introduced in March 2018. The initial meeting was attended by the Head of Financial Accountancy (Police Scotland), Principal Financial Accountant (Police Scotland) and the Interim Director of Improvement Assurance (SPA). The SPA will have the option to attend subsequent planning meetings as the year-end process progresses. In addition to these meetings, weekly year-end account and report progress updates will be prepared by Police Scotland and issued to the Deputy Chief Officer, Chief Finance Officer, Interim Chief Officer (SPA), Interim Director of Improvement Assurance (SPA), and the Chair of the SPA Audit Committee. The introduction of these additional year-end reporting mechanisms significantly improves

communication links between Police Scotland and the SPA, enhancing transparency and ensuring all year-end account issues are identified and addressed on a timely basis.

Areas for further development

- We undertook a review of the accounts production timetable and identified four actions that have not been completed by the required due date:
 - Narrative and procedures planning meeting – Green RAG rating;
 - Review backup for high value journal entries up to 31st December 2017 – Red RAG rating;
 - Receive new and updated Declarations of Interest up to 31st December 2017 – Green RAG rating; and
 - Update Register of Interests for eFinancials transactions up to 31st December 2017 – Green RAG rating.

The tracker was reviewed and progress updated on 5 April 2018. The four actions are in progress but no revised due dates have been recorded within the tracker. We have not been able to evidence the escalation of these slippages via the appropriate governance channels as set out within the Annual Report and Account Project.

Police Scotland must ensure year-end timetables are continually kept up to date and revised due dates are agreed and recorded for all overdue actions. In addition, appropriate evidence must be retained to support the escalation of year-end account slippages to appropriate governing bodies.

Management Action

From April 2018, all issues will be reported and escalated through the recognised escalation procedures within the Project Initiation Document.

Action owner: Head of Financial Accounting/Statutory Reporting Lead
Due date: April 2018

Scott-Moncrieff Chartered Accountants 2018. All rights reserved. "Scott-Moncrieff" refers to Scott-Moncrieff Chartered Accountants, a member of Moore Stephens International Limited, a worldwide network of independent firms.

Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.