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# BRITISH TRANSPORT POLICE AUTHORITY

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## MINUTES

AUDIT & CORPORATE GOVERNANCE COMMITTEE

TUESDAY 16<sup>th</sup> DECEMBER 2008 10.00AM

at

G1 & G2 FHQ 25 CAMDEN ROAD

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**Present:** Sir David O'Dowd (Chair)  
Mr C Foxall  
Suzanne May  
Mr M Holden  
Mr J Weimar

**In Attendance:** Mr A Trotter, Deputy Chief Constable  
Mr S Thomas, Assistant Chief Constable London & Olympics  
Mr A Clarke, Interim Head of Finance  
Mr L Stringer, Head of Estates (part)  
Ms K Black, Head of Risk Management and Insurance  
Ms J Dowding, Principal Accountant

Mr I McBrayne, DfT

Ms J Angus, NAO  
Ms A Manning, NAO

Mr D Braithwaite, PwC

Mr R Hemmings, Chief Executive  
Mrs E Pike, Treasurer  
Miss L Barrick, Business Support Manager & Minutes

**Observing:** Ms M Banerjee, Chairman BTPA  
Mr D Binnie, Transport Scotland

**45/2008** **WELCOME AND APOLOGIES**  
Non-Agenda The Chair welcomed Ms Banerjee the new Chairman of BTPA to the meeting. He also welcomed Mr Binnie of Transport Scotland who was observing the meeting.

**46/2008** **MINUTES OF MEETING 4<sup>th</sup> SEPTEMBER 2008**  
Agenda Item 1 The minutes were approved as an accurate record.

**47/2008 MATTERS ARISING**

Agenda Item 2

Mr McBrayne said with regard to the actions for the Department for Transport (DfT) on the review of management and financial arrangements, the action to have discussions with the Force and the Authority was underway and discussions with the National Audit Office (NAO) would commence at the appropriate point.

All other matters had been discharged.

**48/2008 UPDATE FROM DIRECTOR OF FINANCE AND CORPORATE SERVICES**

Agenda Item 3

Mr Clarke gave apologies from Mrs Burd who was unwell.

Mr Clarke reported the latest figures at the end of period 9 showed an underspend of approximately £1M forecast for revenue. This was largely a result of the police pay settlement. After a slow start to the capital programme there had been some re-phasing of projects to ensure that all the money available was spent in the year. Mr Clarke said that there were some challenges but he was confident that the Force would achieve this.

The Force was now collecting data on overtime to help with budget setting for 2009/10. A draft budget would be presented to the January Authority meeting. Mr Clarke said that if the Force were to do nothing new in 2009/10 but simply had the base budget and full year effect of 2008/9, the budget would be challenging but should be manageable. However, there were things that the Force would need to do in 2009/10 that were new items for the budget and Mr Clarke said that this would make managing within the proposed 4.8% uplift a difficulty.

The Chair asked Mr Clarke to expand on the how the economic crisis could affect the Force and what measures were being taken to counter this. Mr Clarke said that as far as income was concerned this was not an issue currently, excepting the amounts concerned in the disputes. The Force was looking at its critical suppliers and how supply chains were working.

Mr Hemmings said that he had spoken with the DfT regarding any potential problems if a PSA holder could no longer pay. It was expected that the DfT would fund any shortfall. Mr McBrayne said that he was not in a position to give an official response on this point but added that if any franchise did have difficulties the DfT had a statutory obligation to ensure that services continued to run, and as such the Authority's position should be protected.

Mr Foxall said his concern was around the payment of contractors, particularly building contractors. He suggested that the Force should not be running ahead too much on any payments. Mr Clarke said that the Force very rarely paid in advance. Mr Stringer appreciated Mr Foxall's comments but added that there was also a risk of projects not

being finished on time. Mr Foxall agreed that this was a consideration but any debt that arose in this way was likely to be irrecoverable.

Mr Clarke said that the reduction in VAT would save the Force approximately £300k in the current financial year and around £550k - £800k in 2009/10. As a result of this, Mr Clarke said that the Force was considering bringing some one-off costs forward from 2009/10. Mr Foxall said that he would be cautious about spending the VAT saving as struggling PSA holders may ask that some of this saving be passed on to them.

Mrs Pike asked what level the contingency fund was at. Mr Clarke said that this currently stood at £600k, with a further £600k due to be added at the end of the current financial year.

Mr Clarke said that the Force was also looking at any risks from the enhanced PSA agreements. The Force currently had about £18M income from enhanced PSAs and the concern was what would happen to those employed on these agreements should they not be renewed. Mr Clarke said that on closer examination of the numbers concerned it was thought that the general turnover would be enough to deal with any issues arising from these arrangements. Mr Hemmings said that all enhanced PSAs contained a clause regarding redeployment and if those employed as part of the enhanced PSA could not be redeployed immediately the PSA holder would be liable to cover any further expenses.

Ms Banerjee asked where the assumptions for the budget over the next three years were coming from. Mr Clarke answered that in developing the Medium Term Financial Plan (MTFP) assumptions had been made on RPI, and this had been used for the following year also. Mr Clarke said that as long as RPI remained above the pay award the budget was challenging but should be manageable, if RPI fell below the pay award this caused some serious issues.

Ms Banerjee said that she would want to see risk sensitivity and mitigation in the rebuilt forecast when it was presented in January. She added it was important to consider 2010/11 when preparing 2009/10.

The report was **noted**.

**Agreed:**

- **The January budget report to include risk sensitivity and mitigation in the rebuilt forecast.**
- **The Force should take steps to satisfy itself that building contractors in particular would be capable of completing contracts.**

Ms Black updated that no new risks had been added since the last meeting and no risks had been closed. Ms Black said that actions

had been ongoing but the risks remained unchanged in rating. She would be recommending that SR23, which related to the efficiency savings, be closed as this had now been achieved. It was also expected that there would be new risks relating to the economic crisis added shortly.

Ms Black said that the management of the risk register had been reviewed and it had been decided to remove the risks that had been mitigated as far as practicable and had low impacts to a separate sheet.

Ms Black said that a new risk relating to a failure to operate alarm systems invalidating insurance cover had been considered for addition to the strategic risk register. However, work relating to this was already underway within the London and Olympics portfolio so it had been added to the London and Olympics risk register.

The Deputy Chief Constable updated on some developments that had occurred relating to the Management of Police Information (MoPI) work (SR1). This risk may need reviewing following further discussions in which there did not appear to be an appetite for the Force to be given full access inline to PNC with Home Office forces. The Force may be charged under a different regime which would lead to funding difficulties for this work. The Deputy Chief Constable said that he was challenging this, as BTP was integral to the policing of the UK and produced a high number of intelligence reports. There was also the secondary risk on this subject relating to the condition of the Force data for input into MoPI.

The risk around pensions (SR6) was ongoing. There had been a meeting with the DfT and Home Office but there were not any practical options coming out of this. The Deputy Chief Constable said he had suggested that a solution could be to leave pensions with the original force but the officer substantively join BTP or a Home Office force depending on the direction of travel.

Mr Hemmings said that he had not heard anything further since the meeting. Mr McBrayne confirmed that the DfT was happy to look at this suggested solution and Lord Adonis had written to Mr Coaker to raise the issue. He added that the DfT wanted to move this forward and find a solution. However, the Home Office was resistant to allowing anyone who appeared to be new joining a closed scheme. Therefore a solution that avoided this would be required.

Mr Holden felt that the Authority needed to do more to try and progress the situation. The Chair said that the Authority had been working hard and at each meeting with the DfT the issue was raised. He added that Lord Adonis had recently met with the Chief Constable and promised to do what he could on this issue.

Mr Foxall said that he still did not have an answer to how the solution could be cost neutral. Ms Banerjee said it was important to have a clear understanding of whether this was cost neutral. She said that

she would be meeting Lord Adonis in February and would do anything that she could to help progress the situation.

Mr Hemmings said that he would speak with the Trustees regarding the neutrality of arrangement. Mr Foxall said it was important to get an actuarial input on how this could work.

Mr Foxall questioned whether SR4 which related to the Force not achieving the objectives in the Strategic Plan was too large to be addressed at that level. Ms Black confirmed that one of the things she was doing currently was reviewing and rewording risks to ensure that they were appropriately described and broken down into manageable parts.

Mr Weimar asked how the action regarding custody inspections was progressing under SR21. The Deputy Chief Constable said that some issues had been found with facilities and these were being brought up to standard. The bigger problem was the increased volume of facilities required and one solution to this that was being explored was using MPS custody facilities that were kept on stand by for major events.

**Agreed:**

- **Mr Hemmings to provide a paper to the DfT with the actuarial position regarding cost neutrality as soon as possible.**
- **The Authority to try and progress the pensions situation with the DfT before the Chairman's meeting with Lord Adonis in February.**

**50/2008**  
Agenda Item 5

**FOLLOW-UP TO PREVIOUS AUDIT REPORTS**

Mrs Dowding introduced the report which included all the actions that had been completed since the last meeting or remained outstanding.

Mr Holden said that he was concerned by the number of recommendations that were significantly overdue and he was very disappointed with the slow progress. It appeared that some actions identified in previous reports were still to be addressed consequent upon follow-up reports. The Deputy Chief Constable acknowledged that the presentation of information could be improved.

Mr Clarke acknowledged that there had been slippage and the department was aiming to improve significantly in this area to ensure that things were dealt with in a sensible timeframe.

Mrs Dowding said that the business continuity recommendations had been partially addressed by the work in this area but this was ongoing due to the size of the task. With regard to actions around Eprocurement, letters had been sent to requisitioners and suppliers to reaffirm the position of no purchase order no pay. There had also been training given over the summer.

Mr Clarke said that he and Mrs Burd would be reviewing the “no purchase order no pay policy” and how it was working in the New Year. Mr Foxall said for this to work it was important to be rigid in the enforcement of the policy.

The Chair asked how the recommendation to have an audit logging facility on the Active Directory (AD) environment was progressing. The Deputy Chief Constable said that this was progressing. He believed that initially there had not been full agreement between the auditors and the IT department and this had led to some delay. He said that he would ensure that it was clear where the Force was at the next meeting.

Mr Foxall said it would be useful to see what had been done towards a recommendation, along with any residual bits of work and timeframes for these. The Deputy Chief Constable said it appeared to be a style issue and the report would be clearer for the next meeting.

**Agreed:**

- **The Deputy Chief Constable to ensure there was a clear update on the recommendation for an audit logging facility in the Active Directory at the next meeting.**
- **The report style to be revisited for the next meeting so any actions taken are clearer and any residual actions are listed with timeframes.**

## INTERNAL AUDIT REPORTS

### **51/2008 HEAD OF INTERNAL AUDIT STATUS REPORT**

Agenda Item 6

Mr Braithwaite updated that everything was on target to be completed in the year with the last reports coming to the March meeting.

### **52/2008 ESTATES UPDATE**

Agenda Item 7

Mr Braithwaite said that this audit had delivered limited assurance. The audit found controls for capital projects in excess of £50k and all revenue maintenance services were adequate. The concern was for capital projects under £50k where the controls were less robust. There was also some work to be done around ensuring that contracts were renewed on expiry and that all large projects had a contract in place.

Mr Foxall asked the Force if the changes recommended were workable.

Mr Stringer said that volume also had to be considered and the department was trying to balance having a firm process with workable procedures. He said that there had been a structural change and all capital projects were now fed through one post and the number of capital projects under £50k was small.

Mr Foxall asked if the Force could manage with two quotes for all works between £5k and £25k. Mr Stringer said that, given the projects within this band, it was not a problem.

Mr Weimar asked where the responsibility for the procurement of contracts for estates business sat. Mr Stringer said that the responsibility was with the Estates Department but they liaised closely with the Procurement Department.

Mr Stringer said that where the outdated maintenance contracts were concerned an interim strategy was in place with Procurement. Short-term contracts with existing suppliers were being entered into but on standard current terms and conditions. Mr Stringer expected the interim measures to be fully implemented by March 2009. Mr Stringer said that the intention was to combine a range of property services into a series of Procurement Framework Agreements which would be subject to European Procurement Regulations.

Mr Stringer accepted the third recommendation regarding a job for capital works over £100k not having a contract. He said that a project tracking system had been put in place.

The Chair asked for assurance that the appropriate controls were now in place following the recent alleged fraud inquiry. The Deputy Chief Constable said that appropriate controls were now in place and there was a more centralised approach so there could not be a repeat of the previous alleged incident.

**53/2008            PROCUREMENT CARDS**

Agenda Item 8

This was the first audit of procurement cards at Force Headquarters (FHQ). The audit had given moderate assurance picking up four medium priority issues. It had been noted that credit limits for some cards were in excess of the standard. Mr Clarke said that this had since been rectified with high credit limits being restricted to those in chief officer or equivalent positions.

Scope was found to tighten up processes for pursuing overdue documentation such as logs and receipts. Mr Braithwaite said that it had been noted that logs received retrospectively did not always go through the same thorough processes. Mr Clarke said that late receipt was a marginal issue but this was being addressed. The Deputy Chief Constable added that all transaction logs were signed off by a senior member of staff and purchases challenged as appropriate.

Mr Hemmings confirmed that he received the Chief Constable's transaction log for authorisation.

**54/2008            REGIONAL AUDIT – WALES AND WESTERN**

Agenda Item 9

Mr Braithwaite said that the audit had found good procedures in place. The only medium priority issue identified was that there was

not a process in place for signing off the Area Finance Manager's procurement card, but this had been rectified.

Mr Foxall said that he was pleased with the result of the audit. However, he felt it demonstrated the weakness of the traffic light system as only one medium priority issue was identified yet the audit only awarded moderate assurance.

**55/2008**                      **REGIONAL AUDIT – LONDON UNDERGROUND**  
Agenda Item 10

Mr Braithwaite said that the audit had offered limited assurance only. There had not been a stable Area Finance Manager in post and this had contributed to the issues of the Area. He said that this post had now been filled and should go some way to improving the situation. He added that the Area needed a full review and overhaul of its procedures, and this had also been noted in the previous audit.

The Chair said he was concerned that the hybrid model in place blurred accountabilities.

Mr Clarke explained that the Area was funded by Transport for London (TfL), with the pay costs being managed by the BTP finance team, and all other costs going through TfL systems. He said that in net cost terms the Force did not gain or lose from the arrangement but it meant that the true scale of the Force appeared inaccurately as the large amount of money which TfL paid did not go through the BTP Accounts. Mr Clarke said that the Force would be looking at how it presented its budget in future to rectify this issue.

Mr Foxall asked if the Authority was responsible for signing off the figures. Mrs Dowding confirmed that the Authority was not. Mr Foxall was unclear why this being discussed if it did not go through the BTP Accounts. However, he suggested that it should be on the strategic risk register due to the reputational risk associated with it.

Ms Angus said that she would have to look into this further to fully understand the situation before offering any advice.

The Chair asked how the situation could be moved forward.

The Deputy Chief Constable said that it would be useful to have a paper come back to the Committee explaining the situation fully and identifying the issues that this raised. Mr Weimar suggested that the London Underground finance people speak with Mr Clarke and Ms Angus to try and progress this.

Suzanne May asked that she remain informed of matters as she was the portfolio holder for the London Underground Area.

**Agreed:**

- **Mr Clarke, Ms Angus and London Underground finance to meet and consider the issues and a paper to come back to the next meeting.**



- **Suzanne May to be kept informed of matters as portfolio holder for the London Underground Area.**

**56/2008 REGIONAL AUDIT – LONDON NORTH**

Agenda Item 11

Mr Braithwaite reported that there had been a substantial improvement of the financial controls in the London North Area. He said that of the 7 areas previously identified 4 had been fully implemented, 2 partially and 1 was no longer relevant. The audit noted that the Area Finance and Corporate Services Manager had been a key driver in the improvement but this was only a temporary appointment. Mr Braithwaite said that when this post became a permanent appointment the Force would need to ensure that the person had the required skills to drive and sustain this improvement.

Mr Clarke said that the employee costs for the area were now accurate and some of the processes used on London North were now best practice for the Force.

The control of income on London North had been a challenge as the area had many enhanced PSAs. Mr Clarke said that he now received a detailed report on a monthly basis showing the income received.

The cost centres had changed to reflect budget holder accountability. Mr Clarke said that there was still work to be done in this area but some of the changes could not be implemented until the next financial year.

Mr Clarke said that the forecasting for London North was much more stable and he was happy with the process that was now in place. He said that currently he still received more reports from London North than other areas but he hoped that in the next financial year a lighter touch would be sufficient.

The procedures and guidance for London North had been written and there had been a lot of training delivered on the financial packages.

The Committee was pleased to note the progress on London North.

**57/2008 CORE FINANCIAL SYSTEMS**

Agenda Item 12

Mr Braithwaite said that this audit had looked at key financial processes and found the controls to be satisfactory.

Mr Clarke said that debtor control was coming in house from the New Year and this would fulfil the majority of the recommendations around this.

Suzanne May noticed that under the risk relating to debt monitoring it stated that Stagecoach were in arrears of £400k she asked if this should say Govia. Mr Clarke confirmed that this was an error and he would ensure that it was updated.

**Agreed:**

- **Mr Clarke to ensure that the report was updated to correct the error regarding the debtors.**

**REPORTS**

**58/2008 NATIONAL AUDIT OFFICE (NAO) AUDIT STRATEGY**

Agenda Item 12a

Ms Angus introduced Ms Manning who would be the new Assignment Manager. She said that NAO would liaise with the internal auditors and take a more proactive part in the audit planning.

Ms Angus confirmed the costs for the 2008/9 audit adding that any International Financial Reporting Standards (IFRS) work was outside of this quotation.

The 2008/9 NAO audit was to concentrate on four key risks:

- The new E-financials upgrade
- Management of debtors in house
- Risks surrounding local procurement
- Implementation of IFRS

The Deputy Chief Constable noted that there was some amendment needed to the risk around local procurement, as this talked of “staff members” and “local offices” when these should be singular.

**Agreed:**

- **The strategy was approved with the slight amendment requested by the Deputy Chief Constable.**
- **The proposed fees be noted.**

**59/2008 BUSINESS CONTINUITY UPDATE**

Agenda Item 14

Assistant Chief Constable Thomas spoke to his report saying that all the business impact assessments had been carried out and there were now approximately 150 business continuity plans across the Force. He added that the work had been completed on target and PwC had been in to audit it. The PwC report would come to the March meeting.

The Chair said that a huge amount of work had been done and he asked where the increase in plans put the testing of these.

Assistant Chief Constable Thomas said that the British Standard 250999 had been adopted and the business continuity standard operating procedure had been reviewed. Phase One – making sure that all business continuity plans had been reviewed and now were accurate and properly recorded on Paragon; and Phase Two - a further in depth review of all plans using workshops or one to one meetings to test the plans, had taken place. Phase Three – the testing and exercising of all plans, in accordance with the standard

operating procedure, would now commence. There had also been a software upgrade to Paragon. The business continuity function had been made a performance issue and would be monitored quarterly at Force Management Meetings. Assistant Chief Constable Thomas added that he wanted to embed business continuity across the Force and he was working with Media and Marketing to get the message out.

There had been a few instances which had tested the business continuity of the Force recently with the fires at Peterborough and the Scientific Support Unit. There had also been a power surge at the new control centre which had meant back up plans had to be implemented but this had gone smoothly.

Mr Braithwaite said that it was clear a lot of work had been done and he was not aware of any specific issues. He said that the PwC report would be at the March meeting.

The report was **noted**.

**Agreed:**

- **The Chair requested that Assistant Chief Constable Thomas bring a report back to the June meeting on the position.**

**60/2008 PENSIONS ISSUES**  
Agenda Item 15

Mr Hemmings said that the main business of this report had been covered earlier in the meeting.

Mrs Pike briefly updated that the valuation of the staff scheme had shown a £756k shortfall and due to this employee contributions would be increasing by around 1%. This increase was on the advice of the Trustees following the downturn in the market.

The report was **noted**.

**61/2008 AUTHORITY RISK MANAGEMENT**  
Agenda Item 16

Mr Hemmings spoke to the paper which outlined the strategic risks for the Authority.

Ms Angus said that she was unclear how this linked to the Force risk processes and felt there should be a link between the two documents. Ms Black said that PwC were doing an audit of corporate governance and this would be covered within that.

The report was **noted**.

**62/2008 MEMBERS ALLOWANCE SCHEME**  
Agenda Item 17

Mr Hemmings said that the scheme was periodically reviewed. The review had found that other police authorities provided reimbursement

of expenses arising from providing care for child or adult dependants, whilst there was no provision for this in the BTPA scheme. Mr Hemmings said that the recommendation was to make provisions for dependant care in the BTPA scheme.

**Agreed:**

- **The scheme be updated with a provision for reimbursement of expenses arising from providing care for child or adult dependants.**

**63/02008      AOB**

Agenda Item 18

There was no AOB.

**PART II – CLOSED TO AUDITORS**

**64/2008 INTERNAL AUDIT CONTRACT**

Agenda Item 13

The new auditors were announced and the process discussed.

**Agreed:**

- **An amended Matrix to the report to be circulated to Members.**

**DATE OF NEXT MEETING:**

Tuesday 16<sup>th</sup> December 2008 at 10.00am – G1 & G2 FHQ 25  
Camden Road

Signed.....

Chairman