



REPORT TO: Audit Committee
DATE: 29 June 2010
SUBJECT: Finance Position – Summary Report
AUTHOR: Acting Director of Finance and Corporate Services

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:

- Appointment of new permanent Head of Finance
- Statement of Accounts 2009 -10
- Budget 2010 - 11 and monitoring arrangements
- Medium Term Financial Plan (MTFP)
- Accounting Officer arrangements
- Review of Finance and Corporate Services
- Follow up internal audit reports
- Other activity within the Department.

3. APPOINTMENT OF HEAD OF FINANCE

- 3.1 Simon Hart joined British Transport Police (BTP) as the permanent Head of Finance on 14 June 2010. Simon has extensive police finance experience having worked for Metropolitan Police Service (MPS) and National Policing Improvement Agency (NPIA) and he is a very welcome addition to the Finance and Corporate Services Team.



4. STATEMENT OF ACCOUNTS 2009 - 10

- 4.1 The formal Statement of Accounts for 2009-10 is presented to the Committee for recommendation for approval to the British Transport Police Authority (BTPA) elsewhere on this meeting's agenda. Thanks are due to the Financial Accounting team for preparing the Statement and the Accounts. Also elsewhere on this meeting's agenda is the National Audit Office (NAO) report on the accounts, BTP are grateful to the team for the considerable additional work they have put in to allow the completion of the audit according to the agreed timetable.
- 4.2 As indicated in the report on the Statement of Accounts, it is expected that they will be laid before Parliament before the summer recess.

5. BUDGET 2010-11 MONITORING ARRANGEMENTS

- 5.1 The budget for 2010-11 was approved by the BTPA in December 2009 and detailed allocations to the budget holders have been made. Monitoring arrangements were approved by the BTPA at its meeting in March and the first report for 2010-11 (up to Period 03) will be presented to the BTPA at its meeting on 29 July. The BTPA Treasurer will report on its own budget and income from core PSA charges.
- 5.2 The capital programme, which provides for £9m of expenditure to be supported by the Department for Transport (DfT), was approved by the BTPA at its meeting on 11 March and progress on this will also be reported to the BTPA in July.
- 5.3 As well as reports to the BTPA, BTP's Programme Board will receive reports each period (from Period 2) following formal Finance Reviews with budget holders. The reviews will also



cover such matters as establishment numbers, efficiency savings and other budget related issues.



6. MEDIUM TERM FINANCIAL PLAN (MTFP)

- 6.1 Work has begun on the MTFP for 2011-12 to 2013-14 and this will be presented to the BTPA at its September meeting. There are still a significant number of unknowns particularly around pay awards and the pension's fund valuation, but assumptions will be made as appropriate as the work progresses.
- 6.2 Savings in the order of £8m will be required in 2011-12 if the BTPA's aspiration for a 1% reduction in the core Police Service Agreements (PSAs) is to be realised. Work is progressing to find these savings, which will include reductions across the board while, wherever possible, protecting service provision.
- 6.3 Projections for years two and three of the MTFP are always speculative but it is expected that further savings will be required in those years, any increase in core PSA charges are to be kept to a minimum.

7. ACCOUNTING OFFICER ARRANGEMENTS

- 7.1 BTPA's Chief Executive was appointed as the Accounting Officer on 1 April 2010, with a proposal that the Chief Constable will be appointed as an additional Accounting Officer with responsibility for BTP's spend. A scheme of delegation between the two Accounting Officers is being worked on and should be available for consideration by the BTPA at its end of July meeting.
- 7.2 As part of that process a review is being undertaken by the Treasurer and the Acting Director of Finance & Corporate Services (DF&CS) of all delegated authorities across the BTPA and BTP. It is proposed to bring the outcome of this review to the Audit Committee at its meeting in September.



10. REVIEW OF FINANCE AND CORPORATE SERVICES

10.1 Work with representatives from across the whole Finance & Corporate Services (F&CS) function at ways to improve its efficiency and effectiveness has continued. At this stage, existing line management arrangements will not be changed.

10.2 Following a period of analysis, the intention is to:

- implement agreed Operating Principles
- introduce a range of measures to professionalise F&CS services
- introduce a range of measures to standardise F&CS processes.

10.3 To support this, it is intended to:

- introduce tight and enforceable functional ground rules (principally finance, procurement and property)
- introduce Head of Profession roles to act as guardians of the ground rules and functional heads to the devolved activities.

10.4 Work has started on the detail and to put in place workable and practicable processes and procedures, with a target completion of April next year. Restructurings of Force Headquarters based function will be developed immediately for early implementation. This wide ranging change programme will be managed as a multi-faceted project and resourced internally. Payroll will be dealt with as a separate matter and will be discussed elsewhere on the agenda.

11. FOLLOW UP INTERNAL AUDIT REPORTS:

11.1 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 five reports submitted at the last **Audit & Corporate Governance Committee**



on 18 March 2010 plus any outstanding items from previous reports. These are the first reports submitted by Tribal and 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.

- 11.2 The recommendations relating to the Payroll audit are dealt with in a separate report on payroll matters at item 11 on the agenda for this Committee.

12. OTHER ACTIVITY WITHIN THE DEPARTMENT

- 12.1 A detailed review has been undertaken of BTPA's reserves and this has resulted in the report elsewhere on this meeting's agenda. Consultation has been undertaken with DfT, NAO and Tribal to ensure that the proposals presented are within the regulatory framework
- 12.1 It is intended to review the effectiveness of the current financial systems to ensure that they are being exploited to their fullest extent. The outcome of this review will be reported as appropriate when completed .

13. RECOMMENDATION

- 13.1 It is recommended that the progress on the matters outlined in this report is noted.



APPENDIX

Follow up to 2009-10 Audit Recommendations

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Review of PSA Charges Recalculation	Written confirmation to be requested from the various providers of information that they have no further documentation that would assist in the process.	Meetings have been held with all PSA holders involved in the exercise to ensure there is no further documentation. However BTP will action the recommendation.	DfT have received a schedule of all changes and have confirmed verbally this is materially correct. Protocol being developed with DfT for future franchise changes.	Completed Letter received from DfT and in line with assumptions made. Received 5 March 2010.	December 2009
Review of PSA Charges Recalculation	A detailed documented synopsis of how the spreadsheet works and where the source evidence is filed be prepared by the Project Team.	This risk was identified some time ago and the recommendation is in the process of being implemented.	This document was more comprehensive than initially envisaged and has been agreed by Treasurer May 2010	Completed	November 2009
Review of Responsive Maintenance Arrangements	A formal post inspection process be developed.	The post inspection process is woven into the remit of new staff members and will be fully implemented on completion of the departmental restructure.	Limited technical inspections completed, but additional resources will improve monitoring.	Ongoing	April 2010
Area Compliance Checks London South Purchasing	The current petty cash float level is exceptionally high and should be reduced.	The limit has been reduced to £1000.00 and all excess cash will be banked.		Completed	March 2010



Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Area Compliance Checks London South Asset Register	Force wide Asset Management Policy and Procedures be developed to include types of assets, additions, disposals, annual confirmation checks, asset verification checks and record keeping.	Detailed updates on the Forcewide asset register takes place on an annual basis and steps will be taken to ensure that Area based assets are included.	A separate audit on asset register is currently being carried out which will inform future development of the Force's asset register.	Will be completed by end of June 2010	April 2010
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 form has been circulated and is in use.	The audit of asset registers is a rolling programme with the current round of visits scheduled to complete in March 2011. This is on target.	March 2011
Area Compliance Checks London South Budgetary Control	The recommendation by the Audit Commission be accepted and the Area Commander sign the Management Accounts as evidence of receipt.	Agreed		Completed	February 2010
Area Compliance Checks Wales & Western Purchasing	Staff to be reminded of the requirement for purchase orders to be raised in advance for all purchases, in accordance with the Financial Regulations.	The no purchase no pay policy has been re-circulated to all staff. It also appears on the Wales & Western Intranet site under		Completed	February 2010



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		Finance & Corporate Services.			
Area Compliance Checks Wales & Western Asset Register	Force wide Asset Management Policy and Procedures be developed to include types of assets, additions, disposals, annual confirmation checks, asset verification checks and record keeping.	Detailed updates on the Forcewide asset register takes place on an annual basis and steps will be taken to ensure that Area based assets are appropriately included.	A separate audit on asset register is currently being carried out which will inform future development of the Force's asset register.	Will be completed by end of June 2010	April 2010
Area Compliance Checks Wales & Western Asset Register	The Area asset registers be reviewed and updated.	All W&W sites will be audited and updated by 25 th June 2010, then on an annual basis thereafter.		Will be completed by end of June 2010	June 2010
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.			June 2010
Compliance Checks Wales & Western	A decision to be made regarding the accounting treatment of the Wales and Western Area's TOIL figure.	A review of TOIL is being undertaken and a decision will be made once the materiality of the amounts is known as to if formal	Decision made to accrue centrally for TOIL	Completed	April 2010



Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Budgetary Control		accruals are required.			
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 electronically to the authoriser resulting in the invoice being paid in a timely manner.	Workflow is currently being tested. Issues have arisen concerning ability to send & receive electronic invoices and these are currently being investigated.	Availability of specialist IT staff has lead to a delay in testing and implementation. If all issues are resolved the project will be rolled out by the end of Sept 10.	June 2010
ICT Procurement Arrangements	Consideration be given to formally preparing and distributing a comprehensive listing of delegated financial authorities.	As part of the two key approach budget approval levels were set at £5k, £25k and £50k. These form the budget approval matrix within eProcurement and form BTP's delegated financial authorities. A listing will be produced of the financial authorities which will be posted on the Finance page of the intranet with explanatory notes.	The decision to remove the £50k departmental financial approval limit has lead to a review of all financial approval levels and a higher approval limit of £500k has been set for SCT members, with the DoF&CS & CC having £2.5m.	On target for completion by the end of July.	July 2010