

Internal control

Table of Contents

Table of Contents	2
Policy statement and principles	4
What	4
Why	4
How	4
Internal control structure	5
Level One	5
Level Two	5
Level Three	5
Level Four	5
Evidence of controls	5
Control of fixed assets - purchases	6
Minimum standards	6
Minimum procedures	6
Level One	6
Level Two	6
Level Three	6
Control of fixed assets - disposals and transfers	7
Minimum standards	7
Minimum procedures	7
Level One	7
Level Two	7
Level Three	7
Control of fixed assets - depreciation	8
Minimum standards	8
Minimum procedures	8
Level Three	8
Cash and bank control - gift/multiloading/multiloading plus prepaid cards	9
Minimum standards	9
Minimum procedures	9
Level One	9
Level Two	9
Level Three	9
Control of cash and bank - cash receipting	10
Minimum standards	10
Minimum procedures	10
Level One	10
Level Two	10
Control of cash and bank - banking	11
Minimum standards	11
Minimum procedures	11
Level One	11
Level Two	11
Level Three	11
Control of accounts receivable	12
Minimum standards	12
Minimum procedures	12
Level Two	12
Level Three.	12
Control of accounts receivable - travel advances	13
Minimum standards	13
Minimum procedures	13
Level One	13
Level Two	13
Control of accounts payable - purchases and accounts payable	14
Minimum standards	14

Minimum procedures	14
Level One	14
Level Two	14
Control of accounts payable - credit cards	15
Minimum standards	15
Minimum procedures	15
Level One	15
Level Two	15
Control of accounts payable - fuel cards	16
Minimum standards	16
Minimum procedures	16
Level One	16
Level Two	16
Control of financial delegations	17
Minimum standards	17
Minimum procedures	17
Levels One to Four	17
Level Two	17
Level Three	17
Control of contracts and tenders	18
Minimum standards	18
Level One	18
Level Two	18
Control of monthly management reporting	19
Minimum standards	19
Minimum procedures	19
Level Two	19
Level Three	19
Control over trust money	20
Minimum standards	20
Minimum procedures	20
Level One	20
Level Two	20
Control of journals	21
Minimum standards	21
Minimum procedures	21
Level One	21
Level Two	21
Level Three	21

Policy statement and principles

What

The Public Finance Act 1989 requires all heads of Government departments to ensure that adequate internal controls exist and operate consistently during any period. The Commissioner of Police is charged with this responsibility for the Department. Internal controls are intended to provide a framework or “minimum standard” for all Police employees to work to. This chapter deals with financial internal controls only, other internal controls are detailed in other Police Manual chapters.

Why

All Police employees must ensure adequate standards of internal control exist and are consistently applied.

Internal controls:

- Ensure compliance with legislative, departmental, and another external agency requirements;
- Help to ensure that records are complete, accurate and reliable;
- Protect Police assets; and
- Provide protection and assurance to Police senior management, safeguard employees, and limit opportunities for fraud and abuse.

How

Supervisory review is a process which manager use which requires designated personnel to regularly review the work being carried out by subordinates or others. It is part of management’s routine and is an integral and vital part of “managing” and being “in control”. It is also a critical element in a system of internal control.

A review at this level enables a supervisor or manager to take corrective action as necessary to ensure controls within the organisation are maintained. Internal control reviews enable managers to do this and be “in control”, rather than not knowing and reacting to problems as they emerge.

The regularity of supervisory management reviews should act as a deterrent, thereby reducing the possibility of fraud and abuse.

Within Police there are four distinct and interrelated levels of internal control:

- Level 1
- Level 2
- Level 3
- Level 4.

Internal control structure

Within Police, there are four distinct and interrelated levels of internal control.

Level One

This is the compliance by Police employees with accounting and asset management procedures and policies and is an ongoing function of their day to day activities which demands adherence to these minimum internal control standards. These standards will normally be satisfied by the system of checks and balances initiated within districts and service groups. In every case, such controls should be evidenced by the person exercising the control. This confirms compliance and aids accountability.

Level Two

The Districts and Business groups are responsible for ensuring financial controls are followed with responsibility resting with either the District Commander or Head of Business groups.

The Senior Business Manager (SBM):

- To review at quarterly intervals of the Level One and Two internal controls with each District and Business group to ensure compliance with these minimum requirement
- Ensure the quarterly control template is completed at the end of each quarter to the District Commander/Business group lead
- The Chief Finance Officer (CFO) to receive a signed copy (a copy of this certificate must be retained by the SBM).

Level Three

The CFO ensures that the standards applied at Business centres and District level are satisfactory for the purposes of reporting to the Commissioner. Through authority delegated by the Commissioner, all Finance personnel are responsible for ensuring compliance with the standards and for the monitoring and reporting requirements.

Level Four

The Commissioner is ultimately responsible for the entire system of internal controls, financial or otherwise. The Commissioner must ensure that all levels discharge their duties and responsibilities and must evidence this through his confirmation to Parliament on a six-monthly basis on the adequacy of the system of internal control in operation within Police.

Evidence of controls

Documentation and files must show evidence that internal controls have been carried out, by whom and on what date.

Control of fixed assets - purchases

Minimum standards

- All capital acquisitions must be authorised in accordance with the '[Financial delegations](#)' chapter.
- A unique capital project number must be created by the Corporate Finance Team before an asset purchase can be processed. For certain asset types, a unique internal order number may also be required.
- All assets must be recorded in asset registers.
- Assets must be capable of unique identification.
- Physical verification of assets must take place at least on an annual basis.
- Physical safeguards over assets must be in place.

Minimum procedures

Level One

- Police employees must ensure that the proper SAP-based purchasing practices are followed.
- The receiving officer must evidence the fact that the asset received matches the asset ordered and to ensure that goods receipting action is undertaken promptly.
- SBM to ensure timely capitalisation of Assets either on purchase (single items) or on completion of assets (Assets Under Construction (AUC)).

Level Two

- The SBM must ensure that vehicles are physically checked six monthly and that other assets are physically verified at least on an annual basis.

Level Three

- Corporate Finance must ensure all assets are physically verified by districts/business groups at least on an annual basis.

Control of fixed assets - disposals and transfers

Minimum standards

- Reviews to identify surplus, damaged, or assets with no future value are required at least on an annual basis.
- All disposals or write-offs must be approved in accordance with the '[Financial delegations](#)' chapter.
- Asset transfers must be appropriately authorised utilising Financial Management Information Systems (FMIS) procedures and documentation. The appropriate asset advice form must be completed for each asset or attractive item disposal, write-off or transfer.
- Funds derived from the disposal of assets must be recorded in accordance with FMIS procedures and applied in accordance with departmental policy prevailing at the time of disposal.

Minimum procedures

Level One

- Budget Managers must evidence their approval for asset transfers on Asset Transfer forms.
- Budget Managers must ensure physical review of all assets are performed at least on an annual basis
- Budget Managers to identify surplus, damaged, or assets with no future value and arrange disposal.

Level Two

- The SBM must ensure that all disposals or write-offs are approved in accordance with the '[Financial delegations](#)' chapter at least on a quarterly basis
- Corporate Finance to ensure the financial ledger is updated when asset disposals occur.

Level Three

- Corporate Finance must ensure all disposals and write-offs appear reasonable and are conducted in accordance with the '[Financial delegations](#)' chapter.

Control of fixed assets - depreciation

Minimum standards

- The Corporate Finance Team review depreciation rates for each major class of asset at least annually for reasonableness and recommend any changes to Director Financial Services.

Minimum procedures

Level Three

- Corporate Finance Team to review:
 - actual depreciation expenses against budgeted accounts on a monthly basis; and
 - gains and losses on disposal of assets at least every six months.

Cash and bank control - gift/multiload/multiload plus prepaid cards

Prepaid cards replaced all physical cash holdings.

Minimum standards

- Cards may be used for purchases under \$200 excluding vouchers which are not valid purchases.
- All cards require approval from the Manager Financial Processing.
- Purchases using prepaid cards require appropriate authorisation before reimbursement is made.
- Note: multiload prepay cards cannot be used to obtain cash or other prepaid cards, either directly or indirectly, from ATMs, EFTPOS terminals and bank branches.
- The cards must not be used to pay any infringement fees (including parking).
- Supporting documentation for all purchases using prepaid cards must be retained by the person responsible for the card. Details of goods purchased, the reason for payment and the approver must be clearly identified.
- Prepaid cards must be reimbursed on a monthly basis and the account balanced concurrently with reimbursement, reviewed and approved by delegated financial approver (note: required for multiload plus).
- Gift cards are cancelled six months after the issue date.

Minimum procedures

Level One

- Before reimbursement is made, an appropriate Delegated Financial Authority (DFA) holder must review and approve all purchases on the prepaid card since the last reimbursement prior to submission for reimbursement.
- The card and documents (including receipts) must be held in secure custody under the control of one person.
- When control of card is passed to a reliever, the account must be balanced and formally handed over. Evidence of this procedure must be retained.
- Copy of receipts to be attached to the reimbursement form.
- The reimbursement form with receipts must be submitted to the SS Reconciliation Team.

Level Two

- As part of their quarterly reviews, the SBM must ensure Level One controls are in place and card holdings values are at the optimal values and cards are reimbursed monthly.

Level Three

- SS Reconciliation team must maintain a register of approved cardholdings.
- SS Reconciliation team must cancel any gift cards with balances six months after the issue date unless otherwise notified.

Control of cash and bank - cash receipting

Minimum standards

- The collecting of money and deposit preparation functions should be segregated from those for recording receipts and general ledger entries as far as possible.
- Receipting of monies and access to receipt processing functions must be restricted to properly assigned employees.
- All monies, receipt books must always be kept in secure custody.
- All monies received by mail must be properly identified and listed in an inwards remittance register immediately upon receipt.
- Receipts must be issued consecutively for all cash remittances.
- All returned monies or monies forwarded on must be clearly documented and supported by suitable correspondence.
- A complete sequence of cash receipts must be retained, including any which have been cancelled or voided.
- Cash held must be kept in secure custody and banked.
- Access to keys to the office safe/security box must be restricted to persons immediately involved in the receiving and receipting of cash. A spare key should be held by the Station Officer or SBM.

Minimum procedures

Level One

- Where applicable, all voids must be recorded in a void register and a Void Approval Sheet must be completed and approved by a supervisor.
- Each cashier must balance their cash on hand at a designated time each day and secure their float in a separate locked cash drawer. Excess and all overnight cash must be stored in the safe.
- An independent officer must perform spot checks of cash on hand at irregular intervals.
- Completeness checks of the Inwards Remittance Book must be performed at least on a six monthly basis by an independent officer.
- Details recorded in the Inwards Remittance Book to the cash register and audit tapes/discs must be randomly checked at least on a six-monthly basis by an independent officer.
- Any matter resulting in loss of money must be promptly reported to the District Commander.

Level Two

- The above Level One procedures must be confirmed as operating by the SBM at least on a quarterly basis. This review must be documented.
- The SBM must review, at least on a quarterly basis, security over monies and receipts documentation.

Control of cash and bank - banking

Minimum standards

- The collecting of cash and deposit preparation functions should be segregated from those for recording cash receipts and general ledger entries as far as possible.
- Trust account balances under \$500 must be banked into the Trust bank account within two weeks the exception is found monies of \$100 or less where a suitable time is allowed to enable the rightful owner to come forward (see '[Cash handling](#)' policy).
- Deposit details must be checked before banking by a supervisor
- Department banking must be completed daily.

Minimum procedures

Level One

- Deposit details must be checked and initialled before banking by a supervisor.
- A cash receipt reconciliation form with banking slip must be prepared after each banking and immediately forwarded to the Business Advisor for posting into the financial ledger.
- BA to follow up any delay in banking identified from the date of receipt against the banking date.

Level Two

- The SBM must confirm at least quarterly the Level One standards and procedures are being complied with and document the review performed.

Level Three

- Deposit details should be reconciled to the bank statement by SS Reconciliation. All variances investigate and appropriate corrective action taken.

Control of accounts receivable

Minimum standards

- All recoveries of expenditure and chargeable income must be invoiced at authorised terms and prices based on supporting documentation within ten working days of supply.
- Credit notes must be authorised by the cost centre manager with appropriate financial authority.
- Copies of all invoices and credit notes issued must be available in numerical sequence.
- All debtors must be allocated a unique debtor number and recorded in the FMIS.
- Access to invoice, credit note and receipts processing functions and related data records must be restricted.
- Changes to customer files and standing data must be approved by the Coordinators at Shared Services.
- Shared Services must produce a monthly aged debtor listing and ensure it is available to SBM.
- Debt write-offs must be approved by the cost centre manager and ratified by CFO
- Corporate Finance should ensure that the Provision of Doubtful Debts calculation covers the risk out debt outstanding on a quarterly basis.

Minimum procedures

Level Two

- All requests for the raising of credit notes must be approved by the cost centre manager before referral to Accounts Receivable, Shared Services.
- Coordinators at Shared Services must approve changes to a debtor's master file relating to customer addresses, payment terms, and GST code and bank details.
- The SBM must ensure the aged debtors listing is reviewed each month and outstanding balances have an action attached to them or write off process is completed.
- The cost centre managers must approve any write-offs made
- Corporate Finance to ensure that on a quarterly basis the Doubtful debt provision is sufficient for the level of outstanding debtors over 180 days.

Level Three.

- The Manager Financial Processing must review the debtors aged trial balance each month and arrange follow up outstanding values and unusual movements from the prior month end.

Control of accounts receivable - travel advances

Minimum standards

- All travel costs must be compliant with the '[Travel policy](#)'.
- Travel and transfer advance requests must be signed by the applicant and approved by the budget manager and submitted to Payroll for processing.
- An individual can only have one advance outstanding at a time.
- Advances must be repaid concurrently with the claim for refund of expenses.
- Advances must be cleared within ten working days of completion of travel.

Minimum procedures

Level One

- Each advance must be properly authorised by the budget manager before payment is made.
- Receipts are required for permanent and temporary advances and must be submitted on a staff reimbursement form and submitted monthly to payroll.

Level Two

- If advances are not cleared by processed travel claims according to the timelines in the travel policy, then the Business Advisor must send report to the budget manager for follow up action.

Control of accounts payable - purchases and accounts payable

Minimum standards

- The electronic purchasing system (SAP) prescribes the procedures and information requirements and requires the entry and approval of an order prior to purchase and the recording of a goods receipting on receipt of goods/services prior to payment of an invoice.
- The following purchase groups do not need to be actioned via purchase order:
 - Electricity accounts, property rental, medical services, chaplain services, rates, witness and interpreter expenses, bulk photography processing expenses, franking machine expenses, body removal services, cell phone payments, staff allowances and reimbursements, petty cash reimbursements, prepaid card topups and corporate credit card payments to Westpac.
- For these purchases not made through SAP, the following standards must be observed:
 - Invoices must be appropriately coded and checked for accuracy by budget manager before approval.
 - Invoices must be approved by the budget manager.
 - Changes to suppliers' files and standing data must be made by a person independent of invoice processing.

Minimum procedures

Level One

- All vendors must send invoices for processing directly to Accountsprocessing@police.govt.nz
- The budget manager must approve all purchases within financial delegations' limits.
- For system purchases, the requisitioning officer must evidence receipt of the goods when the goods have been received.

Level Two

- For PAP purchases, the budget manager must ensure that the invoice has been matched with the goods ordered and received and everything is in order prior to approving the invoice for payment.
- SBM to review payments outstanding over 30 days and follow-up with DFA holder to ensure an action plan is in place to clear creditor balance appropriately.
- SBM to ensure a quarterly review of Purchase Orders over three months old and ensure remedial action is taken if required.

Control of accounts payable - credit cards

Minimum standards

- The issue of all credit cards must be approved in accordance with the Credit Card policy.
- All purchases on a Police credit card must comply with the Credit Card policy.
- Personal charges must not be made under any circumstances against the card.
- The credit card cannot be used to obtain cash or vouchers, either directly or indirectly, from ATMs, EFTPOS terminals and bank branches.
- A card must not be used to pay any infringement fines (including parking).
- The cardholder is responsible for electronically attaching receipts and/or other documentation that supports transactions made with the card in SAPConcur. Note: An EFTPOS receipt is not a valid tax invoice.
- Immediately upon identifying a lost or stolen credit card, the cardholder must advise:
 - the bank, and email Credit Card Support creditcardsupport@police.govt.nz with details of action taken.
- Cardholders who take leave for more than three months notify Credit Card Support creditcardsupport@police.govt.nz before taking leave and ensure the card is stored securely.
- If any changes occur in the cardholder's details, then the cardholder must complete the change in details ServiceNow form advising of any changes to stored information on the cardholder. This may include but not limited to:
 - change in cost centre with appropriate Delegated Authority approval including confirmation that a credit card is required for the role.
 - change of address.
- Any disputes which cannot be resolved between the cardholder and the merchant, then the cardholder must immediately notify the bank of the disputed transactions and email creditcardsupport@police.govt.nz

Minimum procedures

Level One

- The Cardholder must submit their electronic expense report, with receipts / appropriated attachments for approval in SAPConcur by the 15th of the following month.
- The authorising officer must ensure that all credit card expenditure is in line with the credit card policy and all New Zealand Police regulations.
- Ensuring access to SAPConcur and training provided to all Credit Card holders and approvers (note: approvers may not be card holders).
- The Credit Card Support Team are responsible for maintaining all electronic master data held in any system (SAPConcur).
- New Cardholders failing to undertake training will not be given a credit card.

Level Two

- Credit Card Support ensure card compliance. Failure to comply will result in card being deactivated.
- To ensure that only Executive members have direct access to a delegate for attaching receipts only, no delegated right to approve or submit expenses is given.
- For any emergency issues with the submission/approval process, please email Credit Card Support creditcardsupport@police.govt.nz who will be able to provide a suitable solution.
- SBM's responsible for ensuring no recording of credit card expenditure after posting in the finance ledger.
- Credit Card Support creditcardsupport@police.govt.nz to manage annual review by Managers to proactively review that cards are held appropriately (value, business requirement).

Control of accounts payable - fuel cards

Minimum standards

- Fuel cards must be issued to individual cars and have the registration number recorded on them. No transfer of cards between cars is permitted.
- Fuel cards must only be used for valid vehicle expenses (fuel/oil) and not for personal expenses.

Minimum procedures

Level One

- Fuel card expenditure for all motor vehicles must be reviewed regularly and when outside acceptable tolerances for their class, the reason must be investigated by [Fleet procurement](#).
- Cards have a range of security features built-in, including a daily transaction value.
- Business Advisors to ensure that fuel cards are charged to the correct cost centre on a quarterly basis.

Level Two

- Fleet procurement receive and review Fuelcard reports including card activity and financial value.

Control of financial delegations

Minimum standards

- Police employees can only exercise financial authority or approve payments if formal delegated authority has been obtained to do so from the Commissioner.
- Delegations must be in writing and must be signed by the person giving the delegation (the delegator - the Commissioner) and the person receiving the delegation (the delegate). A copy of completed delegations must be kept on file by both:
- The Corporate Finance team who maintains the Commissioner's records of all approved delegation of financial authorities that have been issued by the Commissioner, and
- No person can commit Police to an amount that exceeds their delegated authority. The delegation of this authority is restricted to the allocation of the expenditure budget for each financial year. This allocation is to Cost Centre level and each Cost Centre manager is required to operate within the level of funding allocated to his or her Cost Centre(s).

Minimum procedures

Levels One to Four

- Every person who exercises financial authority or who approves payments must ensure they have the written authority to do so.

Level Two

- Corporate Finance to maintain a correct record of delegations in the financial systems.
- Corporate Finance to ensure the correct level of designation is held for all staff.

Level Three

- Corporate Finance ensure a copy of all completed delegations is kept on behalf of the Commissioner.

Control of contracts and tenders

Minimum standards

- All procurement activity must be conducted in accordance with the [Police Procurement policy](#). Contracts may only be entered into in accordance with [delegated financial authority](#).

Level One

- All contracting and tendering activity must be in accordance with [Police Procurement policy](#).

Level Two

- The SBM must periodically review District and Business group purchasing to ensure it is compliant with the [Police Procurement policy](#).

Control of monthly management reporting

Minimum standards

- Budgets must be used for revenues and expenses and comparisons of actual results with budgeted amounts must be performed and reported on each month.
- The status of capital projects is to be reported on each month including details of actual expenditure against budget and projected expenditure to project completion.

Minimum procedures

Level Two

- The SBM must prepare a monthly analysis of actual results compared with budgeted/forecasted amounts commenting on financial performance for the month and year to date as deemed necessary.
- Actual results compared to budgeted/forecasted amounts must be reported on by Budget Managers to the SBM each month end where requested to and details of significant variances provided.
- The SBM must prepare a monthly analysis of capital work in progress for projects under their responsibility. This report must include details by project of financial performance to date and expected costs to completion. This should include an impact assessment if project is subject to time delays.

Level Three

- The National Business Manager must ensure a monthly analysis of actual results compared with budgeted amounts at national level is performed and includes a commentary on variances for the month and year to date together with proposed action.

Control over trust money

Minimum standards

- Trust money must be administered in accordance with a written “Notice of Appointment to Manage and Invest Trust Money” issued by Treasury.
- Trust money must be managed and accounted for separately from departmental and Crown money.
- Trust money must be banked into a Trust bank account and invested only in accordance with the Notice of Appointment.
- Cash received by non-banking points must be forwarded to a banking point within five working days.
- All returned monies or monies forwarded on must be clearly documented and supported by suitable correspondence.
- There must be a nominated officer responsible for the operation of the Trust bank account.
- Monthly reports must be provided to Treasury of all receipts, payments and balances of Trust money managed by the Department.
- Full details as required by Treasury must be maintained for each category of Trust bank money held including documentary evidence of receipts and payments.
- There must be monthly balancing of Trust bank accounts and investments to the Department’s accounting records and there must be clear evidence of this having been performed.
- Adequate security and control must be maintained over receipt books.
- Payments may not be made from Trust bank accounts unless the money representing the payment has been credited to the account. Trust bank accounts may not be overdrawn.
- There must be control over receipting and for ensuring proper authorisation of payments.
- A minimum of two signatures are required on each payment from a Trust bank account.
- The individual approving the payment must not be a signatory to the bank payment.

Minimum procedures

Level One

- Trust bank account and Trust fund balances must be prepared monthly and checked by the SS Reconciliation team.
- Approval for a payment to be issued must be approved by an officer independent of the operation of the account. The approver, a member of the district senior management team (excluding the personal assistant) must sight originating source documentation and certify same before an application is made to Accounts Processing for payment to be arranged.
- The nominated officer responsible for the operation of the Trust account must prepare a quarterly statement, in conjunction with the return to the District Business Advisor, that the requirements of the minimum standards have been complied with.
- Any matter resulting in loss of money must be promptly reported to the District Commander, the CFO and the Assurance Manager.

Level Two

- The Manager Financial Processing must review reconciliations of Trust bank accounts monthly and ensure at least all minimum standards of control are being complied with.

Control of journals

Minimum standards

- Journals can only be posted to the general ledger by approved finance staff.
- All journals must be completed on the standard park and post template.
- Parked Journals must be fully completed and include:
 - suitable supporting documentation included explanation about why the journal was required.
 - DFA approval if changing financial ledger coding relating to a purchased item.

Minimum procedures

Level One

- The cost centre manager must approve all accruals made against their cost centre.
- No changes to a ledger transaction can be made without the cost centre managers approval.
- No ZA posted transaction types (payroll related can be recorded. The general ledger must be in line with payroll records.

Level Two

- All journals parked by the Business Partnering team must have appropriate documentation attached.

Level Three

- All business partnering journals to be reviewed including checked for supporting documentation before being posted by an SBM, the Director of Business Partnering or designated substitute.
 - Corporate Finance to ensure all parked journals are closed prior to monthly ledger close.
-