

# TAYSIDE JOINT POLICE BOARD

## FINANCE SUB COMMITTEE

21 December 2001

Joint Report by the Chief Constable Treasurer No. PB 61/2001

### SUBJECT: AUDIT COMMITTEE MATTERS

**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 2000/2001 Interim 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 2000/2001 Interim Management Letter prepared by Henderson Loggie, Chartered Accountants in their capacity as external auditors to the Board
- (iii) note the actions being taken by the Treasurer and 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. 2000/2001 INTERIM MANAGEMENT LETTER

3.1 A copy of the 2000/2001 Interim Management Letter and Action Plans relating to the 2000/2001 Interim Management Letter are submitted to the Sub Committee for its perusal.

3.2 It should be noted that all the recommendations detailed in the Action Plan have been agreed and all of the issues addressed.

#### 4. CONCLUSION

4.1 There are no significant issues arising out of the 2000/2001 Interim Management Letter. Those matters which have been raised have either been addressed or are being actioned by the Responsible Officer.

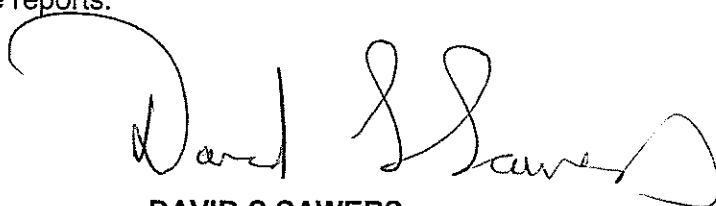
4.2 It is the intention to bring forward periodic reports to the Finance Sub-Committee. Included within these will be an update on the current position regarding any recommendations not completed at the previous Committee.

4.3 It is recommended that the Finance Sub-Committee approve the terms of this report and note the actions being taken by the Treasurer and Chief Constable to address issues raised within these reports.



**JOHN D VINE**  
Chief Constable

Police Headquarters  
4 West Bell Street  
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DD1 9JU



**DAVID S SAWERS**  
Treasurer

St James House  
St James Road  
Forfar  
DD8 2AL

12 December, 2001

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

**TAYSIDE JOINT POLICE BOARD**

**Year End  
Management Letter  
2000/2001**

**External Audit Report No: 01/03**

**Proposed Issued: 28 September 2001**

**Final Issued: 31 October 2001**

Henderson Loggie  
Chartered Accountants  
Royal Exchange  
Panmure Street  
Dundee, DD1 1DZ

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

28 September 2001

Dear Sir

**TAYSIDE JOINT POLICE BOARD  
YEAR-END MANAGEMENT LETTER 2000/2001**

Following completion of the 2000/2001 year-end audit, there are a small 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 Police Houses - Residual Value and Estimated Useful Life
- 3 Debtors and Provisions
- 4 Debtors Ledger Cash Receipts
- 5 VAT Reclaims

**Final Accounts and Audit Timetable**

The accounts were due to be presented for audit by 30 June 2001 and the final audit deadline for the audit to be completed is 30 September 2001. This was achieved in the time-scale. The key dates in the audit timetable were: -

Key Event	Key Date
Draft accounts received for audit	22 June 2001
Audit commenced	2 July 2001
Final accounts received	14 September 2001
Certificate signed	21 September 2001
Draft Report to Members issued	28 September 2001

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 Headquarters.

## *1. Issues Requiring Attention for Future Year Ends*

### **1.1 Planning Issues for Next Year's Audit**

1.1.1 We have completed our 2000/2001 year-end audit and have held a debriefing meeting concerning the issues covered throughout the whole of our audit.

1.1.2 A revised code of Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (SORP) issued for 2000/01 accounts will be updated. The CIPFA/LASAAC Joint Committee have issued an Update Bulletin in June 2001 that should be read in conjunction with the 2000 SORP. A further Update Bulletin setting out the disclosure requirements will be issued later this year. Section 3 of the Best Value Code of Accounting will apply in Scotland and LASAAC has now completed a revised Service Expenditure Analysis for Scotland and resolved that it will apply from 1 April 2001.

1.1.3 An updated Accounts Disclosure Checklist is produced by CIPFA each May and completion should be considered as part of the year-end process.

*RI Consideration should be given to completing the CIPFA Accounts Disclosure checklist as part of the year-end process.*

**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 errors. Amendments made to the accounts did not alter the requisitions from the constituent councils. The following adjustments were agreed during the course of our audit: -

- Historical cost and accumulated depreciation at the start and end of the year have been included in the Fixed Asset Notes to the Accounts.
- Fixed assets in the course of construction and conversion were transferred out of operational to non-operational assets.
- Corporate and Democratic Costs and Unapportionable Overheads have been extracted from the appropriate expenditure categories in the Revenue Account and disclosed on the face of the Revenue account.
- Contract Car Hire costs and liabilities have been included in the operating leases note to the accounts.
- Inclusion of a revised valuation for a radio station in the Fixed Assets and the subsequent depreciation charge and notional interest calculation thereon.

1.2.2 Other sundry presentational changes were agreed and included in the revised accounts we received on 14 September 2001.

**1.3 Year End Working Papers Files**

1.3.1 The senior accountant had prepared working paper files for our use during the audit. These were very helpful and we are pleased to note that further improvements were made to these files.

1.3.2 Lead schedules for Balance Sheet figures included the previous year's comparative figures. This information was useful in highlighting any major variances and explanations were given where necessary.

**2. Police Houses – Residual Value and Estimated Useful Life**

2.1 In compliance with the requirements of Financial Reporting Standard (FRS) 15 "*Tangible Fixed Assets*", the Joint Board's buildings have been depreciated to take account of the useful economic life of these assets. A professional valuer was engaged by the Joint Board to determine an estimate of the value of the land, which has not been depreciated and to advise on the useful economic life of the operational buildings, which has been determined as 25 years.

2.2 The useful life for Police houses has been determined as 25 years, the same as the operational buildings, although there is no value attaching to the land the house is on and consequently the police houses have a nil residual value.

2.3 Had a residual value been used and a different useful life, the depreciation charge would have been reduced. However, the overall effect on the accounts was not considered to be material.

**R2** *During the transitional period for the introduction of depreciating the Joint Board's buildings the depreciation policy, including their residual values and estimated useful life for police houses, should be kept under review.*

### 3. *Debtors and Provisions*

#### 3.1 Sundry Debtors relating to earlier years

- 3.1.1 The opening Sundry Debtors figure included old "Integra" debts of £22,725 from 1997/98 and ex-TRC balances of £57,357 from earlier years. All of the "Integra" debts and all but £12,962 of the ex-TRC balances have been received or written out by way of bad debt write offs and credit note issues. The remaining balance of £12,962 will be written out when the outstanding credit notes in this provision are issued (refer para 3.1.3).
- 3.1.2 Of the opening bad debt provision of £13,430 debts totalling £10,558 have been written off in the year. We have been advised that a further £2,319 will be written off in 2001/02. A report (PB14/01) detailing these debts was submitted on 28 March 2001 to the Finance Sub-Committee who agreed that they should be written off as unrecoverable. The balance of the provision relates to doubtful debts in 1999/2000 and 2000/01 that should be considered for write off in 2001/02 and 2002/03 respectively.
- 3.1.3 Of the opening credit note provision of £51,137, credit notes have been issued totalling £38,175, leaving a balance on the provision of £12,962 which relate to the ex-TRC debts (refer 3.1.1 above) and we have been advised that these will be written off by the issue of these credit notes in 2001/02.

*R3 The bad debts of £2,319 already approved by the Finance Sub-Committee for write off together with any other unrecoverable debts relating to 1999/2000 should be written off in 2001/02. The balance remaining on the credit note provision of £12,962 should be issued in 2001/02 to clear the remaining ex-TRC debts.*

#### 3.2 Powersolve Debtors

- 3.2.1 Last year we reported 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.
- 3.2.2 We were advised that there was a query with regards to pension costs recharged and VAT charged on these invoices. This dispute has been resolved and credit notes have now been issued for pensions and VAT recharged in error.

### 4. *Debtors Ledger Cash Receipts*

- 4.1 Last year, we noted that £18,332 receipts, relating to earlier years, 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 resolve the disputed amount and to effect a timely hand over to Police of moneys due to them.
- 4.2 At 31 March 2001 the outstanding balance of £281,419 due from Dundee City Council was all received by Tayside Joint Police Board in April 2001.

*R4 The finance staff at Police Headquarters continue to monitor the sales ledger payments made to them by Dundee City Council to ensure that these moneys are paid over timeously.*

5. *VAT Reclaims*

5.1 Last year we reported that included in the VAT balance at the year-end were amounts still to be reclaimed relating to both 1998/99 and 1999/2000 and we have been advised that these reclaims have been made.

*R5 Staff at Police Headquarters should continue to ensure that amounts to be reclaimed for VAT are made timeously.*

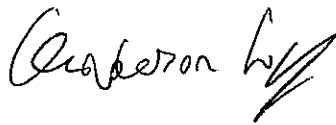
Conclusion

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 believe we have maintained good working relationships over the final year and indeed over the course of this audit and enjoyed working with you and your staff. We would like to take this opportunity to wish you and the Director of Corporate Services and all of his staff best wishes for the future.

We look forward to receiving 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	Consideration should be given to completing the CIPFA Accounts Disclosure checklist as part of the year-end process.	B	The completed CIPFA Accounts Disclosure checklist will be placed on file during future year-end processes.	Senior Accountant
3	R2	During the transitional period for the introduction of depreciating the Joint Board's buildings the depreciation policy, including their residual values and estimated useful life for police houses, should be kept under review.	B	During the financial year 2001/2002 the current depreciation policy for operational buildings, the residual values and estimated useful life for police houses will be reviewed.	Senior Accountant
4	R3	The bad debts of £2,319 already approved by the Finance Subcommittee for write off together with any other unrecoverable debts relating to 1999/2000 should be written off in 2001/02. The balance remaining on the credit rate provision of £12,962 should be issued in 2001/02 to clear the remaining ex-TRC debts.	B	Arrangements are in place to ensure bad debts are written off in 2001/2002 and that credit note provisions are applied.	Senior Accountant
4	R4	The finance staff at Police Headquarters continue to monitor the sales ledger payments made to them by Dundee City Council to ensure that these moneys are paid over timeously.	C	Finance staff monitor sales ledger payments on a monthly basis and investigate any discrepancies. In addition the SLA with DCC has been amended to include timescales for the transfer of cash to Tayside Police following the receipt within DCC Sales Ledger Team, i.e within 14 working days.	Senior Accountant
5	R5	Staff at Police Headquarters should continue to ensure that amounts to be reclaimed for VAT are made timeously.	C	VAT is reconciled and claimed timeously on a monthly basis, this procedure has been in place throughout financial year 2000/2001.	Senior Accountant