

TAYSIDE JOINT POLICE BOARD

FINANCE SUB COMMITTEE

28 March 2001

Joint Report by the Treasurer and Chief Constable No. PB 15/2001

SUBJECT: AUDIT COMMITTEE MATTERS – EXTERNAL AUDIT

Abstract: This report is submitted to the Finance Sub-Committee in its capacity as the Audit Committee of Tayside Joint Police Board. The report provides details of the 1999/2000 Year End Management Letter

1. RECOMMENDATION

It is recommended that the Finance Sub-Committee in its capacity as Audit Committee:

- (i) approve the terms of this report
- (ii) note the terms of the 1999/2000 Year End Management Letter and prepared by Henderson Loggie, Chartered Accountants in their capacity as external auditors to the Board
- (iii) note the actions being taken by the Chief Constable to address the issues raised in these reports
- (iv) note further reports will be submitted apprising members of the current position regarding any issues not finalised at this time.

2. BACKGROUND

2.1 With reference to paragraph 6, Minute of Meeting of the Finance Sub-Committee of Tayside Joint Police Board of 21 December 1999 wherein the Committee approved Report No. PB 62/1999 – "Role of Audit Committee – Remit for Finance Sub-Committee". This report recommended Terms of Reference for the Finance Sub-Committee in its role of Audit Committee.


2.2 Included within the proposed Terms of Reference was an undertaking to submit all final internal and external reports including action plans to the Finance Sub-Committee.

3. 1999/2000 YEAR END MANAGEMENT LETTER

- 3.1 A copy of the 1999/2000 Year End Management Letter and Action Plans relating to the 1999/2000 Year End Management Letter are submitted to the Committee for its perusal.
- 3.2 The recommendations contained within the report and detailed in the Action Plan are being addressed by the Responsible Officer.

4. CONCLUSION

- 4.1 There are no significant issues arising out of the 1999/2000 Year End Management Letter. Those matters which have been raised have either been addressed or are being actioned by the Reporting Officer.
- 4.2 It is the intention to bring forward periodic reports to the Finance Sub-Committee. Included within these will be an update on the current position regarding any recommendations not completed at the previous Committee.
- 4.3 It is recommended that the Finance Sub-Committee approve the terms of this report and note the actions being taken by the Chief Constable to address issues raised within these reports.



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20 March 2001

TAYSIDE JOINT POLICE BOARD

Year End
Management Letter
1999/2000



Henderson *Loggie*

TAYSIDE JOINT POLICE BOARD

**Year End
Management Letter
1999/2000**

External Audit Report No: 00/03

Proposed Issued: 20 November 2000

Final Issued: 29 January 2001

**Henderson Loggie
Chartered Accountants
Royal Exchange
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Dundee, DD1 1DZ**

Mr D S Sawers
The Treasurer
Tayside Joint Police Board
Angus Council
St James House
FORFAR
Angus

20 November 2000

Dear Sir

**TAYSIDE JOINT POLICE BOARD
YEAR END MANAGEMENT LETTER 1999/2000**

Following completion of the 1999/2000 year end audit, there are a number of points that we would like to bring to your attention.

The action that we consider necessary on each issue is highlighted in the text for clarity, and an action plan for implementation of these recommendations can be found at the end of this report. To aid the use of the action plan, our recommendations have been graded to denote the level of importance that should be given to each one. The gradings are as follows: -

- A. Fundamental issues which require immediate consideration by senior management.
- B. Significant issues that can be resolved by line management.
- C. Less significant matters, which do not require urgent attention but which should be followed up within a reasonable time-scale.

The points raised in this management letter appear under the following headings: -

- 1 Issues Requiring Attention for Future Year Ends
- 2 Fixed Assets
- 3 Repair & Renewal Fund
- 4 Debtors and Provisions
- 5 Debtors Ledger Cash Receipts
- 6 VAT Reclaims

Final Accounts and Audit Timetable

The accounts were due to be presented for audit by 30 June 2000 and the final audit deadline for the audit to be completed is 30 September 2000. This was achieved in the time-scale. The key dates in the audit timetable were: -

Key Event	Key Date
Draft accounts received for audit	23 June 2000
Audit commenced	29 June 2000
Final accounts received	8 September 2000
Certificate signed	28 September 2000
Report to Members issued	3 November 2000

We would like to take this opportunity to thank you and your staff who helped us, particularly Doug Cross and Anne-Marie Lowe at Tayside Police.

1. Issues Requiring Attention for Future Year Ends

1.1 Planning Issues for Next Year's Audit

1.1.1 We have completed our 1999/2000 year end audit and would like to hold a debriefing meeting concerning the issues covered throughout the whole of our audit.

1.1.2 We believe that a debriefing meeting between the Joint Board's accountants and ourselves would enable us to discuss, more fully than possible in a management letter, the problems encountered to date and the issues identified which would assist in completing subsequent years audits. Given the accounts preparation and audit timetable, we feel that it is important to review and agree year-end procedures, including our audit requests, at the earliest possible opportunity.

1.1.3 We issued a client assistance schedule in advance of the start of the 1999/2000 audit and we will do so again for the 2000/01 audit. We would welcome the opportunity to discuss its continued usefulness. The schedule contains requests for information we need to complete the audit and it is hoped that it will assist in identifying and resolving problems at an early stage.

1.1.4 A revised code of Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) has been issued for 2000/01 and includes the following issue which requires to be included in next year's accounts: Disclosure of liabilities in respect of ex- gratia and discretionary pension payments. The SORP includes other minor changes that will need to be considered during the accounts preparation process such as impairment review (FRS11) and depreciation of property and other fixed asset issues (FRS15).

1.1.5 An updated Accounts Disclosure Checklist is produced by CIPFA each May and we plan to meet with the Senior Accountant at that time to discuss any issues for the Joint Board's accounts.

RI A debriefing meeting should be held to agree next year's audit approach.

1. *Issues Requiring Attention for Future Year Ends (Cont'd)*

1.2 Receipt of Un-audited Accounts and Adjustments Thereon

1.2.1 The un-audited accounts contained a small number of minor presentational and disclosure errors. Amendments made to the accounts did not alter the revenue account or the requisitions from the constituent councils.

1.2.2 The following additional disclosures were made to the notes to the accounts, as follows:

- Future pension liabilities for both funds
- Ex- gratia and discretionary pension payments shown separately
- Related parties and agency income
- Year 2000
- Euro costs

1.2.3 We received amended final accounts on 8 September 2000 incorporating all of the agreed changes.

1.3 Year End Working Papers Files

1.3.1 The senior accountant had prepared a working paper file of schedules for our use during the audit. This was very helpful and we are pleased to note that further improvements were made to this file.

1.3.2 Lead schedules for balance sheet figures did not always include the previous year's comparative figures. This information is useful in highlighting areas where explanations should be given to explain major variances.

R2 Lead schedules for balance sheet figures should include the previous year's comparative figures and where necessary, explanations for major variances.

2. *Fixed Assets*

2.1 Revaluation

2.1.1 Under Capital Accounting rules, all of the property owned by the Joint Board was revalued during the year with the effective date of 1 April 1999. The revised property values were incorporated into the financial statements by adjusting the opening balances brought forward at the start of the year and details were disclosed in the notes to the accounts.

2.1.2 The gain arising on revaluation of £1,680,000 has been taken to the Fixed Asset Restatement Reserve (FARR), this did not have any revenue account implications.

2.1.3 The Joint Board currently has a non-depreciation policy for properties and no charge has been made for their use since re-organisation. Properties have finite useful lives and a charge should be made annually for the use of these assets.

2. *Fixed Assets (Cont'd)*

2.1 Revaluation (Cont'd)

2.1.4 Our report to members included a recommendation that the Joint Board consider the introduction of a property depreciation policy.

2.1.5 Two radio stations were not included in the revaluation. Their current value is not considered to be significant and we have been advised that they will be revalued during 2000/2001.

2.2 Treatment of Capital Minor Works

2.2.1 In previous years, the policy adopted for capital minor works was changed from being classed as not adding value and being written out to the FARR in the year it was incurred to add such expenditure to the appropriate fixed asset where it was deemed the expenditure added value.

2.2.2 However, expenditure on minor works in 1999/2000 was written out to the revenue account as repairs and not to the FARR.

R3 *The treatment of capital minor works should be applied consistently each year.*

3. *Repair and Renewal Fund*

3.1 A contribution of £114,000 was made during the year to the Repair and Renewal Fund and details were disclosed in the accounts.

3.2 Our report to members included a recommendation that a report be prepared for the next meeting of the Finance Sub-committee detailing the repairs that will be financed out of this fund in 2000/2001.

R4 *A copy of the report on repairs to be financed in 2000/2001, from the Repair and Renewal Fund, together with details of any further expenditure in the year or in future periods should be provided for the year-end file.*

4. Debtors and Provisions

4.1 Sundry Debtors relating to earlier years

- 4.1.1 The Sundry Debtors figure in the balance sheet includes old "Integra" of £22,725 from 1997/98 and ex-TRC balances of £57,357 from earlier years.
- 4.1.2 A bad debt provision of £13,430 and credit note provision of £51,137 were also included in the accounts and relate mainly to the debts in earlier years.
- 4.1.3 Very few debts have been written out or credit notes issued during the year.

R5 All irrecoverable debts relating to earlier years should be written out and credit notes issued where appropriate.

4.2 Powersolve Debtors

- 4.2.1 The outstanding debts on the Powersolve debtors ledger included a balance of £43,425 on the National Criminal Intelligence Service (NCIS) account that was over 150 days old. This related to seconded officer recharges.
- 4.2.2 We were advised that there was a query with regards to pension costs recharged which is currently being investigated by senior management.

R6 We would like to be kept advised of progress made in resolving the dispute and recovery of the NCIS debt.

4.3 Unexplained Difference

- 4.3.1 Included in the total debtors figure of over £4million is an unexplained amount of £4,000.
- 4.3.1 We were advised that this will be investigated and due to the insignificant amount involved, we have accepted that this difference will be resolved by 31 March 2001.

5. Debtors Ledger Cash Receipts

- 5.1 Last year, we noted that £490,662 receipts collected by Dundee City Council (DCC) on the Joint Board's behalf had not been paid over at the year-end and we recommended that discussions continue to effect a timely hand over to Police of moneys due to them.
- 5.2 Over £ 470,000 of this money has now been paid and from 1 April 1999, receipts are now paid over on a daily basis.
- 5.3 The outstanding balance of £18,332 is still in dispute and we have been advised that ongoing discussions are being held with finance staff at DCC to recover this money.

R7 We would like to be kept advised of progress made in recovering the DCC debt.

6. *VAT Reclaims*

6.1 Included in the VAT balance at the year-end were amounts still to be reclaimed relating to both 1998/99 and the current year.

R8 Amounts to be reclaimed for VAT should be made timeously.

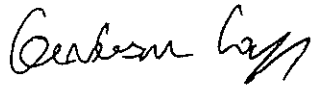
Conclusion

Our comments and recommendations are intended to assist the Joint Board's accountants with each of the issues in the future, as well as allowing the audit process to flow more smoothly.

We look forward to continuing to build on the good working relationships established with the Joint Board's Director of Corporate Services and all of his staff for the final year of our current audit appointment.

We look forward to your reply.

Yours faithfully



Henderson Loggie

Action Plan for Implementations of Henderson Loggie Recommendations / Request for Updates

Page Ref.	Ref. No	Points Requiring Client Consideration	Grade	Date Implementation / Comment	Responsible Officer
2	R1	A debriefing meeting should be held to agree next year's audit approach.	B	Agreed - We have found previous debriefing meetings, the issue of client assistance schedules and ongoing dialogue between the Force and the auditors all to be of great benefit in the external audit process.	Director of Corporate Services/Senior Accountant
3	R2	Lead schedules for balance sheet figures should include the previous year's comparative figures and where necessary, explanations for major variances.	B	Agreed - this information will be provided for 2000/2001.	Senior Accountant
4	R3	The treatment of capital minor works should be applied consistently each year.	B	The adjustment referred to occurred after a review of expenditure coded to capital minor works which identified this expenditure was more of a repairs and maintenance nature rather than substantive capital works. Where substantive capital minor works are carried out the expenditure will be added to the asset value.	Director of Corporate Services/Senior Accountant
4	R4	A copy of the report on repairs to be financed in 2000/2001, from the Repair and Renewal Fund, together with details of any further expenditure in the year or in future periods should be provided for the year- end file.	B	Report No. PB 55/2000 - 'Renewal and Repair Fund' which was approved by the Board's Finance Sub-Committee provided a programme of works which it is intended should be financed in 2000/2001 from the Renewal and Repair Fund. A copy of this report will be placed in the year end file.	Director of Corporate Services

Action Plan for Implementations of Henderson Loggie Recommendations / Request for Updates

Page Ref.	Ref. No	Points Requiring Client Consideration	Grade	Date Implementation / Comment	Responsible Officer
5	R5	All irrecoverable debts relating to earlier years should be written out and credit notes issued where appropriate.	B	Agreed - A review of these debts is to be carried out in 2000/2001 and appropriate action taken to write these off.	Director of Corporate Services
5	R6	We would like to be kept advised of progress made in resolving the dispute and recovery of the NCIS debt.	C	This matter has been partly resolved with only amounts relating to pension costs now outstanding. It has been determined that recovery of pension costs is an issue which affects all Scottish forces that second officers to NCIS. This issue is to be referred to the ACPOS Finance Officers Group for consideration.	Director of Corporate Services
5	R7	We would like to be kept advised of progress made in recovering the DCC debt.	C	Further information has been provided to DCC and the matter raised at the quarterly performance review meetings. DCC have made some progress and have undertaken to resolve the matter by the end of this financial year.	Senior Accountant
6	R8	Amounts to be reclaimed for VAT should be made timeously.	C	The reclaim had been made at the time of the audit. Since then the monies have been received and the matter resolved.	Senior Accountant