

## **Leicestershire Police Authority**

Payments & Creditors (9.09/10)

Internal Audit Report  
23 October 2009

FINAL

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<b>Debrief meeting:</b>	2 October 2009	<b>Auditors:</b>	Chris Harris- Partner
<b>Draft report issued:</b>	15 October 2009		Suzanne Lane - Client Manager
<b>Responses received:</b>	23 October 2009		Ryan Southall - Auditor
<b>Final report issued:</b>	23 October 2009	<b>Client sponsor:</b>	Paul Dawkins - Force Financial Director
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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of the Authority and senior management of Leicestershire Police Authority. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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## 1 Executive Summary

### 1.1 Introduction

An audit of Payments & Creditors was undertaken as part of the approved internal audit periodic plan for 2009/10.

The payment and creditors function is maintained within the Sage finance system with day to day operations being managed by Staff within the Finance Department.

The objective of the audit was to ensure payments due to Creditors are made to approved suppliers, are appropriately authorised, correctly entered on the creditors system and associated accounting systems in a prompt and timely manner in accordance with Financial Regulations and procurement rules, achievement of which is measured using the following outcome.

- % creditor invoices paid within a target of 30 days.

### 1.2 Scope of the review

The objective of our audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion.

Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

When planning the audit the following limitations were agreed:

#### Limitations to the scope of the audit:

- We will not comment on whether the organisation achieves value for money for its purchases.
- This review focuses on the identification and payment of creditors and testing will include linking back to orders placed.
- We will not substantively re-perform reconciliations.
- Testing will be completed on a sample basis from transactions within the current financial year. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist

The approach taken for this audit was Key Controls Testing and included the following:

- Establishing the controls for which external audit intends to place reliance on internal audit testing
- Testing to assess the extent or cause of problems identified.

### 1.3 Conclusion

**Taking account of the issues identified, in our opinion the Authority can take adequate assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.**

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of effectiveness, design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
<b>EFFECTIVENESS OF CONTROL FRAMEWORK</b>		X	
<b>DESIGN OF CONTROL FRAMEWORK</b>	X		
<b>APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK</b>		X	
<b>OVERALL OPINION</b>		X	

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

Monitoring of compliance with the Force target of paying 90% of all suppliers within 30 days is undertaken by Finance who issue monthly reports on performance to all Departments. A review of the report for July 2009 shows a corporate average of 84% of invoices paid within the target date. There are some 20 Departments within the organisation and the report shows that only 5 are achieving target or above compliance. The lowest being the Authority where there is only a 49% compliance rate. A review of previous months shows a fairly static compliance rate. We note that the report shows that there is a 91% compliance rate of payments made within 40 days and a 95% rate for payments within 60 days.

#### 1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

##### Recommendations made during this audit:

AREA	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
PAYMENTS & CREDITORS	0	1	3
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>3</b>

##### Recommendations implemented since the previous audit in this area:

DATE OF PREVIOUS AUDIT: 22 January 2009

RECOMMENDATION CATEGORIES	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
NUMBER OF RECOMMENDATIONS MADE DURING PREVIOUS AUDIT	0	0	2
NUMBER OF RECOMMENDATIONS IMPLEMENTED	0	0	1
<b>RECOMMENDATIONS NOT YET FULLY IMPLEMENTED:</b>	<b>0</b>	<b>0</b>	<b>1</b>

The recommendation left that has not been fully implemented related to:

- Poor compliance rates in relation to 90% of invoices being paid within 30 days and testing in the 2008/09 audit noted there had been improvement from the previous year from 72% to 83%. Testing in this years' audit notes that the rate has only increased slightly to 84% despite ongoing work by Finance with the poorer performing Departments.

**2 Action Plan**

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1.4	Payments should be made within the target of 90% within 30 days, where this is not being achieved by individual departments action should be taken against departments to bring this up to the required target.	Merits Attention	Y	Corporate Finance will continue to work those departments who are not reaching the 90% target to identify any specific issues that are preventing them from improving their performance	Ongoing	Corporate Accountant
1.7	All invoices should be accompanied by an appropriately signed official order in accordance with the Financial Procedures.  All invoices should be appropriately certified by a member of staff with the relevant authorisation limit.	Merits Attention	Y	We will emphasise the need for signed purchase orders to be obtained prior to the order being placed. It is not always practical for the order to be filed with the invoice.  In addition to this, a generic reminder is to be sent to all departments emphasising the need for all purchase orders to be authorised by a member of staff with sufficient authorisation limits.	Ongoing	Corporate Accountant
1.9	The Financial Regulations should be reviewed and updated to include details relating to who is able to authorise BACS runs and Cheque payment runs to ensure security of payments is documented and maintained.	Merits Attention	Y	It has been acknowledged that the current process for the authorisation of BACS runs and Cheque payment runs is operating effectively however it has been agreed that this is not set out in the financial regulations/procedures.  The corporate accountant will	As soon as possible	Corporate Accountant

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
				discuss this recommendation with the Head of Finance and the Finance Director to ascertain whether this alteration is achievable.		
1.15	<p>A formal process of review should be introduced in relation to Supplier credit notes. Aged Creditor reports should be reviewed on a quarterly basis for any Supplier accounts with a debit balance on the purchase ledger and no recent activity.</p> <p>For any cases identified, enquiries should be made as to whether the Supplier is likely to be used in the future. If this is not the case then a cheque should be requested from the Supplier in place of the credit note.</p>	Significant	Y	This will be discussed with the rest of the finance department and a formal process of review, via exception reports, will be introduced in relation to supplier credit notes.	Ongoing	Corporate Accountant

**3 Findings and Recommendations**

	<b>CONTROLS (ACTUAL AND/OR MISSING)</b>	<b>ADEQUATE DESIGN(YES/NO)</b>	<b>TEST RESULT / IMPLICATIONS</b>	<b>RECOMMENDATION</b>	<b>CATEGORISATION</b>
1.1	<p>Regulations and Procedures covering the creditor function are detailed in:</p> <p>Financial Regulations, which details aspects such as delegated authority, orders and payments for goods, works and services.</p> <p>Financial Procedures that include the day to day procedural requirements for key aspects such as accounts payable, purchasing, procurement and payments.</p> <p>Contract Standing Orders that details the requirements to be followed in obtaining value for money for any goods or services to be acquired.</p> <p>The various procedures are have been approved by the Finance and General Purposes Committee and made available to staff via the Intranet.</p> <p>The day to day functional roles and responsibilities of staff are included in their relevant job descriptions.</p>	Yes	<p>We confirmed by review that Financial Regulations and Contract Standing Orders are held and consider these to be fit for purpose. We note that the documents state that they were last approved by the Financial and General Purposes Committee in March 2009.</p> <p>We confirmed that Financial Procedures are held and are advised by the Accounts Assistant that these are currently being reviewed and an updated set of Procedures could be issued in the near future, although this is likely to be mainly changes in presentation rather than content, which we consider at present to be fit for purpose.</p> <p>A sample of job descriptions have been reviewed as part of the concurrent Income and Debtors audit. No issues were noted and appropriate descriptions of day to day duties were evident.</p>		
1.2	An authorised signatory lists is held for the main levels of authorisation as approved in	Yes	<p>We confirmed by review that delegated authorisation limits have been set at:</p> <ul style="list-style-type: none"> <li>• FSO and ASO level - up to £1,000.</li> </ul>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>accordance with delegated authority as detailed in Section 1.4 of Financial Regulations.</p> <p>Lists have been compiled for the Areas/Departments operating and these detail name, position and authorisation limit. Orders are processed at Area/Department level and responsibility for ensuring that the list remains up to date and accurate rests with the Area/Department processing the invoice.</p>		<ul style="list-style-type: none"> <li>• MSO level - up to £5,000</li> <li>• Superintendent/ Head of Section level - up to £25,000.</li> <li>• Chief Officers Group - over £25,000.</li> </ul> <p>We note that in exceptional circumstances the Chief Inspector or Inspector may act as a signatory and written authority from the Superintendent or Head of Section must be kept on file.</p> <p>In addition to the general authorisation list detailed each Area/Department has an individual authorised signatory list that contains the name of the person, their position, a specimen signature and their authorisation limit. We are advised that in the majority of cases each Area/Department will be responsible for inputting their own orders and therefore they should be ensuring that their authorisation lists remain up to date and accurate. In a few cases the Finance Department are responsible for inputting orders for some Areas/Departments.</p> <p>From the list of Areas/Departments we identified five, these being City, Corporate Justice Department, Procurement, IT and Corporate Development. It was confirmed that authorised signatory lists are held for all Departments and are up to date. The Finance Department maintains authorised signatory lists for all Departments for which they have dealing with.</p> <p>In instances where Departments are responsible for their own invoices we noted that those reviewed were up to date and complete with the exception of one Department where the list was missing some signatures, however discussion with the relevant Finance Officer within that</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>Department confirmed that they 'knew' the signatures bit would arrange for the list to be completed. On this basis a recommendation is not considered to be warranted.</p> <p>Any changes in limits must be agreed in writing and a general review of the files held in connection with signatory lists indicated that this was being complied with.</p>		
1.3	<p>Access to the ordering, invoice processing and general ledger within the Sage finance system is restricted via password security.</p> <p>Only relevant members of staff have the ability to post orders and generate invoices with batch control validation routines are used to ensure accurate input.</p>	Yes	<p>A report was provided by the Accounts Assistant which shows the staff members that have access to the SAGE system along with their access rights and abilities as users.</p> <p>A sample of 10 staff members were selected from the access rights report and through validation with Payroll we confirmed that the staff member was still employed by the authority. In addition to this the Menu (rights) descriptions all appeared appropriate for all 10 staff members tested given their job titles/day to day tasks for which they require access to the creditors system.</p> <p>Password controls and maintenance of the user rights has been reviewed as part of the concurrent Income and Debtors and General Ledger audits.</p>		
1.4	<p>When goods are ordered and subsequently received the relevant invoice will be certified to confirm that the required goods/services have been received as ordered and as being invoice for. The invoices are then input onto the system in batches by the clerk in each department. These are then picked up on the next</p>	Yes	<p>A management report is circulated to all Department Heads on a monthly basis containing performance information for each Department relating to payment of invoices. This report is made up of two documents. The first shows a breakdown of the number of supplier invoices posted to the purchase ledger and a percentage paid within 30 days for each department along with the comparative figures for the previous month. The table also shows which departments are meeting the 90% performance target set by</p>	<p>Payments should be made within the target of 90% within 30 days, where this is not being achieved by individual departments action should be taken against departments to bring this up to the required target.</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>payment run by the finance department. Any invoices over £20,000 are highlighted for further analysis before they are authorised by the Corporate Accountant for processing.</p> <p>Payments are made within an appropriate time scale with regard to supplier payment terms, prompt payment discounts and cash flow. Promptness of making payments is monitored. A target of 90% of invoice to be paid within 30 days has been set.</p>		<p>the authority. The second report is a more in depth analysis of the time taken to pay the invoices. The report records the percentage of invoices paid within 30, 35, 40 and 60 days for each of the departments within the authority giving a corporate average at the end for the authority as a whole.</p> <p>From review of these reports we found that whilst we have seen an improvement in performance since last year, with the average performance rising from 72% paid within agreed timescales to 83% and the number of departments reaching the target increasing from 2 to 5, the target is still not being reached as an average and this is felt to be unsatisfactory.</p>		
1.5	<p>Section 4.3.14 of the Financial Regulations states that one and the same officer must not perform the duties of ordering and receiving goods or services and certifying invoices and claims for payment.</p> <p>All orders are raised on standard forms and authorised by the Budget Holder in accordance with their financial limit to confirm that the goods are required and that there is the necessary budget available.</p> <p>On receipt of the goods either the goods received note or the invoice will be certified to confirm that the</p>	Yes	<p>From the testing carried out, the following was identified:</p> <ul style="list-style-type: none"> <li>• There is appropriate segregation of duties in place between the ordering of goods, input and payment of invoices. Authorisation was obtained by either the FSO or higher members of staff where required, the invoices were posted onto the ledger by an assistant and the payment was completed through the Corporate Finance Department.</li> <li>• All of the purchases had been raised on the official order forms however in 12 of the 27 cases tested these were not signed by the staff member authorising the purchase. This was the case in both the IT and Operations Departments. In these two Departments the authorisation is</li> </ul>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	<p>goods have been received as invoiced and the invoice is then certified for payment. This will be then input onto the system in batches.</p> <p>All payments, be these through BACS or by cheque, are processed by Finance.</p>		<p>obtained via alternative purchase order requisitions which, once received are filed within the two departments. The official purchase order is then generated and attached to the invoice. This issue is addressed in a later paragraph of this report.</p> <ul style="list-style-type: none"> <li>All of the orders selected were raised and authorised by an appropriate member of staff.</li> </ul>		
1.6	<p>Section 4.3.14 of the Financial Regulations states that one and the same officer must not perform the duties of ordering and receiving goods or services and certifying invoices and claims for payment. On receipt of the goods/services either a goods delivery note, if received, or the relevant invoice will be certified to confirm that the required goods/services have been received as ordered and as being invoice for.</p>	Yes	<p>We confirmed that when an invoice is received either a stamp or a control ticket is added to it, which has various boxes that are signed to acknowledge that certain tasks have been performed.</p> <p>We confirmed that in all 27 cases sampled the appropriate box to evidence that the goods had been received and the work had been done had been completed.</p> <p>From the testing performed it was also confirmed that appropriate segregation of duties have been exercised. In all 27 cases tested the order authorisation, verification of goods received and the authorisation of the invoice were performed by at least two different members of staff.</p>		
1.7	<p>All invoices should be accompanied by an appropriately signed official order, confirmation of receipt of goods/services, correct coding, date stamp on receipt and authorisation for payment by management in accordance with the</p>	Yes	<p>From the sample tested the 'matching' invoices were agreed to an order form and were initialled appropriately. Confirmation of goods received was achieved in all of the selected items.</p> <p>All invoices must be signed in the correct box in the stamp/grid attached to the invoice to certify them for payment. These should be authorised by someone with the correct</p>	<p>All invoices should be accompanied by an appropriately signed official order in accordance with the Financial Procedures. All invoices should be appropriately certified by a member of staff with the relevant authorisation limit.</p>	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	Financial Procedures		<p>authorisation limit as per each Department's authorised signatory list.</p> <p>Of the 27 invoices tested, 26 were found to have been appropriately certified for payment by a staff member with sufficient seniority. On one occasion an invoice with a value of £8,860 was signed by a member of staff with a £5,000 authorisation limit.</p> <p>In addition to this all invoices should be accompanied by an appropriately signed official order. This was found to be the case for 15 out of the 27 invoices tested. However, 12 of the invoices tested were found to have unsigned copies of the purchase order attached to the invoice. The signed purchase order/requisition was maintained on file within the department as these are used for reference. This was the case in the IT and Operations departments. There is a risk of inappropriate or unauthorised orders being processed for payment.</p>		
1.8	Invoices input into the system for payment should be checked for accuracy.	Yes	<p>All invoices are input on the system in batches with a unique reference. All batches have a control sheet attached to the front which is initialled by the input clerk and the control clerk once the invoices have been input onto the system. A report is then generated from the system showing all invoices that have been inputted in the batch. These are then ticked off against the invoices to agree that details have been added accurately. When this has been agreed the control sheet is signed by the approval clerk to authorise the batch. The batches are then tied together and filed.</p> <p>All 27 invoices selected were traced back to</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			the system and the details were agreed as having been inputted accurately. In addition to this all batch control schedules were appropriately signed to agree that the invoices had been processed accurately.		
1.9	<p>All payments give rise to an appropriate entry in the creditor payment system which can be traced to relevant supporting documentation.</p> <p>Payment runs are produced, reviewed and authorised for payment in accordance with the Financial Regulations.</p> <p>Appropriately authorised cheque requisition forms should be completed for all cheque payments. Cheque payment runs should also be authorised for payment in accordance with the Financial Regulations.</p>	Yes	<p>From the test carried out, it was found that all 27 invoices processed for payment had the appropriate supporting evidence to back up the payments.</p> <p>These invoices were traced to the relevant BACS run which was reviewed for appropriate authorisation. All of the BACS runs tested were found to be appropriately authorised by the Corporate Accountant/the Head of Finance, however a review of the Financial Regulations noted that this authorisation is not specifically detailed. We accept that the authorisation of BACS runs is being undertaken at an appropriate level, however there is a need for this to be appropriately documented as such in Financial Regulations.</p> <p>All invoices are paid centrally by Finance who also carry out spot checks to ensure that the correct procedures have been followed and that the appropriate documents are in place. Evidence of these checks was seen during the audit. In addition to this, any payments over £20,000 are highlighted and analysed further before the payment run is authorised.</p> <p>All of the 27 invoices tested were traced to the relevant payment run which had been appropriately signed and dated to authorise the batch.</p> <p>Cheque payment runs are performed on a regular basis and are appropriately</p>	The Financial Regulations should be reviewed and updated to include details relating to who is able to authorise BACS runs and Cheque payment runs to ensure security of payments is documented and maintained.	Merits Attention

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			<p>authorised before payment by the Corporate Accountant/Head of Finance/Payroll Manager. Again, as with the BACS payment runs, it is not documented in the financial regulations who has the appropriate authority to certify the payment runs.</p> <p>For the sample of 10 cheques tested, all were found to have cheque requisition forms in place that had been appropriately authorised by a member of staff with sufficient seniority. All 10 of the cheque runs that were verified during the testing were also found to be appropriately reviewed and authorised.</p> <p>During the testing on the Cheque payment runs it was noted on two occasions that large amounts were being paid by cheque. The first was a payment with a value of £142,193.85. It was identified that this related to a pensions commutation. In this instance, an additional authorisation signature was added to the item on the cheque payment run by the Head of Finance. The second case related to a payment to Superannuation Master Trust for a value of £245,011.83. On further investigation this was found to be for the transfer of pension rights to an overseas pension scheme. This had again been appropriately authorised, this time by the Corporate Accountant. These two items area considered to be reasonable.</p>		
1.10	To ensure that a payment cannot be made twice for an invoice the system will automatically warn if a payment is being requested for an invoice already posted	Yes	We identified a supplier invoice and invoice number already posted and, through the appropriate member of Finance staff, attempted to post this again. We confirmed that the system flagged a warning that the item had already been posted and would not		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	with the same supplier name and invoice number and will not allow the processing of such.		allow the posting of this again.		
1.11	<p>Creditor control accounts/purchasing system to general ledger system interfaces are reconciled and all reconciling items identified, investigated and resolved on a timely basis. An independent review of the reconciliation is performed and evidenced as such on a timely basis.</p> <p>There is no set date by which the reconciliation process has to be completed. However, the Finance Team aim to have the process completed by around the third week of the following month.</p>	Yes	<p>We reviewed the control account reconciliations for April, May, June and July and confirmed that each had been appropriately reconciled in a timely manner.</p> <p>Three out of the four reconciliations verified were found to have been appropriately reviewed and authorised in a timely manner, however, the May reconciliation was not reviewed until the 23rd July. On discussion with the Accounts Assistant it was identified that on this occasion the reconciliation was not reviewed until late as a result of year end and other commitments causing a back log of work. This is considered to be a one off occurrence and is therefore acceptable.</p> <p>The control account reconciliation for August was vouched during the testing in this area but was still in the process of being authorised.</p>		
1.12	A New Supplier Set Up Request Form should be completed and authorised by a member of Contracts and Purchasing before being created on the supplier database. A weekly report is run detailing all new suppliers added to the database and any amendments, which is then checked by the Inputter, an independent member of Finance and then validated	Yes	<p>A report of new suppliers added to the database from the beginning of April 2009 to the date of our visit was obtained. We identified 20 new additions and testing confirmed that in 17 cases the required and appropriately authorised New Supplier form was held and that there was attached evidence to validate the details.</p> <p>Of the remaining three cases we noted that in two instances these were refunds and as such would not have been originally on the system, however in both of these cases an appropriately completed and authorised cheque request form was held. In the</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
	overall by Head of Finance or the Corporate Accountant to source documents.		<p>remaining case we noted that this was for the reimbursement of expenses to a Special Constable who had not been set upon the payroll system in sufficient time to pay these through normal procedures. We consider that these three cases to be have been appropriately handled.</p> <p>We confirmed in our testing that where a new supplier had been set up the relevant weekly report had been duly checked and was evidenced as such by the three parties.</p>		
1.13	If a request to change to standing is required Finance should be supplied with appropriate documentary evidence to validate the change. The documentation is initially vetted by the Accounts Assistant before being input by a Finance Officer. The weekly report is then subject to appropriate checking by the Inputter, an independent member of Finance and then validated overall by Head of Finance or the Corporate Accountant to source documents.	Yes	From the weekly reports held we identified 20 amendments and confirmed in each case there was appropriate evidence to validate the change and this had been initialled by the Accounts Assistant as being valid and by the Finance Officer as having input the data. We again confirmed that the weekly reports evidenced the required checks.		
1.14	Contract Standing Orders state that any for any acquisition under £5,000 the orderer should ensure that appropriate value for money is being obtained, although there is no formal requirement for this to be documented/retained.	Yes	<p>From the 27 invoices tested, 10 were above £5,000 and these were traced back, via the Procurement Department, to the supporting documentation in terms of quotes/tender documents/contracts.</p> <p>From the 10 items tested, eight were found to have appropriate supporting documentation, in line with Contract Standing Orders requirements, to support</p>		

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	<p>For any order over £5,000 The Procurement Department should manage the process. Where an order is valued between £5,000 and the current EU limit of £139,893 a minimum of three written quotations should be received. Orders in excess of these will be subject to EU tender requirements. In relation to orders between £5,000 and the EU limit the Procurement Manager advised each would be assessed and where it was considered appropriate a tender would be undertaken, in accordance with Contract Standing Orders.</p>		<p>the order. The other two items did not have attached quotes to support the order. However, on further investigation it was found that this was due to the purchase relating to additional items/work following on from a previous order. For this reason, the same suppliers were used as were awarded the original work. In both of these instances the tender process was found to have been properly adhered to in the first instance. This is therefore considered to be acceptable.</p> <p>During a discussion with the Head of Procurement it was noted that the Procurement Department carry out their own audit of invoices from different Departments. This acts as a further internal control and ensures that relevant procedures are followed. We are advised that when this was originally started it undertaken for a 12 month period mid financial year to the next mid financial year. The current Procurement Manager decided that this would be useful based on the normal financial year and as such the review currently being worked on will cover the period November 2007 to March 2009. We obtained a report of the last review completed, which was dated October 2007, and noted that the review looked at all invoices over £5,000 for each Department where a contract is not held and also any aggregate spend over £5,000 identified from the BACS runs. The instances identified were 'challenged' with the relevant Department. A formal report on the outcomes was produced for senior management that contained a few recommendations, mainly around the need to ensure that Departments do adhere to Financial Regulations and that this the last</p>		

	CONTROLS (ACTUAL AND/OR MISSING)	ADEQUATE DESIGN(YES/NO)	TEST RESULT / IMPLICATIONS	RECOMMENDATION	CATEGORISATION
			review the Procurement Manager and her Team have been active in 'getting the message' across on the requirements to be followed.		
1.15	When Credit Notes are received from suppliers they are dealt with in an appropriate manner.	No	<p>In discussion with the Accounts Assistant it was noted that when credit notes are received they are input onto the system against the relevant supplier. At that time they enquire as to whether the supplier is likely to be used in the future. However, once the credit note has been posted to the system no further action is taken unless it is cleared off via future invoices.</p> <p>The Aged Creditor report was reviewed for credit notes that had been posted and appeared in the 'period ending 25/06/09' column. From the testing performed 39 supplier accounts were found to have 'old' credit notes on their ledger with no further activity to clear the balance. The total amount of these credit notes was £38,371.21 with some of the transactions dating back as far as 1995.</p> <p>There is a risk that credit notes that are unlikely to be utilised through normal operations are not identified and 'converted' back into financial repayment.</p>	<p>A formal process of review should be introduced in relation to Supplier credit notes. Aged Creditor reports should be reviewed on a quarterly basis for any Supplier accounts with a debit balance on the purchase ledger and no recent activity.</p> <p>For any cases identified, enquiries should be made as to whether the Supplier is likely to be used in the future. If this is not the case then a cheque should be requested from the Supplier in place of the credit note.</p>	Significant