



REPORT TO: Audit Committee
DATE: 28 June 2011
SUBJECT: Finance Position – Summary Report
SPONSOR: 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 Team during the last few months.

2. BACKGROUND

2.1 The Committee receives regular updates on the activities within the Finance Team and this report looks at the following matters:

- Final Accounts and Audit - 2010/11
- Budget 2011/12 monitoring arrangements
- Fit for Future - Finance and Corporate Services
- Payroll Streamlining Project
- Interest on cash balances
- Review of process for claiming expenses
- Follow up internal audit reports.

3. FINAL ACCOUNTS AND AUDIT - 2010/11

3.1 Work on the Final Accounts and Audit has been a major focus of activity for the team over the last few months. As reported elsewhere on the Agenda this work has been concluded and all key milestones in delivering the Accounts were met. There has been very good collaborative working across the finance team and with the NAO and this has resulted in an efficient year end and final accounts process.

4. BUDGET 2010/11 MONITORING ARRANGEMENTS

4.1 BTP intends to build on the effective financial monitoring of 2010/11 by further reinforcing the role of the Finance Reviews as a means of scrutinising each Area's and Department's financial and establishment position and forecast. Under the Service's Strategic Plan the Director of Finance and Corporate Services has taken an objective to '*exercise financial control through rigorous four weekly Departmental and Area finance reviews*'.



4.2 The period 2 Finance Reviews were recently concluded and the position for period 2 was finalised, this indicates a small year-end forecast underspend of £147k. Capital will be subject to a detailed review and forecast in period 3.

4.3 At the last BTPA Finance Group meeting a number of requests to change the format in which the revenue position is reported were made namely that the budget and actuals include the position for L Area and that any changes from the Original to Revised in-year budget are reported on. Preparation is in hand to report in this format to Finance Group from Period 3 onwards.

5. FIT FOR FUTURE - FINANCE AND CORPORATE SERVICES

5.1 Work on developing and implementing the F&CS Futures Action Plan is progressing well. The Futures Action Plan will form the basis for the departmental business plan and individuals' PDR objective. The Action Plan is focused on four key themes:

- strengthening the culture of good resource management in BTP;
- building capability in the F&CS function;
- ensuring that polices are fit for purpose, and
- ensuring process improvement, standardisation and compliance.

5.2 One key aspect of the Futures Action Plan is to map and analyse existing processes to ensure they are fit for purpose and allow the services to be managed effectively with appropriate management controls. Following this work there will be a fully validated process map for each area of F&CS activity together with a user manual setting out the 'How To' rules for all individuals across the services. Compliance to these how to rules will be key and will be monitored and any non-compliance will be reported and appropriate action will be taken.

6. PAYROLL STREAMLINING PROJECT

6.1 Work on the co-location of the Payroll Team with the Human Resources Business Centre in Birmingham is progressing well and remains on-course for delivery in September 2011 with the phased transition starting in August.

7. INTEREST ON CASH BALANCE

7.1 At a previous Audit Committee meeting the question was raised as to whether BTP could make better use of its cash balances to generate higher levels of interest. As part of the regular client liaison meetings with the Royal Bank of Scotland this issue was discussed. The Royal Bank of Scotland confirmed that in order to obtain better rates than currently (i.e. 0.5% above base rate) it would be necessary to deposit cash in term accounts with a minimum notice period of 12 months. Given BTP maintains a relatively low cash balance and is required to submit claims to DfT when cash balances are running low this is not considered to be a viable option.



8. REVIEW OF PROCESS FOR CLAIMING EXPENSES AND USE OF GOVERNMENT PROCUREMENT CARDS

- 8.1 Of the audit reports presented to the Audit Committee on 26 March the Review of Creditor Payments and in particular the controls over the use of Government Procurement Cards (GPCs) required the most management attention.
- 8.2 A number of key developments had already been put in place that have significantly improved controls in this area. An automated process is now in place to ensure that expenditure incurred using GPCs is posted directly to the ledger meaning that there is no longer an unreconciled balance on the GPC control account and budget holders have immediate and full information on which to check the accuracy and appropriateness of spend. Secondly an automated process for completing and distributing GPC logs has been introduced this helps card holders reconcile and return signed logs much more quickly and allows the Finance Team to pursue any outstanding logs much more effectively.
- 8.3 As part of a wider review of the process for claiming expenses SCT were presented with a paper on proposals to rationalise the channels by which expenses can be claimed. SCT agreed that GPC's will not be used for business expenses and in future all expenses need to be claimed through payroll, in the short term through manual claim forms but in due course through an electronic process linked directly to payroll. The current Standard Operating Procedure is being updated to reflect this position. It is expected that the revised SOP will be submitted for review by the end of July and following a period of consultation will be issued by the end of September.

9. FOLLOW UP INTERNAL AUDIT REPORTS

- 9.1 There are three outstanding audit recommendations from 2009/10 these have been completed an update is provided at Appendix A. A report from Tribal elsewhere on this agenda provides an update on progress against 2010/11 audits. An update on the Review of Creditor Payments which due to timing is not provided within the Tribal report is provided in section 7 above and in detail at Appendix A.

10. RECOMMENDATION

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

Follow up to 2009-10 Audit Recommendations

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
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 timelier manner.	It has been agreed with Tribal the process recommended may result in BTP's preferred purchase to pay (P2P) process using eProcurement being circumvented. A review of the entire P2P process is currently underway with the objective of streamlining and simplifying the procedure.	Completed	
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.	This became part of a wider consideration of LU governance matters which have been discussed and resolved with internal and external auditors as part of the 2010-11 Accounts audit.	Completed.	
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	A Governance Framework for the Charging Model has been completed. A further review of the EPSAs is being undertaken through the Finance Group	Completed	

Follow up to 2010-11 Audit Recommendations not covered in later Tribal update

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
<p>Review of Creditor Payments - GPCs</p> <p>Of the transaction logs located and tested, 28% of these had missing receipts.</p>	<p>Card Holders be reminded of the requirement to provide a valid receipt for all expenditure.</p>	<p><i>Agreed – a revised SOP including this point is being developed and will be issued in September.</i></p>	<p>SCT has agreed that GPC's will not be used to pay for expenses. A SOP is currently being drafted which reflects this position.</p>	Ongoing	30 Sept 2011
<p>Review of Creditor Payments - GPCs</p> <p>The cards were being used to top up Oyster Cards with no journey details which may have tax implications for card holders.</p>	<p>Card Holders be reminded that journey details should be provided when using the cards to top up oyster cards.</p>	<p><i>Agreed – a revised SOP including this point is being developed and will be issued in September.</i></p> <p><i>When the SOP is re-issued, cardholders will not be able to use GPC to top up Oyster Cards as this expense should be reimbursed through payroll.</i></p>	<p>SCT has agreed that GPC's will not be used to claim expenses. Expenses will either be sourced through BTP's travel supplier or reimbursed through payroll.</p> <p>A procedure on reimbursements of Oyster Cards will be included are part of the SOP currently in draft.</p>	Ongoing	30 Sept 2011
<p>Review of Creditor Payments - GPCs</p> <p>It was identified that some card holders were collecting for "reward schemes", such as nectar and Boots advantage when paying with the procurement cards.</p>	<p>The Force develops a policy on collecting with "reward schemes" using the procurement cards.</p>	<p><i>Agreed – a revised SOP including this point is being developed and will be issued in September..</i></p>	<p>The Force's policy is for GPC's holders not to take advantage of reward schemes. This will be included in the new SOP.</p>	Ongoing	30 Sept 2011
<p>Review of Creditor Payments - GPCs</p>	<p>Management to review the Standard Operating</p>	<p><i>Agreed – a revised SOP including this point is being developed and</i></p>	<p>The Business Travel and Business Expenses SOP are</p>	Ongoing	30 Sept 2011

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
A number of transactions were noted for small amounts such as the purchase of coffees and teas and McDonalds etc, and whilst these purchases were most likely for business purpose, there is confusion as to whether these types of transactions should be classified as expenses and therefore claimed back via expenses.	Procedures (SOPs) that cover Procurement Cards / Purchasing and Expenses to ensure that a consistent approach is taken.	<i>will be issued in September.</i>	currently being drafted which will make it clear that GPC's are not to be used for business expenses. All expenses will be reclaimed via payroll. The GPC procedures will then be updated to reflect the SOPs.		
Review of Creditor Payments - GPCs Two card holders were identified from the sample that had the used the card for personal expenditure and had provided a cheque to cover these costs. The issue here, is not only are instructions explicit that procurement cards are not for personal use but that these cheques were only located following this review.	Card Holders be reminded that procurement cards are not for personal use.	<i>Agreed – a revised SOP including this point is being developed and will be issued in September.</i>	This will be included in the GPC Guidance notes.	Ongoing	30 Sept 2011
Review of Creditor Payments - GPCs Three instances were identified where the Card Holder's certification / signature box had been removed from the form and therefore the cardholder had not signed to certify their expenditure. All three of these had been 'approved'.	Card Holders be reminded that transaction logs should be signed by the Card Holder.	<i>Agreed – a revised SOP including this point is being developed and will be issued in September.</i>	All transaction logs are checked to ensure they are correctly signed and approved. If they are not they are sent back to the GPC holder for correction.	Ongoing	30 Sept 2011
Review of Expenses Arrangements All claims for expenses are correct and	Management to ensure that allowances and expenses are claimed for via the appropriate	<i>Agreed – a revised Expenses SOP which will cover these points is to be developed. Currently there is a single Travel and Expenses SOP</i>	SCT has agreed a new Business Expenses policy. This is currently being drafted into new Business	Ongoing	30 Sept 2011

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
fully receipted.	channel.	<i>and there is a significant amount of work and consultation required before this can be issued.</i>	Travel and Business Expenses SOPs.		
Review of Expenses Arrangements Claims for meals out did not always record the event or operation	Claimants be reminded to record the event or operation when claiming for meal allowances.	<i>Agreed – a revised Expenses SOP which will cover this point is being reissued.</i>	This is being included in the draft Expenses SOP	Ongoing	30 Sept 2011
Review of Expenses Arrangements	Within the sample tested value for money was not always achieved, with some claimants making multiple claims for single bus and tube fares, instead of travel or oyster card usage.	<i>Agreed – a revised Expenses SOP which will cover this point is being reissued.</i>	The new SOP includes advice on the use of departmental Oyster Cards and how they must be administered.	Ongoing	30 Sept 2011