

CBSL

Area Compliance Checks – London South

British Transport Police

FINAL



August 2012

2012/13

Area Compliance Checks – London South

- EXECUTIVE SUMMARY -

INTRODUCTION

1. We have carried out Area compliance checks at the London South 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	Full Assurance
Vehicles	Reasonable Assurance
Asset Registers	Substantial Assurance
Budgetary Control	Full Assurance
Third Party Property	Full 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
-	1	1	-

RELEASE OF REPORT

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

Date draft report issued:	2nd August 2012
Date management responses recd:	16th 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	Not all drivers and OIC's were signing the log sheets as required by the SOP.	Drivers and OICs be reminded of the requirement to complete and sign off the log books as required by the SOP.	2	Acknowledged. The requirement will be re-briefed and will be a standing item on the AMT agenda to review from the monthly audit checks carried out by Finance staff.	Immediate 08/08/2012	Chief Inspector (per Sector Command)

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)
1	Vehicles	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. In carrying out testing, receipts were located for all of the vehicles in the sample with the exception of vehicle LX59 CVA, for which 5 receipts for fuel purchases were missing.	Drivers be reminded of the requirement to provide receipts for the purchase of fuel for police vehicles.	3	<i>Acknowledged. The requirement will be re-briefed and will be a standing item on the AMT agenda to review from the monthly audit checks carried out by Finance staff.</i>	<i>Immediate 08/08/2012</i>	<i>Chief Inspector (per Sector Command)</i>

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OPERATIONAL EFFECTIVENESS MATTERS

Ref	Item	Management Comments
	No such matters were identified.	

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 London South 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 London South Area is budgeting for expenditure of £28,648,000 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 30 orders placed using the e-procurement system was selected from the sample period, being the 2012/13 financial year to date. The sample included a minimum of 10 invoices, which were for amounts in excess of £20,000.
- 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 in relation to the sample tested.
- 12.4 The London South Area currently has 27 procurement cards assigned to staff. Limits on the cards range from £2,000 up to £20,000. New transaction logs developed in FHQ have been in operation since January 2011 and were being effectively utilised in the London South Area.
- 12.5 All transactions over £500 (100%) completed incurred the 2011/12 financial year were reviewed to confirm that the transactions had been properly authorised and that the receipts were correctly attached. There were 69 transactions, which fell into this category. It was noted that receipts were attached in all cases, transaction logs were signed by the card holders, and all transaction logs were authorised by a line manager (senior officer).
- 12.6 A further sample of 34 transactions below £500 was also selected for review. The sample covered all card holders across all periods. Again, no issues were identified, and all expenditure was supported by receipts and the transaction logs had been signed and authorised.
- 12.7 The London South Area office also holds a petty cash system, with balances at any one time being up to £1000. The account was reconciled at the time of the review and was found to be correct. All claims from petty cash had been authorised and receipts had been attached to support the claims.

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System	Local Income
Evaluation	Full Assurance

- 12.8 The London South Area has three Enhanced Police Service Agreements (EPSAs) for which it is in receipt of income. These are as follows:
- South West Trains - £320,000 annually to provide Rail Community Officers (RCO). This is invoiced each period pro rata. The agreement has been amended (from £500,000 annually) but the EPSA has not yet been amended.
 - South West Trains - £10,000 annually for a Statement Taker. This is invoiced each period pro rata.
 - Southern - £218,000 annually for the provision of Rail Neighbourhood Officers (RNO). This is invoiced each period pro rata. There is a draft EPSA contract in place.
- 12.9 It was confirmed that invoices have been raised as part of the EPSA contracts for South West Trains and Southern and the contract sums collected.
- 12.10 The only other income collected within the Area relates to personal usage of BTP mobile telephones. There is a self-certification process in place, with Officers being required to identify personal calls and to reimburse the BTP. Within the sample of transactions tested, the sums due had been identified and the Force reimbursed.

System	Vehicles
Evaluation	Reasonable Assurance

- 12.11 At the time of this review, the London and South Area had a fleet of 63 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.
- 12.12 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. A separate file is maintained for each vehicle, which is good practice, and all documents were easily located.
- 12.13 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. In carrying out testing, receipts were located for all of the vehicles in the sample with the exception of vehicle LX59 CVA, for which 5 receipts for fuel purchases were missing.

Recommendation: 1	Priority: 3
Drivers be reminded of the requirement to provide receipts for the purchase of fuel for police vehicles.	

12.14 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
LX59 CVA	HOLMES PLACE	H39	88%	15%
LX10 BKU	PORTSMOUTH	H45	97%	75%
LX59 CVB	BRIGHTON	H67	57%	0%
BG60 JYK	BOURNEMOUTH	H38	95%	53%
LX59 CWG	ASHFORD	H32	82%	100%

The requirement to complete and sign the log book is stated within the SOP.

Recommendation: 2	Priority: 2
Drivers and OICs be reminded of the requirement to complete and sign off the log books as required by the SOP	

System	Asset Registers
Evaluation	Substantial Assurance

12.15 The London South Area has been collating asset / inventories of all assets located at each of the stations within its geographical area. It was identified that the work is ongoing and nearly complete. Each item is tagged with a black and white numbered asset tag which is then recorded onto a monitoring spreadsheet. Since there is a programme in place to complete the capture of this data, and that there are mechanisms to maintain up-to-date records in the future, no recommendation is made. However, in view of the current position, substantial rather than full assurance is given.

12.16 As part of the review, asset registers were checked at Ivason House (London South Area HQ), East Croydon, and Portsmouth. In relation to each location, within the samples tested, all items were located and were correctly tagged.

12.17 At the time of this review, an internal audit review of the arrangements for the management of mobile phones across the Force was also being carried out. On the basis of our discussions with the Area Finance and Corporate Services Manager, and by reference to the documentation we saw when reviewing the arrangements for recharging staff for personal usage of phones, it would appear that many of the

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matters raised in the other report relate either predominantly, or solely, to the arrangements at Force Headquarters (FHQ).

System	Budgetary Control
Evaluation	Full Assurance

- 12.18 In the London South Area, there is now four-weekly video-conferencing established to discuss and challenge the budget, and the actual spends and forecasting. The Area Finance and Corporate Services Manager, the HR Business Partner for the Area, and the Area Commander all take part in the conference, along with FHQ staff including the Assistant Chief Constable (ACC), the Head of HR, and Senior Finance Staff. It was indicated that the conference attendees now include a member of the Resource Approval Panel, which must approve each new application to recruit.
- 12.19 Budgetary information can now be provided via a business objects style report (BOXI) on screen, with participants being able to drill down into various account codes if required as part of the discussions. It was noted, however, that there are as yet no IT facilities within the video conferencing suite at London South Area HQ and so hard copy print-outs are currently being used.
- 12.20 The data provided includes a summary position statement, forecast position and commentary on the reported variances. As part of this review, the management accounts for the following periods (Period 8 2011/12, Period 12 2011/12 and Period 2 2012/13) were selected and reviewed. The following was noted:
- 12.21 In Period Eight (2011/12): The commentary highlighted a £20K under spend between the actual and budgeted expenditure for the current period, but £162K over spend when considering the year-to-date position. The commentary noted that a significant reason for the projected overspend was additional staffing costs resulting from Operation Bench (the Summer Riots) and Operation Regal (the Royal Wedding). The figures detailed in the commentary were confirmed to the accounts, and it could be seen that there were plans in place to address this, with an approved overspend of £200K for Operation Bench.
- 12.22 In Period 12 (2011/12): The commentary highlighted a £116K over spend between the actual and budgeted expenditure for the current period, and a £178K over spend when considering the year-to-date position. The commentary again noted the two key operations (Bench and Regal) and noted that the year-end position would be within the allowed tolerance level due to the approved overspend allowance.
- 12.23 In Period Four (2012/13): There is no set template for the commentary as in previous years, so a similar template style has been adopted by London South Area. The commentary highlighted an £101K under spend for the year to date. The full year forecast is that the position will fall within the 1% tolerance.
- 12.24 All four-week commentary documents seen during the course of this review had been signed-off by the Area Commander.

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System	Third Party Property
Evaluation	Full Assurance

- 12.25 Proceeds of Crime (POCA) money is recorded onto a spreadsheet that is maintained by the Area Finance and Corporate Services Manager. The money is then banked after the various POCA requirements have been met. As part of the testing, a sample of POCA receipts was selected and then subsequently traced to bank statements to confirm the monies had been banked in a timely manner and intact. Within the sample tested, all was found to be in order.

- 12.26 Cash seized as evidence within the London South Area is logged into the KIM system and then transferred to the London South Area office where there is a large safe. This is money seized for evidential purposes (such as dyed notes) from robberies. As part of the audit work, a sample of 12 cash items seized and logged onto the KIM system was selected and then located within the safe. No issues were noted and all money selected was clearly identified and present.

- 12.27 It was noted that some cash held for evidential purposes in the safe dates back to 2007. However, the operational need to hold the cash is recognised and it was noted that an Officer has been tasked with reviewing the cases to which the cash relates in order to dispose of some of the monies if no longer required. All of the cash is properly recorded.

- 12.28 There are a number of Property Stores within the area where seized third party goods are located. The main store for the London South Area is at Ebury Bridge. As part of the audit, Ebury Bridge property store was visited to test the KIM system. Property stores were also visited in Portsmouth and Croydon. In relation to each location, within the samples tested, all items were located and correctly identified and recorded in terms of seal numbers, locations and item descriptions.
