

Scottish Police Authority

Management report 2021/22



 AUDIT SCOTLAND

Prepared by Audit Scotland
July 2022

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at the Scottish Police Authority. This work included testing of key controls within financial systems in Police Scotland to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2021/22 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

Conclusion

3. We performed high level system evaluations to support our overall understanding of the financial systems at Police Scotland. We were then able to assess controls which have remained robust, or which have strengthened and now provide assurance.

4. In general, appropriate and effective arrangements were in place for Payroll, Cash & Bank, Accounts Receivable, Accounts Payable and General Ledger. We identified one area where evidencing requires to be improved, and two points which will support continuous improvement as set out in [Exhibit 1](#).

5. Any weaknesses identified represent those that have come to our attention during our normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to the Scottish Police Authority and Police Scotland.

Work summary

6. Our 2021/22 testing covered key controls including bank account and ledger reconciliations, payroll validation, authorisation of journals, change of supplier bank details, credit note authorisation, user access controls and budget monitoring arrangements.

7. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk-based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged, and no significant weaknesses had been identified.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Exhibit 1

Key findings and action plan 2021/22

Issue identified	Management response
<p>Changes to supplier bank details</p> <p>Whilst finance staff have confirmed that checks with suppliers, using existing contact details, are made to support bank detail changes, these are not documented. There is no evidence to support this part of the control.</p> <p>Furthermore, the procedural instructions to support changes in bank supplier details do not provide instructions on how to carry out and document these checks.</p> <p>Due to the increasing sophistication of such frauds, ensuring documented processes and evidencing of these checks are in place will strengthen the controls in this area.</p> <p>In addition, from our sample of 15 supplier bank detail checks (to headed letter with new bank details), one was not completed in a timely manner, and one had evidence which was dated by the third party over one year in advance of the change.</p> <p>Evidence to support all changes to supplier details should be retained to demonstrate the change was actioned correctly.</p> <p>When changes to supplier bank details are not actioned promptly, there is a risk that payment could be made to the wrong bank account and not be detected.</p> <p>Planned audit action: We will undertake sufficient substantive testing of expenditure transactions to obtain adequate assurance over payments made.</p>	<p>Response</p> <p>Points 1 & 2: Management accept that there is a need to fully document the process surrounding 'Supplier Bank Account Details'. We will create a formalised document subject to regular review to reflect appropriateness. In addition, we will create an evidence folder to be used as a depository for e-mail and telephone communications supporting checks carried out prior to changes being actioned.</p> <p>Point 3: Management note this advice.</p> <p>Point 4: As in response to points 1& 2, Management agree with the comments about evidence gathering and retention. The process document to be created will introduce a formal 'turn around' period to be applied to the actioning of all change requests. This will be monitored via the current 3rd party checks which already take place.</p> <p>Responsible officer: Stephen Baillie, Senior Manager of Purchasing Receivables and Cash Services</p> <p>Target date: 30/07/2022</p>

Issue identified	Management response
<p>Employee validation</p> <p>An employee existence testing process was introduced by Shared Services in September 2021. Each quarter, a random sample of up to 3% staff and/or officers in a department or division is selected from SCOPE (HR System). Shared Services send this sample to a Business Support manager in the department and ask them to confirm the existence of each person in the sample.</p> <p>It is positive that this process has been introduced, and this should continue to evolve.</p> <p>From our review of documentation:</p> <ul style="list-style-type: none"> • It is unclear that managers tasked with confirming employee existence have fully understood the aim of the process or how to perform the checks. • There is currently insufficient documentation to evidence how managers have satisfied themselves that an employee exists. <p>A process note should be provided to managers explaining the purpose of existence testing, and how to carry out and document the required checks.</p> <p>Where further clarity is needed this should be followed up by Shared Services.</p> <p>Planned audit action: We will carry out sample testing of the existence of employees.</p>	<p>Response</p> <p>Accepted – Shared Services will continue to build the documentation around this activity. In particular, we will draft a process note for managers who are asked to validate employee existence, to ensure the purpose of the check is clear, how to carry it out and how to document/evidence their completion of the checks. Shared Services will work with Finance, where necessary, to complete this action. The process note will also cover the review of completed validations by Shared Services.</p> <p>Responsible officer: Cathie McAulay, Shared Service Manager</p> <p>Target date: 30/09/2022</p>
<p>Capital reconciliations</p> <p>There has been significant improvement in the completion of reconciliations of the non-current assets system (Asset 4000) to the general ledger. As part of our review, we identified that 4 out of 10 of the sample tested were not completed timeously (by the end of the following period). Of these, two were completed early the next period.</p> <p>There is no indication that delays in completing NCA reconciliations has caused an issue in resolving variances, however the team should continue to work towards streamlining the process.</p>	<p>Response</p> <p>Agreed. Timeliness of reconciliations will be improved to ensure these are completed on time. This will be achieved by building on current progress to increase resilience in the Capital Team by training additional users on the non-current assets (Asset 4000) system. We will also identify named substitute reviewers to mitigate against temporary gaps in resources.</p> <p>Responsible officer: David Christie, Statutory Reporting Lead.</p> <p>Target date: 30/09/2022</p>

Issue identified	Management response
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Planned audit action: We will review the year end reconciliations between Asset 4000 and the general ledger.

Source: Audit Scotland

9. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

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