
REPORT TO: **Audit and Corporate Governance Committee**
DATE: **17 March 2009**
SUBJECT: **Follow up to Previous Audit Reports**
SPONSOR: **Director of Finance & Corporate Services**
AUTHOR: **Principal Accountant**

1. PURPOSE OF PAPER

- 1.1 The purpose of this report is to update the Committee on further work carried out to implement recommendations arising from Audit Reports issued in the current and previous years.

2. BACKGROUND

- 2.1 It was agreed at this Committee's meeting on 18 March 2008 that a report would be brought to each meeting outlining progress against findings in previous audit reports. All audit recommendations are given a risk factor of high, medium or low and it was agreed that the update would cover all findings except those categorised as low risk.
- 2.2 This report gives members an update on the outstanding action points from the 2006-07 and 2007-08 Audit Plan and from reports completed from the 2008-09 plan. It gives details on the status of the recommendation, the deadline for completion and the ongoing work to ensure that the recommendation is implemented by the stated deadline.

3. UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

3.1 2006-07 Follow-up Audit

There is one outstanding audit recommendation from 2006-07 relating to the LU Area audit. As there was a further audit of LU Area in 2008-09, this outstanding recommendation has been subsumed into those relating to this later audit (see Appendix B reference 08-09-10).

3.2 Monitoring of 2007-08 Audit Recommendations

All audit reports relating to 2007-08 have been presented to this Committee and outstanding high and medium risk recommendations are detailed in Appendix A. Updates on progress concerning the remaining outstanding recommendations will be brought to future Committees



until they are signed off or are subject to a further audit review. Where the current status is shown as “completed” in appendices A and B this means that the COG lead is satisfied that all relevant recommendations have been followed and, where appropriate, the changes have been embedded in operational policies and/or procedures. It also indicates that sufficient assurances have been given to the Director of Finance and Corporate Services to support the “completed” status.

3.3 Monitoring of 2008-09 Audit Recommendations

So far four audit reports for the 2008-09 accounting year have been presented to this Committee, the outstanding high and medium recommendations are detailed in Appendix B.

4. FINANCIAL IMPLICATIONS

4.1 There are no additional financial implications arising from this report.

5. DIVERSITY ISSUES

5.1 There are no diversity issues associated with this report.

6. RECOMMENDATIONS

6.1 It is recommended that the Committee note the contents of this report.

Follow up to 2007-08 Audit Recommendations

Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
07-08-11 Business Continuity Review	<p>The business impact analysis (BIA) should be revisited and drawn up to record appropriate information to drive an informed response to a disaster scenario. The BIA should contain a detailed analysis of critical services. The objective will be to identify the most critical services that the Force should restore in a disaster scenario, the order in which they should be restored, and the underlying resources required.</p> <p>The BIA should be drawn up in conjunction with key stakeholders, potentially through a facilitated workshop, so that critical services, resources and responses can be agreed and verified. ICT should be contacted in order to understand whether they are able to restore required technologies within the required time.</p> <p>Business continuity plans should be aligned to the BIA so that resources are directed appropriately to restoring key</p>	<p>The Business Continuity Institute to be contacted to determine "good practice" in the field of Business Impact Analysis documentation.</p> <p>A revised Business Impact Analysis document to be drafted and reviewed by an appropriately qualified MBCI, in accordance with BS 25999.</p> <p>Responsibility for action: Force Civil Contingencies and Business Continuity Manager on appointment. (Interim responsibility with the Chief Inspector Civil Contingencies)</p>	<p>To date attention has been given on a location-based approach to its Business Continuity (BC) planning, in accord with PwC recommendations. To achieve this, Force wide BIAs were conducted and plans initially reviewed/updated.</p> <p>Work is now underway to create over-arching corporate BC plans for Human Resources (People), Estates and Facilities (Premises), Technology (Processes) and Procurement (Partners) to ensure that BTP understand the 13 identified ACPO critical functions as they affect BTP. Those critical functions will be taken account of in producing the corporate BC plans for People, Premises, Processes and Partners, in alignment with BS25999.</p> <p>Further work continues to develop the site-specific plans, in order that they are fully</p>	Ongoing	June 2009

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
	services in a timely manner.		<p>developed and fit for purpose.</p> <p>A process of existing BC plan review continues with over 50 plans currently reviewed and all 170 plans due for initial review by the end of March 2009. This will allow the development of robust – site specific planning arrangements which will underpin the corporate plans which are currently in development. It will also allow for plans to be adequately tested.</p>		
<p>07-08-06</p> <p>Efficiency Arrangements Review (now Frontlinefirst)</p>	<p>Consideration should be given to undertaking a review of the challenge process following the completion of the first review to identify those areas which worked have well and those where improvements are required. The feedback from this process should then be incorporated into the challenge process for future reviews.</p>	<p>The Director of the <i>Frontlinefirst</i> Programme, in consultation with the DCC and the DoF&CS will review the challenge process and consider future governance arrangements for example implementing a <i>Frontlinefirst</i> Steering Group that is represented by a cross section of senior business users.</p>	<p>The Challenge Panel process was reviewed after the first Panel - the Human Resources Challenge Panel - in consultation with the BTPA Lead Jeroen Weimar and the DCC.</p> <p>A template for Challenge Panel reports was developed to ensure a corporate and consistent approach.</p> <p>A survey of Challenge Panel members and interviewees was conducted by the Strategic Development</p>	Completed	November 2008

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			<p>Department Research Team and a report produced on 10 November 2008. Findings will be used to inform future Challenge Panels.</p> <p>SB&PM receives regular reports on progress.</p>		

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
07-08-13 Core Financial Systems	A review should be undertaken of the PO exempt category. The definition of 'exceptions' should be more specific than it currently is and should apply for a smaller number of products / services. Even where costs can only be estimated, a PO should be raised and authorised. In some instances, previous year's spend in the relevant area could be used as a guideline for estimating the cost of the PO. It should be ensured that a purchase order is raised for all expenditure falling outside the exempt category. In addition, the FHQ Finance team should continue to monitor all invoices paid without a valid purchase order. Where non-compliance is identified, this should be followed up with the officer to ensure this practice is discouraged.	A review of the current exemptions from eProc is scheduled for 2008-09. Where-ever possible a PO should be raised unless the category is exempt. Staff will be reminded as part of the exception categories review that a PO is required for all invoices that do not fall into the exception categories. At the same time staff will be reminded of the procedure required to raise a PO.	The Purchase Order Exception List was reviewed and the number of categories on the list reduced. This was achieved by 31 December 2008. However a review of the Purchase and Payment function has been commissioned by the DoF&CS to ensure the function operates efficiently and effectively. The Purchase Order Exception List forms part of this review; implementation has been delayed pending the completion of this review. This review highlighted a number of areas where improvements could be made and also provided some examples of where current procedures were not being followed to the letter.	Specific Audit Recommendation: Completed Further Review: Ongoing	December 2008 March 2009

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
07-08-11 Risk Management Review	<p>The risk identification process should take place alongside and support the business planning process. Management should therefore identify risks when compiling Area and Departmental Business Plans to enable risks to business objectives to be identified and assessed, and appropriate mitigation strategies to be put in place.</p> <p>The process may be facilitated by tools such as the "risk identification rainbow", designed to facilitate the identification of risks in small to medium size public sector organisations.</p>	<p>Identification of risks to achieve objectives in the Strategic Plan is already in place and risks are considered when drafting this document (Risks are included in section 7 of the Strategic Plan). A number of risk registers are compiled by considering the risks to departmental objectives (even if they are not formally articulated in a business plan) and the requirement for this is confirmed in the Risk Management SOP.</p> <p>A review of Strategic, Area and Portfolio risk registers is underway to ensure the columns showing the link to plans for 2008-09 and 2008-11 are completed and to ensure that risks to achievement of plans have been included in the registers. Additional guidance has been given to Risk Representatives and further training will be provided to Senior Management Teams.</p>	<p>Cross referencing of the Strategic Risk Register to the objectives of the Strategic Plan is complete.</p> <p>Cross referencing to area and portfolio plans where these exist is complete. However, not all departments have Business Plans.</p> <p>A rolling programme of training for Risk Representatives and Management Teams is in place.</p> <p>The business planning process has been drawn up but has yet to be published on the intranet.</p> <p>New Guidance on Planning Procedures has been prepared by the Home Office. Guidance and training is now being rolled out.</p> <p>Guidance and appropriate</p>	Completed	March 2009

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		<p>BTP has no formal documented business planning process and no formal consistent planning outside the Strategic & Policing Plans. We will work to establish a set of principles for the business planning process to include formally identifying the hierarchy of plans; what plans are required; basic content; approval process; risk identification and mitigation requirements (which will include the review of strategic plan objectives to identify risks relevant for each part of the business).</p> <p>The “risk rainbow” is another useful identification tool like many of those available and already in use. If there are any additional areas not already included in the tools currently used these will be considered for inclusion. We will review the risk identification techniques guidance currently provided on the intranet.</p>	<p>risk identification / assessment tools are available on the BTP intranet.</p>		

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
07-08-11 Risk Management Review	The Force should ensure that all key partnerships have appropriate and effective risk management arrangements which are aligned with the Force's approach to risk management. Risk management guidance should be updated to include guidance on the management of risk in partnership.	BTP had already identified this as an area for attention during 2008/09 as a recommendation from the Risk Management Health Check completed by the IIA on 8 February 2008. Work is planned to start once the permanent Risk Management Coordinator starts (June 2008) and will include consideration of development of a SOP for partnerships.	A guidance document on partnership risk issues is in progress using the national guidance produced by the Police Sector Group of ALARM. The information gathered will inform what action needs to be taken and will assist in finalising the guidance document. The deadline has moved back because of the significant amount of work required to complete the recommendations due to wide variety and number of partnerships in place.	Ongoing	June 2009
07-08-11 Risk Management Review	Management should ensure owners are identified at the appropriate level to deal with all risks identified. The CAG should consider the most appropriate owners of risks above the area/department tolerance level but subsequently deemed to not be strategic. For example, risks referred to CAG which are then deemed not to be strategic could be appointed to a chief officer lead for further consideration and	The main issue is that risk owners may not have the resource to mitigate within their own Area or Portfolio and if the risk is not escalated to the SRR, no action can be taken since CAG does not have authority to direct senior officers or obtain funding. In addition if the risk covers a number of Areas or Portfolios there is a danger that a	The review of risk definitions is complete and revised definitions have been implemented. Changes have been made to the SRR and Area / portfolio RRs. Following agreement at CAG for a Corporate Risk	Completed	February 2009

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	<p>monitoring. BTP should consider the development of a corporate risk register which captures those risks which apply to more than one Area and/or business area. A corporate risk register will allow management to identify repetitive trends occurring in different parts of the organization, as well as a consistent risk management response to such issues.</p>	<p>number of different mitigating actions can be implemented without regard to the corporate need. The current arrangements for risk escalation and reporting are under review as part of achieving Strategic Objective CC18, and a paper will be submitted to COG detailing possible solutions and recommendations for change as appropriate. A review of risk definitions and tolerances is also underway which should reduce the number of risks falling out with Area & Portfolio tolerances. Consideration will be given to the establishment of a corporate risk register.</p>	<p>Register and a restructure of the way risks are managed within the organisation. A paper was presented to COG to confirm these changes.</p>		
<p>17-08-02 Payroll Review</p>	<p>A timetable and deadline should be set for the completion of the revised policies and procedures for management/ administrator level payroll processing (FHQ). Where possible, the revised guidelines should include process maps to show where responsibility lies for specific processes within the</p>	<p>There are procedures for the day to day processes. Documentation of the higher level system administrative procedures is ongoing.</p>	<p>Documentation for higher level system procedures are in a summary form. Documentation of payroll procedures is part of an on-going review of all Finance procedures being lead by the Head of Finance. Additional resources have</p>	Ongoing	June 2009

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
	payroll function and to confirm segregation of incompatible functions to support key controls. Payroll processes that have been outsourced should be clearly documented. Also, the necessary validations and reconciliations should be highlighted.		been recruited and the payroll procedures are being given a high priority within the project.		
07-08-17 Database and Operating System Review	Management should consider formalising the monitoring and management of access to the eFinData database. This could be achieved through regular reviews of user access lists, logging of specific user activities and the regular review of audit logs.	All user activity through the user interface is auditable as the system has an audit function. The use of higher level administrative accounts that could make changes to the actual databases directly, will be monitored by turning on database audit log. This work will take place post the 3.4 upgrade that is currently taking place with an end date of the 21st July. This will require BTP and Cedar input.	The audit facility is now switched on.	Completed	January 2009
07-08-11 Network Security Review	Management should ensure that the AD environment should be configured with an audit logging facility to capture activity by high risk users. This log should then be regularly reviewed.	With the introduction of Active Directory (AD), BTP will include the available monitoring and auditing mechanisms. The changes to the Super2 account outlined above will reduce this risk, however all users with this level of access are cleared to	The AD audit logging process is part of the AD project and has now been completed.	Completed	December 2008

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
		an SC level to provide an additional layer of assurance.			
07-08-12 Fleet Management	The same accounting policy for depreciation and UEL should be followed by the Vehicle Fleet Management team and the BTP finance team. The Jaama K2 system is managed by the VFMD and the fixed asset register is maintained by the Finance team. BTP should consider whether it is necessary for both departments to calculate and record their own version of depreciation. Financial statements are currently based on records maintained by the finance team. However, it may be a more efficient use of resources to adopt a consistent approach and to allocate overall responsibility for depreciation to one department only. Any changes to the accounting policy should be agreed with the External Auditors	Remedial action agreed. A consistent approach will be adopted and put in place for the 2008/09 closure of accounts process.	Asset lives for different categories of vehicles have been agreed and the finance system reconfigured to reflect the asset lives in the fleet system. The new system is working for vehicles purchased after 1 April 2008.	Completed	March 2009

Follow up to 2008-09 Audits

Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
08-09-02 Core Financial Systems	Control design - Lack of procedure guidance covering the performance and sign-off of reconciliations. Following on from the prior year's recommendations, a number of procedure guidance notes are in place such as 'Balance Sheet Reconciliation Notes', and 'Treasury Procedure Notes'. However, these notes does not include guidance on the preparation and sign off of journals, accruals, bank reconciliation, fixed assets, or debtors.	A Front sheet listing all periodic balance sheet reconciliations along with responsibility for producing and reviewing reconciliations has been produced and is in use. Treasury and Accounts Receivables procedures notes will be produced as part of the work bringing the AR function in-house. This will involve many changes to working practices and will be documented as part of the implementation.	The reconciliations listing has been produced and is in use. BTP brought the Accounts Receivables function in-house from 5 January 2009 after fully testing the system. Draft procedures notes for the AR and Treasury functions have been produced and are currently being updated in the light of experience in running the Accounts Receivables function.	Completed	March 2009
08-09-02 Core Financial System	Operating effectiveness - Lack of Debtors Reconciliation Six period reconciliations were selected for review for debtors and fixed assets. It was noted that the debtors' reconciliations had not been prepared for three periods under review.	In addition to documenting the process for performing debtors' reconciliation, it should be ensured that the debtors' reconciliation is performed monthly. This should be supported by adequate documentation for the reconciling items, dated and signed off by the preparer and reviewer.	The periodic debtors' reconciliation has been brought up to date and is now signed off every period.	Completed	February 2009

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
08-09-02 Core Financial System	Operating effectiveness - Monitoring of Debt due to BTP Detailed discussions should be held with LPM to ensure an effective handover. Specific points to cover will include the collection status of material debts outstanding. This information can be obtained from the monthly return submitted by LPM. Additionally, BTP should ensure that processes are in place to effectively continue with the income and debt management process once this has been brought in house.	Debtors' reconciliations have now all been completed. Currently LPM provides an aged analysis of outstanding debts along with a disputes list which is reviewed periodically. The outstanding debts from some PSA holders relate to the judicial review and will not be dealt with until that is completed. Finance meets with LU Area Finance on a periodic basis; payment of outstanding invoices is discussed at these meetings.	Significant outstanding debtors relate to ongoing disputes with PSA holders over new charging model. Currently awaiting outcome of judicial review on which the Chief Executive will report in due course. All other elements of the recommendations have been completed.	Completed	February 2009
08-09-02 Core Financial System	Operating effectiveness - Lack Journal/Accrual Records Journals are filed in individual files of the originator. However, sequential computer generated numbering system to prevent repeat journal numbers. A sample of 25 journals and 10 accruals were reviewed and of these three journals and a further three accruals could not be located, all of which were related to income. Electronic copies of these were viewed but hard copies along with the supporting documentation could not be located.	It has been agreed that journals will continue to be filed by individuals as it is believed that this method has a lower risk of journals being mislaid. However staff will be reminded of their responsibility to ensure journals are filed correctly along with any supporting evidence. The recent purchase of "paperclip" means that supporting evidence can be stored electronically with the journal on e-fin.	Finance staff have been reminded of the importance of accurate filing. A review is undertaken on a regular basis by senior HQ Finance staff to ensure that this recommendation is being followed.	Completed	December 2008

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
08-08-09 London North Follow Up Audit	The cost code structure does not support financial control and accountability. Each cost centre code should have an accountable officer responsible for control of spending and budget monitoring for that cost centre. Accountability should be transferred from the Finance Team to the budget holder when budget holders have sufficient understanding and experience.	The restructuring took place on 1 July 2008. Each cost centre code does have a responsible officer in the Chief Inspector (CI) Questions are put to the CI at Senior Management Team meetings that are held weekly who are held to account for expenditure incurred, especially on overtime worked. However, not all costs are coded to the relevant cost centre such as clothing and this anomaly has now been corrected. There are no plans to delegate budgets to each CI as it is considered that central control would otherwise be lost and monitoring will become unnecessarily cumbersome and inefficient.	Recommendations implemented as initial response.	Completed	September 2008
08-08-09 London North Follow Up Audit	Forecasting the year end position. The assumptions and forecasts underpinning the 2008/09 budget should be confirmed after the Period 6 four weekly reports have been processed.	The appropriate changes were made in budget and forecasts by the end of period 6.	The budget is continually reviewed as part of the periodic monitoring and forecasting arrangements.	Completed	September 2008

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
08-09-06 FHQ Procurement Card	Design of controls - Credit and transaction limits: The criteria in place for managing credit limits should be reviewed and formalised. Consideration should be given to the reasons for increasing these limits. Procurement should review the nature of transactions settled on procurement cards of those individuals with higher limits to ensure that the use does not conflict with BTP's normal procurement processes.	The procurement department will review higher limit card expenditure on a monthly basis	Higher limit expenditure (which is restricted to a few very senior officers for operational reasons) is reviewed on a monthly basis to ensure that cards are being used effectively and within procurement policies. At the time of writing there have been no matters of concern to be raised to Head of Finance.	Completed	September 2008
08-09-06 FHQ Procurement Card	Operating effectiveness - Return of Monthly Transaction Logs: The procurement team should use the reporting functions available to ensure that instances where logs have not been submitted are identified and followed up. Submission delays should be escalated to an appropriate level within Finance and followed up with the budget holders responsible for signing off such expenditure. The coding of procurement card expenditure to the relevant cost centres should be performed on a	A list of GPC users who have not returned transaction logs within the time stated in the policy will be compiled and will be forwarded to Procurement Department for action. Consistent failure to complete logs will be reported by Finance to the appropriate budget holder and the card holder's line manager The balance on the holding account will be reviewed at the end of each period and appropriate journals made.	It has now been agreed that cards will be cancelled if two consecutive months transaction logs are not submitted and the appropriate Head of Department informed. This process will be monitored independently by the Head of Finance to ensure that guidance is being followed.	Completed	November 2008

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
	timelier basis enabling effective reporting on expenditure.				
08-09-06 FHQ Procurement Card	Operating effectiveness - Receipts Submitted with Transaction Logs: Instances of non compliance should be escalated to the budget holders and finance manager. Where it is not possible to provide receipts, a note should be made on the transaction log confirming this and the reasons. The Procurement Team should carry out sample checks to monitor compliance.	Procurement will carry out sample tests when carrying out internal audits. Non compliance will be re-iterated to GPC user and budget holder. A listing of Procurement Card holders' outstanding balances including details of missing receipts is given to Procurement by Finance every month. Procurement will investigate instances where receipts have not been received and will send all Procurement Card holders and approvers a reminder that all transactions must have a receipt. If that is not possible the transaction will be highlighted and reason for the lack of receipt given.	The sample tests are conducted before an audit visit, which indicate in the vast majority of cases that agreed procedures are being followed. Procurement Card users have been reminded of the need to have receipts for all transactions. A list of any missing receipts is compiled every month and investigated if the amounts warrant it. Cardholders have been reminded about the need to have receipts for all transactions. This will be repeated at regular intervals.	Completed	November 2008
08-09-03 Wales & Western Area Audit	Operating Effectiveness – Authorisation of Procurement Card Transaction Logs: Where a transaction log for a senior officer cannot be reviewed by an appropriate independent officer, the	The two transactions will be authorized by the Area Commander by 19th September 2008.	All procurement cards are signed off either by the AF&CS Manager, Area commander or ACC Ops depending on the rank/grade of the	Completed	September 2008

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
	latter should be brought to the attention of FHQ to ensure alternative authorisation can take place. Alternatively, a record should be maintained of transaction logs which have not been signed by the required officer, to ensure that approval can be obtained retrospectively (for example, when the officer returns from leave).		cardholder. The two outstanding transaction logs have been authorised.		
08-09-10 LU Area	<p>Design of Controls – Lack of up to date policies & Procedures: All draft procedure notes should be reviewed to ensure that they provide sufficient details of the key controls and procedures including authorised signatories and responsibilities for finance officers in L area.</p> <p>Once approved, these should be made available via the shared drive/intranet to all relevant members of staff. New staff should be provided training in the processes they are responsible for undertaking, whilst staff currently in post should also be granted training to improve their competences and skills.</p> <p>Details should be provided by FHQ to L Area in relation to payments settled on their behalf. This will</p>	<p>All currently available draft policies and procedures to be revisited in line with accepted BTP and LUL policies and procedures to ensure they define the relevant processes in sufficient detail and be duly approved by the Head of Finance (HoF). Also further procedures are to be drafted to include such items as Devolved Budgets and Authorised Signatories. Once approved by the HoF the procedures will be published as recommended.</p> <p>There will be future work to better document and reconcile charges made between LUL and BTP.</p>	<p>The newly appointed Head of LU Finance is currently assessing L Areas key controls and financial procedures are part of the review.</p> <p>Some policies have already been published, but all key processes are already covered by existing BTP or LU policies. Overall L area has a strong control environment.</p>	Ongoing	March 2009

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	enable L Area to check that duplicate payments have not occurred. [Elements of this recommendation repeat the outstanding one from the 2006-07 audit.]				
08-09-10 LU Area	Design of controls – Lack of realistic current year budget in line with cost centres. We recommend that after consultation with the Management Accountant that the revised U06 Budget be completed and approved by the end of period 7. This should be prepared, and then reviewed by the HoF. Figures underpinning the budget should be coherently assembled, and made available to Area Finance.	Further to the recommendation shown and to a recent meeting with the Area Commander the following has been agreed. The 2008/09 budget to be revisited; as if from 1 April 2008. Assumptions and calculations within this budget to be properly supported and referenced. This 2008/09 budget to then serve as the initial basis for preparing the 2009/10 Budget.	A new budget and attendant cost centres were set up for 2008/09. There has been continuous monitoring of the financial performance of the area and close control over expenditure. 2009/10 budget is in draft and is still subject to review.	Completed	November 2008
08-09-10 LU Area	Design of controls – inefficient timesheet processing. We recommend the 100% duplicate checking is reviewed and smarter ways of working adopted. A more defined process could be: Conduct timesheet sample checks on a periodic basis. Conduct 100% checks on all starters and leavers. A revised Payroll checking Report is sent from FHQ to L Area with the amendments flagged by the Payroll	Agreed to reduce 100% checking to 10% for three months from November and then 5% for February, March and beyond; with discovered errors being documented and resolved either within the relevant current period or the next available period. Also agreed to look at the period by period “Checking Report” with possibility of reconciling to the	Substantially reduced testing has been adopted and this has not resulted in any increase in the error rate, which is small.. Recently we have increased the level of testing on a temporary basis as we are looking at the new procedures arising from the “Capturing actual hours worked” project (although still significantly	Completed	January 2009

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Reference	Recommendation	Initial Response	Updated Response	Current Status	Deadline for Completion
	Officers.	corresponding period Costing Report. L Area does attempt to undertake 100% checking of Starters and Leavers.	less than at the time of the audit).		
08-09-10 LU Area	Operating effectiveness – Review of longstanding accruals: We recommend that accruals balances are reviewed for their relevance and accuracy. Where further information is now available on the actual costs, these should be reversed. When accruing expenditure in the future, the figures should be supported by documentation which confirms the basis of the commitment and how the liability has been calculated.	The two large 2007-08 accruals for rates and transport charges to be probed for current and ongoing validity. If no longer held to be valid then discuss with LUL Finance the release of the accruals; particularly scheduling in to the period results. Agree with LUL that any associated risk, particularly on possible rates assessment from prior years, will then attached to them. There has been a significant improvement in period by period accruing and the use of supporting paperwork (evidenced at the 2007-08 year-end by LUL having no issues with the balances shown). All accruals are and will continue to be reviewed at a senior level within Area Finance.	These have been released following review meetings with LUL and processes are now in place to ensure that issues like this do not arise in the future. The regular Finance Reviews with L Area senior management will monitor compliance.	Completed	November 2008

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08-09-10 LU Area	Design of Controls – Notes / action points from budget holder meetings: Action points should be documented at each budget holder meeting and then be circulated, assigning tasks appropriately.	It is accepted that actions and associated responsibilities agreed during the meeting will be sent to the Budget Holder soon after the meetings.	Budget meetings have been held with all senior managers chaired by the Area Commander. Action points have been documented.	Completed	November 2008