

Report to: Audit Committee
Agenda item: 3
Date: 6 December 2011
Subject: Finance Position – Summary Report
Sponsor: Director of Corporate Resources
Author: Head of Finance
For: Information

1. PURPOSE OF PAPER

- 1.1 This report informs the Audit Committee of significant developments within the Finance Team since the last meeting on 20 September 2011.

2. BACKGROUND

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

1. Preparation and Planning for 2011/12 Annual Accounts
2. Budget Monitoring 2011/12
3. Medium Term Financial Planning Work
4. Fit for Future Action Plan - Finance and Corporate Services
5. Payroll Streamlining Project
6. Review of process for claiming expenses and use of Government Procurement Cards
7. Provision of payroll information to RPMI
8. Follow up internal audit reports

3. PREPARATION AND PLANNING FOR 2011/12 ANNUAL ACCOUNTS

- 3.1 Preparation for the production of an unqualified set of 2011/12 set of accounts is on going. BTP has agreed with the NAO that an initial audit of the accounts template and transactions up to the end of Period 7 will commence on 21 November. An interim audit will commence on 6 February with the final audit commencing on 30 April. BTP is

committed to meeting these deadlines which have been set to meet the new HM Treasury requirement for accounts to be laid before 30 June instead of pre summer recess as in previous years. This has resulted in new fore-shortened deadlines, including an earlier meeting for this Committee in May 2012.

- 3.2 There are two changes to the accounts format in 2011-12, a Sustainability Report and a Governance Statement which replaces the Statement on Internal Control. Work is ongoing to ensure these statements are produced to meet government accounting standards.
- 3.3 BTP is also working with DfT to produce the new consolidated accounts for the department. In previous years as a Non Departmental Public Body, BTPA has not been consolidated into the main departmental accounts. However under the new alignment of government finances, known as Clear Line of Sight, BTPA does come within the departmental boundary for accounting purposes. The consolidation process is well under way, and DfT has produced a template into which BTP has mapped our own financial coding structure. As a test run BTP has used information from Period 6 to complete the template and sent this to DfT who have successfully consolidated into the departmental accounts. A further test run is scheduled for Period 9, with the final accounts information being supplied to DfT by 8 May. This consolidation process will be audited at both the interim and final stages. Currently BTP is on target to meet both these deadlines.

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 each Department's financial and establishment position and forecast. Under BTP's Strategic Plan the Director of Corporate Resources has an objective to '*exercise financial control through rigorous four weekly Departmental and Area finance reviews*'.
- 4.2 Budget monitoring for Period 6 indicated an outturn forecast of £776k over budget, this includes over £1.5m of costs relating to Operation Bench (policing the public disorder in

the summer). The Strategic Command Team (SCT) will take all possible action to contain the overspend resulting from this operation and submissions have been made to DfT seeking support with these additional costs. In the event that no support is received from DfT with these costs, it may be necessary to make a call on the Authority's Contingency Reserve which currently stands at £2.7m.

5. MEDIUM TERM FINANCIAL PLANNING WORK

5.1 Over the last few months the Medium Term Financial Plan (MTFP) has been reviewed in detail with key assumptions tested and updated as necessary. The updated MTFP has been scrutinised by SCT and discussed at the Force Management Team meeting. A detailed paper on the MTFP has been presented to the Authority's Finance Group and full Authority. The Authority resolved to further consider the budget for 2012/13 at its December meeting.

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

6.1 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.

6.2 Difficulty recruiting to vacant posts in the Budget Control team remains a key concern. A number of successful recruitment campaigns have been run with offers being made, however the successful candidates have either failed vetting or have declined the offer in favour of a alternative job offer. A further campaign for the vacant Senior Management Accountant and Management Accountant posts will be completed by the end of December and a targeted recruitment process will shortly be launched for the vacant Budget Controller post.

6.3 Recruitment into other parts of the Finance Team has been more successful with the Financial Control and Procurement teams having a full establishment of permanent members of staff.

7. PAYROLL STREAMLINING PROJECT

7.1 Work on the co-location of the Payroll Team with the Human Resources Business Centre in Birmingham is complete with the team transferring on October 3 2011

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

8.1 Development of the process for paying expenses and the use of Government Procurement Cards (GPC) remains a focus area within BTP.

8.2 As part of a wider review of the process for claiming expenses SCT have approved 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.

8.3 The current Standard Operating Procedure (SOP) has been reviewed and split into two separate SOPs specifically relating to Business Travel and Business Expenses. The SOPs have been approved at SCT and have been issued across BTP.

8.4 Members will recall that a number of key developments have 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 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.

9. PROVISION OF PAYROLL INFORMATION TO RPMI

- 9.1 A major area of work over the last few months has been over the provision of payroll information to RPMI. BTP is obliged to provide our pensions provider, RPMI, with information regarding their members pay to ensure RPMI has the correct information to calculate contributions and forecast pension payments. In the past BTP has provided this information on manual spreadsheets, where as RPMI now specify that the information is to be provided in an interface format, which can be automatically interfaced with their records. This method has the advantages of reducing errors and improving resilience of data transfer. RPMI have the power to levy a fine of £60 per member per year (approximately £260,000) for non compliance.
- 9.2 Work is on going to produce the interfaces as specified by RPMI. Delays have been caused by the complexities within the payroll system. However recent work with BTP's payroll supplier has resulted in the production of an interface which, subject to further testing within BTP, meets all RPMI's requirements. Once BTP testing is completed the interface will be sent to RPMI so they can test the interface from their end. If testing is successful the interface will be used in the live environment.
- 9.3 Further work will then be required to update the interface for the payroll upgrade and to meet RPMI's new requirement of real time information. This work is being resourced with the expectation of the interfaces being available when the payroll upgrade goes live.
- 9.4 As part of this work it became clear that there are errors in the pension contribution information held on the payroll system for members. As a result there has been a comparison of contributions information held by both BTP and RPMI. All differences between the two of more than £5 have been investigated in detail, currently it is known that 110 members have underpaid a total of £38,200. Once the full scale of the error is

known decisions will be taken about rectification. Most of the errors concern employees who have taken maternity leave, career breaks or changed hours worked.

- 9.5 Once this initial exercise is completed a more detailed investigation on all members will be undertaken to ensure that all concerned are making the correct contributions. Contributions made by any employee who falls into the categories outlined above will be subject to a higher level of investigation. Additional short term resource is being brought into the team to ensure this work is completed by the end of February 2012 to reduce any risk of this impacting on the final account work.

10. FOLLOW UP INTERNAL AUDIT REPORTS

- 10.1 An update on outstanding audit recommendations is provided at Appendix A. There is only one outstanding recommendation from the 2010/11 audit cycle concerning training on Information Governance; this is due for completion by the end of December. There are two outstanding recommendations following the Compliance Review of the Strategic Financial Control Arrangements which are being considered by the Director of Corporate Resources and required actions will be reported to the Committee at its next meeting.

11. RECOMMENDATION

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

Appendix A

Follow up Audit Recommendations

Reference	Recommendation	Management Comments	Updated Response	Current Status	Deadline for Completion
Compliance Review of the Strategic Financial Control Arrangements Force requirements in the Financial Management Code of Governance.	The Authority should approve which post within the Force is the lead finance person once the post of Director Finance and Corporate Services is deleted.	Agreed. This will be discussed with the Director of Resources when the position is fully operational. In the meantime the governance applies.	The Director of Corporate Resources is reviewing the position.	On-going	December 2011
Compliance Review of the Strategic Financial Control Arrangements Force requirements in the Financial Management Code of Governance.	The quarterly statements should be completed for April to June 2011 and subsequent quarters so that 2011/12 is fully covered by certified statements on the Force compliance with Financial Regulations and the Scheme of Delegations.	Agreed. The assurance process which enables the Deputy Chief Constable and Director of Corporate Resources to sign-off this statement is being reviewed and formalised. The statement will be completed on a quarterly basis.	The Director of Corporate Resources is reviewing internal governance arrangements and the assurance process to enable the sign-off of this assurance statement	On-going	December 2011



<p>Review of the Information Governance Arrangements</p> <p>Information governance is not embedded throughout the organisation.</p>	<p>Training to be extended to include all members of staff, including those on temporary contracts.</p>	<p>The 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 through L&D and HR, with current target compliance by 31/12/11.</p>	<p>As at 31 October compliance stood at 60.7% across the Force. Follow-up reminders to Areas and Departments are being issued by the L&D Service Centre. A general compliance test will be conducted by the HR Performance Team to supplement this at the end of November and to identify sanctions for non compliance. The overall aim remains to ensure broad compliance by 31 December 2011.</p>	<p>Ongoing</p>	<p>End Dec 2011</p>
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