



REPORT TO: Audit Committee
DATE: 16 December 2010
SUBJECT: Finance Position – Summary Report
SPONSOR: Acting Director of Finance and Corporate Services
AUTHOR: Head of Finance

1. PURPOSE OF PAPER

- 1.1 This report informs the Audit Committee of significant developments within the Finance Department during the last few months.

2. BACKGROUND

- 2.1 The Committee receives regular updates on the activities within the Finance Department and this report looks at the following matters:
- Budget 2010/11 monitoring arrangements
 - Budget Planning for Future Years
 - Payroll Streamlining Project
 - Planning for 2010/11 Year End
 - Fit for Future - Finance and Corporate Services
 - Follow up internal audit reports.

3. BUDGET 2010/11 MONITORING ARRANGEMENTS

- 3.1 British Transport Police's (BTP's) financial position is subject to detailed scrutiny and reporting with the revenue position monitored on a four weekly basis and capital quarterly. Four weekly Finance Review meetings with FHQ Departments and Areas are now attended by the Deputy Chief Constable (DCC) and the results of the monitoring exercise are reported to the Strategic Command Team (SCT) and BTP's Programme Board. The position for Period 9 will be reported to the British Transport Police Authority's (BTPA's) Finance Group in January.
- 3.2 At the Finance Reviews, as well as focusing on the year to date and forecast financial position, there is detailed scrutiny of the numbers of police officer and police staff in post compared to establishment. The levels of vacancies are reconciled to budget variances and explanations for any apparent anomalies obtained.



4. BUDGET PLANNING FOR FUTURE YEARS

- 4.1 Since the last report to the Committee there has been a significant amount of work on budget planning for future years. The main focus of this work has been on scenario planning at various levels of possible funding. The result of this exercise was presented to the BTPA meeting on 9 December.

5. PAYROLL STREAMLINING PROJECT

- 5.1 As reported elsewhere on this meeting's agenda a significant amount of work has been undertaken to review and strengthen BTP's payroll arrangements and on ensuring that Human Resources (HR) and payroll records are up to date and reconciled with each other.

6. PLANNING FOR 2010/11 YEAR END

- 6.1 Early work is underway to ensure there is good preparation for the 2010/11 Audit. Following a planning meeting with representatives from the National Audit Office (NAO) it was agreed to do some early audit work on the template for the accounts. An accounts template was supplied to the NAO on 15 November 2010.
- 6.2 The interim audit will be commencing on 31 January 2011. Finance is preparing a set of accounts with supporting evidence for audit. It is anticipated that this work will save time at the year end resulting in a faster, easier audit process with accounts laid before Parliament before the summer recess.
- 6.3 An audit planning meeting with the DCC and the NAO has been held and identified some key issues for this year's audit including, the London Underground Area Contracts and Income, Enhanced Police Service Agreements (PSAs) and Capital Financing arrangements. Work is underway to ensure that the BTPA and BTP are well prepared on these issues. Elsewhere on this meeting's agenda is a more detailed report on the timetable for closedown.

7. FIT FOR FUTURE - FINANCE AND CORPORATE SERVICES

7.1 Update on Restructuring

- 7.1.1 The first stage of the restructuring of the Finance & Corporate Services (F&CS) Department was concluded on the 3 November with the appointment to two "Tier 1" posts. Following their successful interviews the Head of Finance will be Simon Hart and Head of Corporate Services will be Leigh Stringer.
- 7.1.2 Following a meeting of the project Steering Group on 10 November, it has been decided to focus the next stage of the restructuring on the F&CS Department, rather than review the



wider function across the entire organisation. This approach means that F&CS can make quicker progress in reorganising the Department and avoid delays and protracted uncertainty.

- 7.1.3 It is planned to review the wider F&CS functions in the Areas as part of the Futures Programme, perhaps after the 2012 Olympics. In the meantime, F&CS will be engaging with staff in the Areas on a range of other initiatives to improve its services processes, commonality of processes, compliance and capability across BTP.
- 7.1.4 F&CS have now developed, in broad terms, a proposed Departmental structure. A presentation about the proposals was given to staff within F&CS on 17 November, and this marked the commencement of the formal 30-day consultation period.
- 7.1.5 F&CS are engaging and consulting with staff in two stages. The first stage is to hold group discussions with each of the teams within the Department. The second stage is an opportunity for staff to participate in one-to-one meetings. The Transport and Salaried Staff Association (TSSA) representative has been kept up-to-date about the proposals.
- 7.1.6 The consultation period will finish on 17 December, and F&CS will announce how the final structure will look as soon as possible after that date.

7.2 Finance and Corporate Services Futures Action Plan

- 7.2.1 To support the new F&CS organisational structure, the department will be developing a Finance and Corporate Services Futures Action Plan with the following key themes to:
- strengthen the culture of good resource management across BTP
 - build the capability of the F&CS function
 - ensure BTP's F&CS policies are fit for purpose
 - ensure process improvement, standardisation and compliance.
- 7.2.2 The Action Plan will be an opportunity for all F&CS staff to contribute ideas and be involved in the programme of change. F&CS plan to launch the action plan to coincide with the transition to the new Departmental structure in early 2011.

8. FOLLOW UP INTERNAL AUDIT REPORTS:

- 8.1 All audit recommendations are given a priority grading of urgent, important or routine. It was agreed that the update would cover all findings except those categorised as routine. This update covers eight reports submitted at the last Audit and Corporate Governance (A&CG) Committee on 21 September 2010 plus any outstanding items from previous reports. The Appendix to this report gives members an update on the outstanding action points. 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.

- 8.2 Those recommendations relating to the Payroll audit are dealt with in a separate report on payroll matters elsewhere on this meeting's agenda.

9. RECOMMENDATION

- 9.1 Members are invited to note the progress achieved to date on the matters outlined in this report.

APPENDIX A

Follow up to 2009-10 Audit Recommendations

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Area Compliance Checks London South Asset Register	Area offices be supplied with a template disposal asset form, which can be retrieved from the BTPA intranet to inform Finance for the disposal of asset.	A timescale is in place; visits have commenced and will be completed in March 2011.	A disposal / relocation / acquisition from has been circulated and is in use.	A force wide audit of asset registers has recently been completed and this will cover all issues raised in area audits (See Tribal report elsewhere on this agenda).	March 2011
Compliance Checks Wales & Western Asset Register	Reconciliations of the Area Asset Registers and listings of IT equipment be undertaken.	An asset register containing IT equipment has been requested from FHQ. This will then be combined into the Area asset register and form part of the above timetable.	Tribal has recently completed an audit of asset registers / inventories and recommendations from this report will provide a corporate response to the maintenance of these records.	A force wide audit of asset registers has recently been completed and this will cover all issues raised in area audits (See Tribal report elsewhere on this agenda).	March 2011
Creditor Payments	Management to ensure that delays are minimised in completing the authorisation stages for invoice payment.	Currently investigating the use of workflow for non POP invoices with IT and Finance Applications Manager. The objective is to send invoices	Workflow is currently being tested. Issues have arisen concerning ability to send & receive electronic invoices and these are currently	There have been delays in sourcing the specialist IT staff required for the project. These are currently being	Revised deadline agreed with Tribal March 2011.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
		electronically to the authoriser resulting in the invoice being paid in a timelier manner.	being investigated.	resolved and the work commenced in November.	
Review of the Management of Risks and Maintenance of a Sound System of Internal Control	The Authority needs to obtain positive assurance from LU Ltd with regards to the budget, expenditure and purchasing arrangements.	DF&CS has requested the completion of a document provided by Tribal detailing the assurance required.	A Tribal audit is being undertaken in September 2010 and this will support the completion of this task.	Work is continuing as part of the 2011-12 budget process.	September 2010 revised to January 2011.
Review of the Management of Risks and Maintenance of a Sound System of Internal Control	BTPA Members and officers with specific responsibility for business risk management should receive risk management awareness training.	BTPA members are selected for their experience and knowledge of specific sectors of the rail industry. This necessarily includes risks to those sectors. BTPA employees as at 31/3/10 had received risk management training to enable them to comply with the risk management standard operating procedure. Further training will be given where necessary	Further training has been provided to employees of BTPA including the Chief Executive. A letter has been sent by the Authority Finance Director to all members of the Audit Committee on whether they require training to supplement their external training and experience. Sir David O'Dowd and James King are attending a general training course run by Treasury in December	Ongoing – awaiting response from Members.	March 2011

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
			2010.		
Review of the Management of Risks and Maintenance of a Sound System of Internal Control	The gifts and hospitality registers and the register of interests be held centrally and monitored by PSD.	<p>There is already a gifts and hospitality register for members of BTP's Strategic Command Team held by the EA to the Chief Constable. In addition, a policy and standard operating procedure is almost complete and will be made available in the Intranet when it is agreed.</p> <p>A revised procedure will be put in place to maintain a central register. Registers are kept on Areas and in Departments and this information will be collated to form the central register.</p>	<p>Registers for 2007/8 onwards compiled at the end of each business year. The register for 2010/11 is open.</p> <p>Good practice (there is no separate APA guidance) does not specify how registers should look nor how the should be maintained. Current good practice would suggest that these registers should now be published annually on our website and that they are made available for inspection on request 'in year'.</p> <p>We have researched approaches elsewhere to develop our current register.</p>	Members to be reminded by e-mail to notify Executive of any gifts and hospitality and any conflicts of interest.	Complete – will be presented to all Audit Committee from December 2010 onwards.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Review of the Enhanced Policing Services Agreements Arrangements	BTPA and the Mayor of London to sign a formal agreement for the enhanced service.	The Chief Executive of BTPA is in discussions with the Mayor's office regarding all PSA / EPSAs	Pan London Agreement with the Lawyers after discussion with TfL – this is being headed by the Chief Executive of the Authority.	The agreements have now been received by the Chief Executive. After detailed review, it is more complicated than originally thought especially the management of the customer supplier relationship given the current economic requirements, Further consideration needs to be given to the objectives as what has been proposed will not necessarily deliver the desired outcome	July 2010 – now expected to be completed by December 2010 Owing to the extra complications, it is not anticipated that this pan London agreement will be in place before March 2011.
Area Compliance Checks – London North Asset Register	All stations be instructed to complete their asset registers.	The register has been updated to include new stations. Requests have been made to all Station Administrators to complete the asset	Further responses have been received but there are still outstanding Stations.	Ongoing (See Tribal report elsewhere on this agenda).	March 2011

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
		register with a further reminder sent on 25 August by the Management Accountant and the Head of Finance & Corporate Services which has been copied in to the Area Commander. If there is non compliance then the issue would be escalated.			
Area Compliance Checks – London North Asset Register	A procedure be established whereby items considered high value be asset tagged upon receipt and recorded on the appropriate locations asset spreadsheet.	Work is being undertaken to ensure that all items are tagged by the end of the year. All high value items will now be asset tagged upon receipt and recorded.	Work is ongoing to complete tagging.	A force wide audit of asset registers has recently been completed and this will cover all issues raised in area audits (See Tribal report elsewhere on this agenda).	March 2011
Area Compliance Checks – London North Third Party Property	Ensure that the KIM system is updated when items are moved in and out of the property store.	The supervisory team will be briefed accordingly and additional training implemented for all supervisory officers.	This is being led at a senior level within the Area to ensure compliance.	Ongoing	Dec 2010