

CRIMINAL RECORDS BUREAU

Report of the Comptroller and Auditor General

1. The problems of the Criminal Records Bureau and recommendations for dealing with them are analysed and set out in my report, *Criminal Records Bureau: Delivering Safer Recruitment?* published on 12 February 2004.

2. The problems described in my report impacted on the regularity of the Bureau's payments and the accuracy of their financial records and accounts for 2002-03. I have therefore qualified¹ the accounts for the following reasons:

- irregular payments to police forces
- invoices sent to recipients of disclosures who should not have been charged
- inaccurate records of income and debtors

Irregularity of Payments to police forces

3. To provide the required disclosures to applicants, the Bureau depends on police forces to make the necessary enquiries on their local data bases. Under paragraph 119(3) of Part V of the Police Act 1997, the Secretary of State is required to pay the prescribed fee for this information for the purposes of Disclosures provided by the Criminal Records Bureau. The agreed fee per transaction is set out in Statutory Instrument 2002 No. 233.

4. Local police forces recruited and trained staff to support the Bureau with a start date of Autumn 2001. However, because of delays in developing and setting up its systems, the Bureau's operations were not launched until mid March 2002. Subsequent to the launch, the initial volume of applications passed to police forces was lower than expected due both to low initial demand and also as a result of severe operational difficulties leading to backlogs of applications at the Bureau. Police forces were therefore staffed up to higher levels than was needed initially to meet the volume of work.

¹ The Methodology of Qualification is set out in Annex A.

5. As a result, the Bureau decided to pay police forces actual costs until February 2003 to preserve their staffing capacity and ensure a fully operational and adequate service once volumes of applications began to match expected demand. This decision was taken without legal advice and without seeking to change the relevant legislation. Those costs paid in excess of the transaction fees set out in statute are therefore irregular and I have accordingly qualified my opinion. My staff estimated that the amount of irregular expenditure resulting from the use of actual costs for 2002-03, as a basis for making payments to police forces, is £1.55 million. The Bureau has decided as a matter of fairness to the police forces, not to recover these sums.

Invoices sent to the recipients of disclosures who should not have been charged, and inaccurate debtors' records

6. Disclosures for those working for voluntary organisations are free. Invoices for Disclosure Notices were first issued in May 2002, but gave rise to a high level of queries from clients. This led to the suspension of invoicing in order to develop a replacement invoicing system before further invoices were issued. By November 2002, a revised system of generating invoices had been developed and was used to issue invoices for all applications made between May and September 2002. The system has since proven itself robust. However, a separate process error resulted in Registered Bodies (who apply for disclosures on behalf of future employees and volunteers) being charged for a significant proportion of volunteer applications, which should have been free.

7. As soon as the Bureau became aware of the situation, immediate action was taken to rectify this error and to notify customers. A detailed recovery plan was prepared involving suspending collection of monies as well as implementing a significant programme of analysing and re-processing all the applications for this period to ensure that volunteer applications were specifically recorded as such on the database used to generate invoices. The Bureau's data processing sub-contractor was asked to undertake the work, and a valid invoicing run was achieved in February 2003. Until that time, no adequate record of income was available to management or audit.

8. In addition, the Bureau failed to ensure that there were adequate controls over debt management to allow payments received from organisations to be matched to individual Disclosure applications. Payments received have been applied by the Bureau to

outstanding debts on a first in first out basis, and not necessarily to the specific Disclosures to which they relate. The Bureau was unable to produce a reliable aged debtors report. There were inadequate listings of debtors or reconciliations available to management or audit to prepare or validate the provision for bad debts in the accounts. My staff therefore sought other means of assurance for the figures included in the financial statements.

9. The absence of acceptable financial controls impacted on my audit of income for the year and year-end debtors, work in progress and deferred income. The audit of these areas, embracing review and testing of the recovery plan, could not commence until April 2003 once it was apparent that proper invoicing was in hand.

10. The Bureau carried out work in summer 2003 to substantiate the information contained in the operational database and accounting systems. This work enabled my staff to undertake further work in August 2003 to audit the recoverability of debts and the adequacy of the bad debt provision for the accounts.

11. They concluded that the database was an acceptably accurate record of all applications received with the exception of those received between 1 April 2002 and 5 February 2003. During this period before 5 February, audit testing indicated a high level of volunteer applications not recorded as such on the database and therefore, inappropriately, resulting in invoices being issued. As a result, my staff concluded, on the basis of statistical analysis, that the fee income of £16,670,000 and gross debtor position of £7,986,292 could both be overstated by up to £685,860. Such sums are material to the accounts of the Criminal Records Bureau and I have therefore qualified my opinion, as the evidence available to me in respect of turnover and debtors relating to the processing of volunteer applications, is limited.

12. I have therefore also qualified my opinion on the grounds that proper accounting records were not maintained, as described in paragraphs 6, 7 and 11 above, during the period 1 April to 5 February 2003.

13. The Bureau has plans to regularise its payments and strengthen its financial systems during next financial year. I shall examine the extent to which they have succeeded when I audit the accounts for 2003-04.

**John Bourn
Comptroller and Auditor General**

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Methodology of Qualification

Basis for Qualified Audit Certificate

Auditing Standards require the obtaining of sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming my audit opinion I:

- examine, on a test basis, evidence supporting the amounts, disclosures and regularity of the financial transactions in the accounts;
- assess the significant estimates and judgements made in preparing the financial statements; and
- consider whether the accounting policies are appropriate, consistently applied and adequately disclosed.

I am also required to confirm that

- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the transactions conform to the authorities that govern them; and
- the Bureau has kept proper accounting records.