



REPORT TO: Audit Committee
DATE: 28 March 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 and Corporate Services 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
 - Planning for 2010/11 year end
 - Budget delegation for 2011/12
 - Fit for Future - Finance and Corporate Services
 - Payroll Streamlining Project
 - Inventories
 - Duplicate Payment Checks
 - Procurement Savings
 - 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.



3.2 The position for Period 12 is currently being finalised but early indications are that the position remains consistent with that reported throughout the year with a revenue underspend of circa £1m and a capital underspend of only £15k compared to the capital budget ceiling of £9m.

3.3 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. PLANNING FOR 2010/11 YEAR END

4.1 The interim audit has now been completed, only a few minor action points were identified as a result of the audit and these will not affect the year end work. In addition Finance prepared a draft set of accounts with supporting evidence for audit within the deadlines agreed with the NAO. The NAO have provided very useful comments on these draft accounts and these together with the positive findings from the interim audit put us in a very good position going into year end and the final accounts work.

4.2 As reported elsewhere on the agenda the NAO have also concluded that due to the positive findings from their additional work on the accuracy of BTP's HR records they will not need to do any further work in this area at the final audit. One other area of potential risk to the year end process concerning the audit of transactions relating to L Area has also been resolved as discussions between Finance and NAO have resulted in an agreed audit plan which has largely been completed as part of the interim audit.

4.3 Work is now concentrating on the year end work, ensuring all reconciliations and evidence for the year end balances are completed and evidenced for the final audit commencing in mid May. Currently the accounts are on target to be laid before Parliament before the summer recess in accordance with the timetable agreed at the last meeting of the Committee.

5. BUDGET DELEGATION FOR 2011/12

5.1 This year in line with best practice the Chief Constable has issued a detailed budget delegation letter to his Strategic Command Team setting out the amount of budget delegated to them and the requirements on them and their budget leads for setting and managing those budgets in-year. The rules set out within the delegation letter



are not new requirements on budget holders but have been more formally laid out to ensure there is a common understanding.

- 5.2 Following the detailed budget setting process the Chief Constable will be holding Budget Challenge meetings with each budget holder and their budget leads to make sure the budget has been set on a realistic basis and to ensure that there is absolute clarity as to the requirements on budget holders and budget leads.
- 5.3 Key features of the delegation process are:

Rules for setting detailed budgets

1. Budget holders will be required to set budgets across expenditure and income headings and profile budgets across periods as accurately as possible. A particular focus will be on the accuracy of:
 - overtime budgets;
 - pay budgets which will need to be consistent with the establishment numbers that have been agreed with Human Resources;
 - income budgets from Enhanced Police Service Agreements

Rules for in-year management of budgets

Budget Holders must ensure:

1. that their budget does not overspend overall;
2. that their budget is spent on the activities it is intended for and that budgets must be managed within a tolerance of plus or minus 5% for each subjective heading;
3. that any requests to move budget in year due to exceptional operational requirements or significant structural changes are submitted for approval to the Director of Finance and Corporate Services. These will be agreed or not at the period Finance Review meetings;



4. that forecasts of staff expenditure agree to the forecasts for officer and staff numbers agreed with Human Resources and maintained on ORIGIN
5. that, where relevant, all non staff spend is purchased in compliance with the Force's procurement rules
6. that they work closely with their Management Accountant/Area Finance and Corporate Services Manager in producing the relevant information required for each period so that this can be discussed at each period's Finance Review.

6. FIT FOR FUTURE - FINANCE AND CORPORATE SERVICES

6.1 Update on Restructuring

6.1.1 Transition to the new structure was completed on the 19 March when the new structure went live. The new structure is set out at Appendix B, there are 75 posts within the new F&CS structure down from 80 under the previous structure. Taken together with the reduction in the number of temporary staff, this means that F&CS will be able to successfully meet its savings target of £340k for 2011/12. A "match and slot" exercise has been concluded and staff have been issued with new job descriptions and, where required, new contracts. Recruitment is underway to fill any vacant positions following this exercise.

6.2 Finance and Corporate Services Futures Action Plan

6.2.1 The next stage of the project is to finalise the F&CS Futures Action Plan which is due to be launched early in the new financial year to coincide with and support the transition to the new F&CS structure. 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.

6.2.2 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.

7. PAYROLL STREAMLINING PROJECT

- 7.1 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.

8. INVENTORIES

- 8.1 In response to the Tribal finding on the Service's inventories a significant amount of work has been undertaken to improve the quality of work in this area, a full update on this is provided elsewhere on this meeting's agenda.

9. DUPLICATE PAYMENT CHECKS

- 9.1 At the last Audit Committee there was discussion on procuring software to detect duplicate payments. BTP already uses duplicate payment finder software from Fiscal Technologies. The software which is the market leader uses sophisticated algorithms to compare alpha numeric characters in invoice references and identifies potential duplicate invoices that can be investigated to establish if a duplicate payment has been made.
- 9.2 The software makes use of the most advanced technology available in the market and as well as checking for invoices with identical alpha numeric references. It also searches for similar characters, for example invoice references B12345 and 812345 would be highlighted as a potential duplicate payment as the B and 8 are similar characters, even if the invoices were paid to different suppliers.
- 9.3 Currently the software is run quarterly on the entire invoice history file and no significant issues have been identified. Under the F&CS Futures Action Plan it is proposed from April to run this software prior to each payment run to detect any duplicate payments prior to them being made.



10. PROCUREMENT SAVINGS

- 10.1 Procurement have helped identify savings totaling over £1m in this financial year. The majority of these savings have already been taken into the budget build for the next and future years. Savings of particular note include:

Wide Area Network Contract – Saving of £500k per annum over a minimum of 5 years (total saving of £2.5 million).

Forcewide Energy Contract – Saving of £250k per annum.

DX Contract – Saving of £ 77k per annum.

Computer Support Agreement – Saving £88k per annum and of £352k over 4 years.

Intelligence Contract – Saving £25k per annum and £100k over 4 years.

Multi Functional Devices – Saving £100k this year and £53k next year.

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 eight reports submitted at the last Audit Committee on 16 December 2010 plus any outstanding items from previous reports. Appendix A 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 Those recommendations relating to the Payroll and Inventories audit are dealt with in separate reports elsewhere on this meeting's agenda.

12. RECOMMENDATION

- 12.1 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
Creditor Payments	Management to ensure that delays are minimised in completing the authorisation stages for invoice payment.	Currently investigating the use of workflow for all 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.	This remains a key development area - however priority has been given to implementing a workflow to enable electronic transfer of payment details from the Facilities maintenance system to Accounts Payable. This will reduce double keying of information while maintaining a clear audit trail and authorisation process. This work has been prioritised over the creditor payment workflow as it represented a potential risk (which has now been eliminated) to the year end audit.	Development is on-going	Revised deadline agreed with Tribal April 2011.
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	Report on Governance on March Committee's agenda.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
				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	
IT Review of Network Control Arrangements Failure to direct the process through approved policy & procedures.	Arrangements be put in place to ensure that policy dictated password requirements are enforced at the Active Directory Group Policy level.	In the past there has been no relevant body that had oversight of IT procurement, with the remit to create and enforce a policy that would prevent it being ordered by other Departments. The new Technology Board will be in a position to do this, and through its membership will have both the authority and the organisational reach to ensure that this does not happen in the future. The Board will therefore sponsor a new Standard Operating Procedure for BTP which will mandate that all IT procurement must be through the Technology Dept, and that no unapproved hardware or software may be introduced without the IT Department's written approval. This will be done by the end of	A SOP to mandate the policy of all IT purchases being made through IT Dept has been drafted, and is with SDD for administration of the consultation process.	Ongoing. SOP will be going through the relevant consultation procedure.	Interim policy circulated early November. Full SOP to be published once consultation completed.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
		the December. In the meantime, the Head of IT has written to all budget holders emphasising that no IT equipment is permitted to be procured by staff outside of the IT Department. All members of the Procurement and Finance Teams have been made fully aware of this policy and will not process any IT purchases unless they are from listed member of the IT Department.			
IT Review of Network Control Arrangements Failure to direct the process through approved policy & procedures.	The rollout of USB device control software be completed as soon as possible to ensure that USB devices cannot be used to bypass network security controls.	BTP's existing policy, which all staff have been made aware of, forbids the use of non-Force issued devices. The implementation of Vigilance Pro software will further support this policy as it will automatically block any attempt to use non-Force issued devices. This will be fully rolled-out by the end of February 2011. An preparatory stage, which is currently underway as part of the rollout, is the examination of every PC during the 50 Days of Change project, when the opportunity will be taken to upgrade all machines to at least 2GB RAM (necessary for Vigilance Pro to run), and the	Vigilance Pro prevents the use of USB devices. The Vigilance Pro client software has been rolled out to all machines, but initially in a non-enabled state.	Some performance difficulties were encountered which delayed the rollout and prevented the original February date being met, but these have been addressed with the supplier, and the client software is now being enabled on a site-by-site basis throughout BTP. It is considered prudent to continue to do this in a staged fashion, in case any further performance issues are encountered. It is currently anticipated that all machines will be enabled by the end of March 2011.	Upgrade of all Force machines to be completed by 24/12/10. Vigilance Pro to be fully rolled-out by March 2011.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
		loading of the Vigilance Pro client onto all PCs, ready for activation once the system has completed performance testing, and the rule-set has been signed off as meeting Force needs, by Professional Standards Dept .			
IT Review of Network Control Arrangements Failure to direct the process through approved policy & procedures.	IT department staff be provided with guidance to ensure that they are fully aware of the Change Control procedure and the impact of not following the process correctly.	IT Department staff have been made aware of the importance of Change Control as a basic operational IT discipline. However, it is apparent that awareness is incomplete among some of the staff in BTP who manage applications at a local level, since the Force has historically distributed control of applications to the local level. The new Technology Board will bring about the necessary changes in practice, through a process of policy creation and oversight, and education of local application managers throughout the business. This will involve support from Media & Marketing Dept in the creation and rollout of a publicity campaign. A reminder has been sent to all senior managers who are responsible for applications reminding them of their	The Change Control SOP is in place, and a publicity plan is being drafted, with a view to implementation during March 2011. Work has been going on in the interim to reinforce awareness within IT Department, and to identify all application owners in the Force so that communications can be targeted to those who really need to know.	Oversight will rest with the Technology Board, which is now in operation.	Comprehensive policy (and oversight arrangements) to be published by Technology Board by March 2011.

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
		responsibilities in relation to change control, and a comprehensive communications strategy will commence in January 2011.			
IT Review of Network Control Arrangements Failure to direct the process through approved policy & procedures.	A Patch Management policy and process be developed and implemented to ensure that all servers and equipment are kept sufficiently up to date and protected against vulnerabilities.	Essential patching is carried out where security issues are involved, on the basis of advice from suppliers such as Microsoft. A more structured practice of Patch Management relies on the existence of appropriate testing facilities. Unfortunately, these do not currently exist, but they will be available when the Disaster Recovery suite is created in Birmingham, which is scheduled to be complete by the end of March 2011. In parallel, a formal patching process will be created by the end of Jan 2011 and implemented to take advantage of the new test suite.	Completion of the Birmingham DR centre is running behind schedule, due to problems with obtaining planning permission, and there is no agreed completion date at this time. The other main dependency for DR, the completion of server virtualisation at FHQ, is running to schedule and will complete by the end of March 2011. The patching process will be put into operation, along with the test facility, after the completion of the DR centre.	Ongoing	Essential patching ongoing. Formal patching process established by Jan 2011. Patching processes implemented in new disaster recovery suite end March 2011.
Review of Privilege Travel Arrangements Failure to direct the process through approved policy &	All documentation relating to privilege travel be reviewed and a Standard Operating Procedure be established which supersedes all variant documents.	Historical documentation has been compiled and will be subject to review for inclusion in an over-arching SOP. This is linked to work already considering general terms and conditions.	An interim corporate guide on travel entitlements is currently undergoing consultation with the intention to release in QTR1 2011/2012.	Ongoing	Revised to 30 June 2011

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
procedures.					
<p>Review of Privilege Travel Arrangements</p> <p>Failure to direct the process through approved policy & procedures.</p>	<p>A robust set of procedures be established for the scrutiny and sign-off processes to ensure that payments are correct.</p>	<p>A standard process for processing ATOC invoices has been identified. A test version has been trailed for Period 7. ATOC details are compared with the ORIGIN nominal roll. This will be reviewed and a formal desk manual produced.</p>	<p>Reconciliation is now conducted on a monthly basis. The invoices are subject to scrutiny and HR SMT sign off.</p> <p>Work is ongoing looking at putting travel entitlements on individual Employee Records on ORIGIN. The timeframe for this has been delayed by other HR System priorities but likely implementation is June/July 2011.</p> <p>The formal manual will reflect the technical changes.</p>	Ongoing	<p>Revised deadline for updating ORIGIN – 31 July 2011.</p>
<p>Review of Travel & Accommodation Arrangements</p> <p>Failure to monitor compliance with the policy & procedures.</p>	<p>The relevant SOPs for travel and accommodation made through Capita, ATOC or GPC be reviewed to ensure that they explicitly set out arrangements that meet the expected controls over segregation of duties; certification; and management information.</p>	<p>Agreed – The relevant SOPs will be revised to ensure the segregation of duties is explicitly detailed.</p>	<p>This work has now become part of the wider Payroll Project which is considering clearer purchasing routes and electronic claims for travel and expenses.</p> <p>Any revisions to the SOP will be subject to agreement of the Payroll Project Board.</p>	<p>Tribal have been requested to act as a “critical friend” to the Payroll Project</p>	<p>New deadlines to be agreed by the Project Board.</p>

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<p>Review of Travel & Accommodation Arrangements</p> <p><u>Travel Warrants</u> Requests to incur travel and/or accommodation expenditure are either not authorised in advance by an appropriate line manager, and/or are not reconciled back to the approvals to incur such expenditure.</p>	<p>A formal documented travel warrant procedure be developed setting out the procedure required when ordering, receiving, storing and recording the receipt of warrants together with the delegated authority and procedure for issuing warrants.</p>	<p>Agreed - Development has commenced. A workshop is scheduled for January / February 2011 to design and agree process for management.</p>	<p>A guide process has been provided by FHQ Finance. This will be developed into a specific and full process for HR later this month.</p>	<p>On target to complete by the end of March.</p>	<p>March 2011</p>

F&CS Structure Chart as of 19 March

