
REPORT TO: Audit Committee
DATE: 20 September 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 (F&CS) Department during the last few months.

2. BACKGROUND

- 2.1 The Committee receives regular updates on the activities within the F&CS Department and this report looks at the following matters:

- Review of 2010/11 Annual Accounts preparation and planning for 2011/12 Annual Accounts preparation
- Budget Monitoring 2011/12
- Fit for Future Action Plan - Finance and Corporate Services
- Payroll Streamlining Project
- Review of process for claiming expenses and use of Government Procurement Cards
- Follow up internal audit reports

3. REVIEW OF 2010/11 ANNUAL ACCOUNTS PREPARATION AND PLANNING FOR 2011/12 ANNUAL ACCOUNTS PREPARATION

- 3.1 Following the successful laying of the 2010/11 Annual Accounts in accordance with the timetable, meetings have been held between the National Audit Office (NAO), British Transport Police Authority (BTPA) and British Transport Police (BTP) to review the process for preparing the Accounts and to start the planning process for the 2011/12 Annual Accounts. Overall the process for last year's accounts worked very well and there was very good working between the Finance and NAO teams.

3.2 There were some lessons to be learned in the Accounts closure process in particular the need to ensure that any matters of concern are identified and resolved as early as possible to avoid the risk of there being delays in finalising the Accounts. This will be particularly important next year as the timetable for preparing the Accounts will need to be brought forward by approximately a month in order to meet the requirement of Clear Line of Sight, an initiative to consolidate Government Department's Annual Accounts.

4. BUDGET MONITORING 2011/12

4.1 BTP continues 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 BTP's Strategic Plan the Director of F&CS has an objective to *'exercise financial control through rigorous four weekly Departmental and Area finance reviews'*.

4.2 Budget monitoring for Period 4 indicated an outturn forecast of £256k under budget, since then BTP has incurred significant costs relating to Operation Bench (policing the recent public disorder). The costs of Operation Bench and the Period 5 forecast for the position overall are currently being finalised but it is anticipated that the Period 5 forecast will show an overspend. The Strategic Command Team (SCT) will take all possible action to contain the overspend and submissions will be made to the Department for Transport/Home Office seeking support for the additional costs incurred through Operation Bench.

5. FIT FOR FUTURE ACTION PLAN - FINANCE AND CORPORATE SERVICES

5.1 Work on implementing the F&CS Futures Action Plan is progressing well. This Action Plan forms 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 The next key milestone in delivering the Action Plan is the end of September when the 'F&CS User Manual' and 'How To' rules will be issued. These will set out the policies and processes that will operate across the whole of BTP; compliance to these rules



will be monitored and any non-compliance will be reported and appropriate action 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 from October 3 2011 following a phased transition.

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

7.1 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.

7.2 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 GPC's 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 more quickly and allows the Finance Team to pursue any outstanding logs more effectively.

7.3 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.

7.4 The current Standard Operating Procedure has been reviewed and split into two separate SOP's specifically relating to Business Travel and Business Expenses. The SOP's have been discussed at SCT and are currently out for consultation with a deadline for responses of 25 August. All responses will be considered and if appropriate the SOP's will be amended before being issued. The target date for issue is 30 September.



8. FOLLOW UP INTERNAL AUDIT REPORTS

- 8.1 Of the 5 outstanding 2010/11 audit recommendations 4 are complete and 1 is due for completion by the end of December 2011, see appendix A for details.

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 2010-11 Audit Recommendations

| Reference | Recommendation | Management Comments | Updated Response | Current Status | Deadline for Completion |
|--|--|--|--|-----------------------|--------------------------------|
| <p>Review of the debtors arrangements</p> <p>Failure to direct the process through approved policy & procedures.</p> | <p>Following the establishment of credit control within role profiles for Finance staff, credit control procedures should be established and documented.</p> | <p>A credit control function is being established as part of the F&CS restructure. Recruitment is currently underway and procedures are currently being written so they are in place when the post is filled.</p> | <p>The new process is now being followed and has been documented</p> | <p>Completed</p> | <p>End June 2011</p> |
| <p>Review of the debtors arrangements</p> <p>Income from debtors has not been received and aged debts have not been monitored.</p> | <p>The 28 day payment term date be effectively monitored once credit control operations are in place and credit control procedures have been documented.</p> | <p>This will form part of the new credit control function. As most of BTP's invoices are to public sector organizations the risk of default is very low.</p> | <p>This is being monitored on an ongoing basis.</p> | <p>Completed.</p> | <p>End June 2011</p> |
| <p>Review of the Information Governance Arrangements</p> <p>Information governance is not embedded throughout the</p> | <p>Training be extended to include all members of staff, including those on temporary contracts.</p> | <p>Learning and Development hold completion rates for induction training in relation to information governance policies and procedures during induction (CETIS). This is monitored and managed by L&D Service Centre, with follow up actions to individuals, teams and departments. In addition completion for remainder of BTP is continually monitored and managed</p> | <p>L&D Service Centre monitor and manage completion for new recruits and new joiners for CETIS. Completion for remainder of the Force is also being monitored and managed by L&D Service Centre, with reporting and follow up direct to individuals and departments, completion still targeted for 31/12/11.</p> | <p>Ongoing</p> | <p>End Dec 2011</p> |



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|---|--|--|--|----------------|-------------------------|
| organisation. | | through L&D and HR, with current target compliance by 31/12/11. | | | |
| <p>Review of the Payroll Arrangements</p> <p>The payroll is not reconciled to personnel records which may result in unauthorised or incorrect payroll records being set up.</p> | <p>A schedule of HR staff permitted to authorise new starters be prepared and maintained in Payroll even when co-located.</p> | <p>The new starters' procedure clearly sets out accountabilities and authorisation levels to input and check all new starters. This process is mapped and is documented in the Payroll Manual (reference 3.2) and will be implemented prior to co-location as part of the Payroll Streamlining Project.</p> <p>A schedule of HR staff permitted to authorise new starters is being prepared and will be in place to support the new procedures outlined above.</p> | <p>The newly formed HRBC payroll team now process all employee advice forms (EAF's).</p> <p>Under the new function EAF's are not accepted by the payroll team unless they have the correct level of HR approval.</p> <p>The new processes clearly states that only team leaders for HRBC front desk and recruitment have the authority to sign off the EAF.</p> <p>The team leaders are a level above the Business Support Officers who initiate and create the change in the first place.</p> <p>All controls are fully auditable and are complete with a HR approval and a payroll completion signature prior to filing.</p> | Completed | 30 Sept 2011 |
| <p>Review of the Payroll Arrangements</p> <p>Ineffective security and failure to review standard control reports may lead to unauthorised payments being made with</p> | <p>Staff with responsibility for checking and authorising the payroll should be clear about what checks are to be carried out and how these are to be evidenced.</p> | <p>Finance and Human Resources have jointly completed an extensive review and documentation of all payroll processes. These have been set out in the Payroll Manual. Finance and HR have signed off the manual and quick wins are already being implemented.</p> <p>The Payroll Manual sets out the start and end stage for all processes. This</p> | <p>The new Payroll Team leader has implemented a regular audit regime, the frequency and report related to this will be incorporated in to the payroll manual under section 4 of the document.</p> <p>Tribal have held an initial visit with the HRBC team to review progress to date and are contact with sampling the practices to date.</p> | Completed. | 30 Sept 2011 |



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| consequential financial loss to the organisation. | | <p>document is supported by a Trent payroll user manual for payroll staff training and reference.</p> <p>All processes are documented with clear quality checks at all handling stages starting with the HRBC and ending with the Payroll Manager. As stated above a single list of authorisers is being agreed and will be implemented prior to co-location to support current processes.</p> | | | |