

CBSL

Area Compliance Checks – Wales and Western

British Transport Police

FINAL



August 2012

2012/13

Area Compliance Checks – Wales and Western

- EXECUTIVE SUMMARY -

INTRODUCTION

1. We have carried out Area compliance checks at the Wales and Western Area of the British Transport Police. The review was carried out in July 2012 as part of the planned internal audit work for 2012/13.

SUMMARY

2. For each of the financial activities tested for compliance with controls, the assessments were as follows:

Table 1 - Summary of the Evaluations of the Effectiveness of the Internal Controls

System	Assessment
Purchasing	Full Assurance
Local Income	Substantial Assurance
Vehicles	Partial Assurance
Asset Registers	Reasonable Assurance
Budgetary Control	Full Assurance
Third Party Property	Reasonable Assurance

KEY FINDINGS

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. Recommendations for improvements should be assessed by the Force for their full impact before they are implemented. The priorities of the recommendations are summarised below (figure 2):

Figure 2 - Summary of Priorities of Recommendations

Urgent	Important	Routine	Operational
-	5	1	2

RELEASE OF REPORT

4. The table below sets out the history of this report.

Date draft report issued:	3rd August 2012
Date management responses recd:	17th August 2012
Date final report issued:	20th August 2012

**MANAGEMENT ACTION PLAN
PRIORITY 1, 2 AND 3 RECOMMENDATIONS**

Rec.	Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Vehicles	Vehicles: LX57 FHU; LX11 CKE; LX05 DCE all had some missing fuel receipts over the test period.	Drivers of police vehicles be reminded of the requirement to provide receipts for all fuel purchases and that these should be recorded and attached to the relevant log sheet.	2	<p><i>A reminder has been sent to all W&W drivers.</i></p> <p><i>Where the process is not adhered to OIC's will be contacted and a full list of non compliance reviewed at Area SMT meetings.</i></p>	<p><i>Completed 7/8/12</i></p> <p><i>Immediately</i></p>	Area Commander

PRIORITY GRADINGS

1	HIGH	Fundamental weaknesses in control which expose the Accounting Officer / Director to high risk or significant loss or exposure in terms of failure to achieve key objectives, impropriety or fraud.
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2	MEDIUM	Significant weaknesses in control, which, although not fundamental, expose the Accounting Officer / Director to a risk of loss, exposure or poor value for money.
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3	LOW	Minor weakness in control which expose the Accounting Officer / Director to relatively low risk of loss or exposure.
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Rec.	Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Vehicles	Vehicles: LX57 FHU; LX11 CKE; LX05 DCE all had some missing fuel receipts over the test period.	Staff checking receipts to ensure that all receipts are present and correctly recorded prior to filing the logs sheets. Missing receipts be highlighted to the OIC of the vehicles.	2	<p><i>Corporate Services staff have been reminded that incomplete mileage returns must be returned to the owner to be completed and relevant receipts attached.</i></p> <p><i>Where receipts are missing OIC's will be contacted by Corporate Services.</i></p>	Immediately (7/8/12)	Finance & Corporate Services Manager

PRIORITY GRADINGS

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Rec.	Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Vehicles	No OIC's had signed any log sheets for any of the vehicles selected for testing purposes. This is in breach of the SOP.	OICs be reminded of the requirement to sign and authorise the log sheets in line with the SOP.	2	<i>A reminder has been sent to all OIC's / Heads of dept. Any unauthorised sheets will be returned for completion.</i> <i>Where the SOP is not adhered to OIC's will be contacted and a full list of non compliance reviewed at Area SMT meetings.</i>	<i>Completed 7/8/12</i> <i>Immediately</i>	<i>Area Commander</i>
5	Fixed Assets	Assets recorded on the Area HQ asset list could not be located.	The asset list for the Area Head Quarters be updated as soon as possible.	2	<i>This is currently being worked on.</i> <i>The asset register has now been updated and published.</i>	<i>Will be complete and published by 31/8/12</i>	<i>Finance & Corporate Services Manager</i>

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Rec.	Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Fixed Assets	Assets recorded on the Area HQ asset list could not be located.	A cross checking process be established so as to ensure that all assets can still be accounted for.	2	<i>The cross checking will take place after the asset register is up-dated due to the recent estates changes at AHQ. The checking will involve comparing the old asset register with the new one – to ascertain what new assets have been procured and which have been disposed off to ensure the correct disposal forms have been completed. This will be done by the Corporate Services Officer overseen by the Area Finance & Corporate Services Manager.</i>	<i>Will begin after the 31/8/12 and completed by 30/9/12</i>	<i>Finance & Corporate Services Manager</i>

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Rec.	Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Local Income	In addition to the EPSA and grant funding income, a number of smaller sums are received, which relate to mobile telephone usage and court costs. The majority of these receipts are in the form of cheques which should be recorded in a log book held for the purpose, with banking every four weeks. At the time of this review, however, there were a number of cheques that had not been logged as there is a requirement to countersign the log book. The process by which cheques are logged should be reviewed and simplified so that cheques are logged, and then held in the safe until being banked.	The process by which cheques are logged be reviewed and simplified so that cheques are logged, and then held in the safe until being banked.	3	<i>Cheques are now logged daily and held in the safe for banking.</i>	<i>Immediately (7/8/12)</i>	<i>Finance & Corporate Services Manager</i>

PRIORITY GRADINGS

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OPERATIONAL EFFECTIVENESS MATTERS

Ref	Item	Management Comments
1	It would be prudent to obtain actual receipts from the kennels identifying the actual expenditure rather than just a credit card receipt.	<i>A reminder will be sent to all card holders stating full receipts are required not just the credit card receipt Immediately (07/08/2012).</i> <i>Officers not complying will be contacted for explanations and a full list of non compliance discussed at the Area SMT.</i>
2	Consideration be given to filing mileage returns by vehicle rather than by period.	<i>The filing system will be changed from August 2012 (by vehicle not period).</i>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis

- DETAILED REPORT -

SCOPE AND LIMITATIONS OF THE REVIEW

5. The review considered the arrangements in place in the Wales and Western Area to ensure there is compliance with the Force's financial procedures for purchasing, income, vehicle usage, assets, budgetary control, and third party property.
6. The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.
7. The review has been carried out by TIAA Ltd as the nominated sub-contractor of Capita Business Services Ltd ('CBSL'). CBSL is the arm through which Sector's non-FSA regulated services, including the former Sector Business Assurance, are delivered. The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.
8. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. CBSL and TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVE

9. This review identified and tested the controls that are being operated by the Force and an assessment of the combined effectiveness of the controls in mitigating the key control risks is provided. The assessments are:

Full	Systems of corporate governance, risk management and internal control are fully established, documented and working effectively
Substantial	Systems of corporate governance, risk management and internal control arrangements are well established and working effectively. Very minor control weaknesses have been identified in a maximum of one or two discrete areas.

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Reasonable	Systems of corporate governance, risk management and internal control arrangements are generally established and effective, with some minor weaknesses or gaps identified.
Partial	Systems of corporate governance, risk management and internal control are present and operating effectively except for some areas where material weaknesses or significant deficiencies have been identified, aspects of the control arrangements need documenting, or evidence does not exist to demonstrate effective operation.
None	Systems of corporate governance, risk management and internal control are poorly developed or non-existent or major levels of non-compliance or non-conformance have been identified. Control arrangements are not adequately documented, or evidence does not exist to demonstrate effective operation.

MATERIALITY

10. The Wales and Western Area is budgeting for expenditure of £18,603,000 in the current financial year.

COMPLIANCE TESTS

- 11. Compliance tests were carried out to assess the overall operational effectiveness of the internal controls that are in place. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss.
- 12. The following matters were identified:

System	Purchasing
Evaluation	Full Assurance

- 12.1 A sample of 40 orders placed using the e-procurement system was selected from the sample period, being the current financial year-to-date. The sample included a minimum of 10 invoices, which were for amounts in excess of £10,000.
- 12.2 Testing confirmed that a requisition and purchase order was completed in each case and that the correct processes were followed. No issues were identified from the testing carried out.
- 12.3 The same sample was used to match purchase orders against invoices to confirm amounts, suppliers and that the goods had been received. No issues were identified during the testing carried out.
- 12.4 The Wales and Western area currently has 32 procurement cards assigned to staff. Limits of the cards range from £2,000 up to £20,000. New transaction logs developed at Force Headquarters (FHQ) have been in operation since January 2011 and were being effectively utilised in the Wales and Western Area.
- 12.5 All transactions over £500 (100%) incurred during the period from May 2011 to May 2012, inclusive, were reviewed to confirm that the transactions had been properly authorised, and that the receipts were correctly attached. There were 17 transactions, which fell into this category. It was noted that receipts were maintained in all cases and that the transaction logs had been signed-off by the card users and an authorising Line Manager. In addition, the Area Finance and Corporate Services Manager reviews all procurement card spend for reasonableness and additionally signs the transaction logs.
- 12.6 A further sample of 40 transactions below £500 was also selected for review. The sample covered all card holders and was drawn from the same period as above. In relation to the sample tested it was noted that, for some transactions, only credit card receipts were being returned rather than receipts identifying the actual costs of the services. This was mainly in relation to kennel costs.

Operational Effectiveness Matter: 1

It would be prudent to obtain actual receipts from the kennels identifying the actual expenditure rather than just a credit card receipt.

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12.7 The Area also maintains a central petty cash system for small local purchases and also to reimburse satellite stations petty cash. The petty cash was reconciled during the review and found to be correct. Folios were checked against the petty cash log and it was confirmed that receipts for the expenditure were provided.

System	Local Income
Evaluation	Substantial Assurance

12.8 The Wales and Western Area has the following EPSAs for which it is in receipt of income (some of the income is known as grant funding as it is provided by the Welsh Assembly). These are as follows:

- EPSA with Arriva Trains Wales for the provision of 21 PCSO’s - £205,000 (this is part of a tri-partite agreement with the Welsh Assembly and BTP with each party paying the same contribution).
- Grant funding from the Welsh Assembly for 50% of an Inspector - £28,000 per year.
- EPSA with Centra to fund various positions - £256,000 per year.
- Grant funding from the Welsh Assembly for the provision of 18 PCSOs – £486,706.
- EPSA with First Great Western for the provision of four PCSOs – This EPSA is held and invoiced by FHQ and not the Area.

12.9 It was confirmed that there are suitable controls to ensure the collection of the sums due.

12.10 In addition to the EPSA and grant funding income, a number of smaller sums are received, which relate to mobile telephone usage and court costs. The majority of these receipts are in the form of cheques which should be recorded in a log book and spreadsheet held for the purpose, with banking every four weeks. At the time of this review, however, there were a number of cheques that had not been logged as there is a requirement to countersign the log book.

Recommendation: 1	Priority: 3
The process by which cheques are logged be reviewed and simplified so that cheques are logged, and then held in the safe until being banked.	

12.11 The last banking spreadsheet was obtained for 25/5/2012 and confirmed to banking records.

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12.12 It was confirmed that the Area HQ does not directly handle or bank any POCA money seized within the Area. This is dealt with by staff at FHQ.

System	Vehicles
Evaluation	Partial Assurance

12.13 At the time of this review, the Wales and Western Area had a fleet of 61 vehicles for use by Officers. Each vehicle is allocated a logbook and a fuel card that remains with the vehicle. The logbook should be completed on a daily basis (in line with the SOP) when the vehicle is used and should record opening and closing mileage.

12.14 Vehicles are shared and therefore it is the driver’s responsibility to complete the log. All receipts for fuel should also be attached to the white copy of the logbook for processing by the Area Finance Team. Returns are filed by month rather than by vehicle, which can make identifying and checking returns more difficult.

Operational Effectiveness Matter: 2

Consideration be given to filing mileage returns by vehicle rather than by period.

12.15 It was understood that the member of staff responsible for checking and filing returns from the vehicles had been on long term sick leave, which has had an impact in terms of the findings from this review.

12.16 A sample of five high mileage vehicles was selected for detailed review. For each vehicle, a sample of four months’ returns was selected and reviewed to ensure that log sheets had been signed by the driver and the officer in charge (OIC). Receipts for fuel were also checked to ensure that they were attached as evidence of purchase.

12.17 Receipts were located for all vehicles within the sample tested, with the exception of the following:

- LX57 FHU – missing receipts for three of the months tested. In addition, additional receipts not relevant to months tested were located attached to the log sheets.
- LX11 CKE – missing some receipts for two months tested.
- LX05 DCE – missing receipt for one month tested.

Recommendation: 2	Priority: 2
Drivers of police vehicles be reminded of the requirement to provide receipts for all fuel purchases and that these should be recorded and attached to the relevant log sheet.	

Recommendation: 3	Priority: 2
Staff checking receipts to ensure that all receipts are present and correctly recorded prior to filing the logs sheets. Missing receipts be highlighted to the OIC of the vehicles.	

12.18 Testing was also carried out on the signing of the log sheets and the following was noted:

Vehicle	Location	Call Sign	Driver Signed	OIC signed
LX57 FHU	CARDIFF	W34	92%	0%
LX11 CKE	BRISTOL	W37	66%	0%
ML11 HJG	BIRMINGHAM	W93	93%	0%
LX59 CVK	SWANSEA	W31	90%	0%
LX05 DCE	TRURO	W43	97%	0%

12.19 As noted from the results in the table above, no log sheets for the vehicles selected had been signed by the OIC, which is in breach of the SOP.

Recommendation: 4	Priority: 2
OICs be reminded of the requirement to sign and authorise the log sheets in line with the SOP.	

System	Asset Registers
Evaluation	Reasonable Assurance

12.20 The Wales and Western Area maintains its Asset Register electronically within its Area section of the BTP Intranet. All Area staff have read-only access but amendments can only be made by authorised Finance and Corporate Services staff.

12.21 As part of the of the audit work carried out, assets were checked at Area HQ and Birmingham New Street Station to confirm the registers were up-to-date and that the assets could be physically located. The following was noted:

- Birmingham New Street - all assets selected from the asset list were located and had the correct asset labels attached and recorded.
- Area HQ – a number of assets selected from the current listing could not be located during the audit. There were a number of mitigating factors for this. The member of staff responsible for updating the asset lists had been on long-term

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sick leave. Additionally, the HQ has recently been refurbished resulting in significant changes. It was agreed that the asset list was therefore out-of-date and should be updated. Management should also ensure that there is a cross-checking process so as to ensure that all assets are still present and accounted for.

Recommendation: 5	Priority: 2
The asset list for the Area HQ be updated as soon as possible.	

Recommendation: 6	Priority: 2
A cross-checking process be established so as to ensure that all assets can still be accounted for.	

12.22 It was intended that testing would be carried out at other satellite stations. However, as a consequence of staff being relocated to London in relation to the Olympics, there was insufficient staff locally to assist with audit testing. Consequently, it was agreed with management that testing would be restricted on this occasion.

System	Budgetary Control
Evaluation	Full Assurance

12.23 A four-weekly budget pack is prepared by the Finance and Corporate Services Manager at Area HQ in the Wales and Western Area. This pack includes a summary position, forecast position, and commentary on the variances that are provided by the Finance and Corporate Services Manager for the Area. The commentary for all periods reviewed provides a good level of detail and explanations of the variances.

12.24 It is planned for budgetary information to be obtained from the new Business Objects (BOXI) system, which allows for on-line drill downs into account codes and run rates. Conference telephone calls are held between the Area HQ and Force Head Quarters for every period.

12.25 As part of this review, the management accounts for the following periods (2011/12 – period 13 and 2012/13 periods 2 and 3) were selected and reviewed. The following was noted:

12.26 In Period 13: The commentary highlighted a £8k under spend between the actual and budgeted expenditure for the current period, and a £45K over spend for the year to date position. This was confirmed to the accounts. The commentary noted a significant factor being the additional costs incurred in relation to Operation Bench (riots). It was further noted that the expenditure at the year-end was forecast to be within the allowable 1% tolerance.

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- 12.27 In Period Two: (this covers both periods one and two of the new financial year). The commentary highlighted a £139k under spend for the year-to-date. The commentary noted a significant factor being timing differences in relation to premises costs and indicated that these would balance out in the following period. The full year forecast was that expenditure would be in line with the agreed budget.
- 12.28 In Period Three: The commentary highlighted an £84K over spend between the actual and budgeted expenditure for the period and a £54K over spend for the year to date position. Anticipated overspends would be due to Operation Windsor (Jubilee). The full year forecast was that expenditure would be in line with the agreed budget.

System	Third Party Property
Evaluation	Reasonable Assurance

- 12.29 As part of the testing for the third party property, the Birmingham New Street Station Property store was visited to confirm that records of property maintained on the KIM system were accurate and the goods could be located. The following was noted:
 - Birmingham New Street Station – a selection of 25 items (about 5%) was selected from the KIM system for the Uniform Property Store. All items selected from the system (which included weapons / money and drugs were subsequently located by the Property Store Manager and were all present and correct.
 - A further small selection of items (10) was also selected from the CID Property Store. Again, all items were subsequently located by the Property Store Manager
- 12.30 It was intended that testing would be carried out at other satellite stations. However, as a consequence of staff being relocated to London in relation to the Olympics, there was insufficient staff locally to assist with audit testing. Consequently, it was agreed with management that testing would be restricted on this occasion. On the basis that testing was restricted, an assessment of ‘reasonable assurance’ is given.
