BRITISH TRANSPORT POLICE AUTHORITY

MINUTES
AUDIT & CORPORATE GOVERNANCE COMMITTEE
THURSDAY 4th SEPTEMBER 2008 10.00AM
at
HOLIDAY INN CAMDEN LOCK

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

Apologies: **Mr J Weimar**

In Attendance: **Mr I Johnston, Chief Constable**
Mr A Trotter, Deputy Chief Constable
Mrs S Burd, Director of Finance and Corporate Services
Ms M Davies, Deputy Head Strategic Development
Mr L Stringer, Head of Estates
Ms K Black, Head of Risk Management and Insurance
Ms J Dowding, Principal Accountant
Mr A Clarke, Interim Head of Finance
Ms V Delices, Secretariat Manager
Ms K Want, PA

Mr I McBrayne, DfT

Mr N Gale, NAO
Ms J Angus, NAO

Mr D Braithwaite, PwC
Ms A Humayun, PwC
Mr S Dellow, PwC

Mr P Haddock, Deputy Chief Executive
Mrs E Pike, Treasurer
Miss L Barrick, Business Support Manager & Minutes

29/2008 **WELCOME AND APOLOGIES**
Non-Agenda The Chair gave apologies from Mr Weimar.

The Committee welcomed Ms Angus from the National Audit Office (NAO) who would be taking over from Mr Gale. The Committee expressed its sadness to be losing Mr Gale and thanked him for all that he done during his time working with BTP(A).

RICHARD HEMMINGS, CLERK TO THE BTP AUTHORITY
THE FORUM, 5TH FLOOR NORTH, 74-80 CAMDEN STREET, LONDON NW1 0EG
Tel: 020 7383 7708 Fax: 020 7383 2655
richard.hemmings@btp.pnn.police.uk

30/2008 **MINUTES OF MEETING 2nd JULY 2008**

Agenda Item 1

The minutes were agreed as an accurate record.

Mr Foxall apologised that he had not been able to attend the previous meeting as he had been engaged on BTP business elsewhere.

31/2008 **MATTERS ARISING**

Agenda Item 2

The Chair asked Mr Haddock for an update on the action to circulate assurance regarding the impact of proposed changes on the pension fund. Mr Haddock said that he had spoken with Mr Wilson, the Authority's pension's advisor, who had said that the impact would be neutral and possibly even beneficial. Mr Haddock said that he was not aware of anything to this effect in writing.

Mr Foxall said that he would like to see a simple synopsis of the principles for why this would be neutral.

The Chair asked how the work on improving fixed asset control was progressing. Mrs Burd said that the work was underway.

All other matters had been discharged.

Agreed:

- **A simple synopsis of the principles for why the proposed changes to the pension fund would be neutral to be distributed to Members.**

32/2008 **UPDATE FROM DIRECTOR OF FINANCE AND CORPORATE SERVICES**

Agenda Item 3

Mrs Burd spoke to her report which updated on the latest developments in the Finance Department.

The current year monitoring was showing a marginal underspend and the full report of the detail would go to the SB&PM Committee.

The system upgrades to the e-financials and e-procurement systems had been successful. There was some ongoing work relating to e-procurement. The functionality of these systems was now being exploited, as part of which the Department was looking at bringing the debtors system back in-house. This would result in a saving of around £140k a year, as it was anticipated that with the new functionality this work could be absorbed within the current finance team.

Mrs Burd updated that work had begun to review the Departmental structure.

On the *Frontlinefirst* project, Mr Foxall said that the industry would want to see cashable savings as a result of *FrontlineFirst*, but that this was for discussion at the SB&PM Committee.

The Deputy Chief Constable said that there would be a full report to the SB&PM Committee on the *Frontlinefirst* project. He said there were significant cash savings coming from the HR Transformation. He added that there was still scope in other areas to make cashable savings and the Force was looking at where deals could be made to save money.

The Chair asked why there had been slippage on the custody project. The Chief Constable said that the custody project was currently being reviewed to ensure that it represented the best value for money. Additional costs had been identified from NPIA guidance on custody and the introduction of the offence of corporate manslaughter. He added that as a result of this slippage money was being moved around to other projects within the capital programme, which was enabling these to progress more quickly.

The Chair asked how the situation with purchase orders was progressing. Mr Clarke said that there was still work to be done but it was moving in the right direction.

The Chair asked for an update on the debtors' situation. Mr Clarke answered that last year the longer term debt, excluding PSAs, at this time had been £380k and as at the end of period five of the current year it was around £900k. Mr Foxall noted that this figure appeared to have doubled. Mr Clarke said the disparity in the figures was largely due to timing and much of the outstanding debt was with other public bodies.

Mrs Burd and her team were congratulated on getting the Accounts to Parliament before the summer recess.

The report was **noted**.

33/2008 **STRATEGIC RISK REGISTER**

Agenda Item 4

The Deputy Chief Constable introduced the item saying that the Register had been reviewed since the last Committee meeting to ensure that only those risks that were strategic were included.

Ms Black spoke to her report. She updated that the five risks that had been added to the Register which had been presented at the last meeting had been removed. Two of the risks had been moved to other more appropriate risk registers and it had been decided that the other three did not fulfil the criteria to be on the Register as a risk.

Ms Black updated that some risks had been closed since the last meeting. SR20 had related to a possible failure to meet International Financial Reporting Standards (IFRS) and it was considered that the risk had been mitigated to the lowest level reasonably practicable. Ms Black added that the implementation of IFRS had also been delayed.

Ms Black said that BTP's definitions of risk categories had been reviewed in line with other police forces and as a result there had been a number of changes to risk ratings.

Four risks had reduced in their residual ratings as action Plans were progressed.

The rating for SR4 had been increased. This risk related to the inability to accommodate future risks within the agreed funding from PSA holders over the strategic planning period. There was a concern as the medium term financial projection was showing a gap in funding for 2009/10 that would need savings to fill.

The Chief Constable said that although the rating for SR6, which related to the recruitment and retention of senior officers due to the pension scheme changes, had been reduced in light of the revised definitions there were still concerns. The changes made it difficult to attract officers from Home Office forces for senior positions who were on the old pension scheme, as they would have to join the new scheme which disadvantaged them. This was also a problem the other way round for senior officers who may want to leave BTP for progression purposes. The Chief Constable said that Policing Minister Mr McNulty was coming to visit BTP after that day and he would raise this matter with him.

Mr Holden asked for more information on action two for SR6. The Chief Constable said a bid had been prepared ahead of the Green Paper as this gave an opportunity for issues to be raised. He added that a response was being prepared following the publication of the Green Paper as this gave a legislative opportunity.

Mr Haddock said that a letter had been sent to Dr Mitchell at the DfT with a list of requests for legislative amendments and this had specifically highlighted the pension situation.

Mr McBrayne said that the DfT were due to speak with the Home Office shortly.

Mr Holden asked if there was anything that could be done independently of Government to ease the situation. The Chief Constable said that something could be done within the scheme to mitigate against loss, but this would not help officers moving back out from BTP to Home Office forces as the Home Office would not reopen the old scheme.

Mr Holden said he was concerned that he was not seeing movement in the situation.

Mr McBrayne said that the DfT had had extensive discussions with the Home Office and Treasury on this matter. He said work-round solutions could be identified but the Home Office and Treasury would not reopen the old scheme.

The Chief Constable said that he could not understand the difficulty with reciprocity as there had been a similar situation in 2003/4 and it had been sorted out then without a problem.

The Chief Constable said that he had been pleased with Control Rooms Project. This project had come in both on-time and on-budget. There had been some difficulties with the MICC electrics which had tested the contingency planning but this had been proved to work well.

Mr Holden noted that the rating for SR11, which related to a flu pandemic, had not reduced in some time. The Deputy Chief Constable said that the Department for Health still considered this to be a significant risk.

Ms Black said that most actions that were currently listed as not complete should be completed by January and then the residual impact ratings would be reviewed.

Mr Foxall said that for some risks it would have to be decided what the Force and Authority were prepared to live with. He said that risks needed to be mitigated but at the same time the Force needed to be realistic about how much control it could have.

Mr Foxall said that the Register was a big improvement on the papers that had been received at the last meeting.

The Chair thanked the Ms Black and her team for the report.

The report was **noted**.

34/2008 **FOLLOW-UP TO PREVIOUS AUDIT REPORTS**
Agenda Item 5

The Chair said that the report was a robust tracking system, and he was pleased to see that a number of recommendations had been completed.

Mr Holden said he was pleased to see work had been done to tighten the process.

INTERNAL AUDIT REPORTS

35/2008 **ESTATES REPORT**
Agenda Item 6

Mr Braithwaite introduced the interim report which was presented to management last week at the close of the audit. The report was divided into three areas, major schemes above £50k, capital schemes below £50k and revenue maintenance schemes capital schemes. Mr Braithwaite said that the finding had been that controls for both major schemes and revenue maintenance schemes were adequate but there was a potential weakness for those capital schemes under £50k. A few minor procedural issues had also been identified.

The Chief Constable said that any issues would be rectified.

The Chair said that he would look forward to receiving a paper update at the next meeting on any action taken.

The report was **noted**.

Agreed:

- **An update on actions to be provided to the next meeting.**

36/2008 Agenda Item 7 **DATABASE AND OPERATING SYSTEMS REVIEW**

Mr Dellow said that medium assurance had been given for this area. There had been four medium priority findings two of which related to controls that needed to be tightened around communication channels and storage of data in certain operating systems. The others related to user activity logging being enabled and logs being reviewed regularly and implementing database vulnerability scans.

The report was **noted**.

37/2008 Agenda Item 8 **NETWORK SECURITY REVIEW**

Mr Dellow informed the Committee that following this audit limited assurance had been given. A high risk in the design of the controls had been identified along with 11 medium risks.

Mr Dellow said that the high level risk related to the high number of users with high level systems administrator access to the network. A generic account system administration account also existed but this was being removed. There was also some weakness around the addition and deletion of users and a lack of defined security procedures.

Mrs Burd said that the recommendations had been accepted and a lot of the work had been carried out as part of the e-financials upgrade.

Mr Dellow said that his concern relating to the unsupported nature of the operating system NT4 had not been accepted. The management had responded that they had sufficient in-house skill to deal with the system and would be able to call on external resources. Mr Dellow said he had recommended that the Force identify the external resources so that when required help they would have contact details to hand.

Mr Gale said it concerned him that technology had not identified this issue and questioned if training was up to date.

Mr Dellow said that as BTP resided on the Police National Network (PNN) this provided some assurance.

The Deputy Chief Constable said that some areas had been raised that the Force would need to pick upon.

The Chief Constable said it had been a very helpful report.

The report was **noted.**

Agreed:

- **The external resources for NT4 support to be identified.**

38/2008 FLEET MANAGEMENT

Agenda Item 9

The Chair said that he had been disappointed with this report as he had been looking for something on the utilisation and value for money of the fleet.

Mr Braithwaite said that the review had been scoped with management and as the *Frontlinefirst* would be picking up the issues mentioned it had been decided that the audit would have a narrower focus.

Ms Humayun spoke to the report. The report gave moderate assurance with two medium priority issues identified. There was an inconsistent approach to the depreciation of vehicles on the fleet management system as compared with the accounting policy. The second issue was that the access rights to the new fleet management system were not formally documented.

Mrs Burd said that both of the issues were being addressed. She added that the report of the efficiency review of fleet management would go to the SB&PM Committee. Following the review more information would be collected around mileage and fuel usage to get better management information which would enable more effective benchmarking.

Mr Holden asked why the audit was construed so narrowly when it could have been used to feed into the *Frontlinefirst* review. The Chief Constable agreed that it had been a missed opportunity.

The report was **noted**.

39/2008 HEAD OF INTERNAL AUDIT UPDATE REPORT

Agenda Item 10

Mr Braithwaite said that the 2008/9 programme was progressing well with three reports already prepared in draft form. Mr Braithwaite said he expected to present a minimum of five reports to the December Committee meeting.

The report was **noted.**

REPORTS

40/2008 INTERNAL AUDIT PROTOCOL

Agenda Item 11

Mrs Burd said that this report aimed to give clarity on roles and responsibilities and give clear timeframes to be worked to.

Mr Foxall said he felt that this moving in the right direction.

The report was **noted.**

41/2008 INTERNAL AUDIT INVITATION TO TENDER

Agenda Item 12

Mrs Pike said that this appointment had to be made through the Office of Government Commerce (OGC) framework as it was over a three-year period. She updated that three expressions of interest had been received so far and the interview day was scheduled as 4th November. A recommendation would be brought back to the Committee at its 16th December meeting. The new contract would commence from 1st April 2009.

Mr Foxall said that he was hoping to be able to attend the interviews but this would depend on Select Committee commitments.

Ms Angus reminded the Committee that whatever the outcome of the tender an internal audit assurance statement would be required from PwC for the 2008/9 accounts.

The report was **noted**.

42/2008 HMIC PNC COMPLIANCE INSPECTION REPORT

Agenda Item 13

The Chief Constable said that the Force had been at risk of being struck off the PNC but had now turned it around was one of just two forces that had received an excellent rating. The Chief Constable said he felt this demonstrated how ell the Force worked with HMIC.

The Chair passed on the Committee's congratulations to those responsible.

43/2008 REVIEW OF MANAGEMENT AND FINANCIAL ARRANGEMENTS BETWEEN BTP AND DfT – PHASE 1

Agenda Item 14

The Chair asked why the DfT consultant had not gone to the Force as part of phase one of the review. Mr McBrayne admitted that this was a shortcoming, but said they would be included in phase two. He added that the DfT had spoken with the Authority.

Mr McBrayne said that the review was being conducted for two reasons. The first reason was that it was recommended that arrangements such as these were reviewed every five years and as the Authority had been established in 2004 this was fast approaching. The second reason was that the existing documents were written in an old fashioned style and the Treasury had produced a new model

which was reduced down from 51 pages to just 16. Mr McBrayne said that the DfT was proposing to have further discussion around this at its next scheduled meeting with Authority and Force representatives in October.

The Chair asked for more information around the proposals for the role of Accounting Officer. The Chief Constable responded that the Accounting Officer role could not be fulfilled by Mr Hemmings without him having much more operational control. He said that he and Mr Hemmings were in agreement that the position of Accounting Officer should remain part of the Chief Constable's role.

Mr Gale said that he would like the NAO to participate in discussions as both he and Ms Angus had a lot of experience of NDPBs. He added that splitting the Accounting Officer role would not be feasible.

Suzanne May said that the relationship with the DfT needed to be developed in the context of improving DfT's knowledge of policing so that it is better able to support the Force and understand about when Home Office funding is available and BTP are not included.

Mr McBrayne assured the Committee that the DfT was trying to build a relationship with the Home Office around policing matters.

Mr Foxall suggested that the relationship between the DfT and Home Office should be taken into the scope of the review.

Mr Holden said that he had been surprised by the tone of one section of the report on the DfT/Secretariat relationship and asked if a Members meeting was warranted to discuss it.

The Chair said the relationship between the Authority and the DfT had improved a lot recently. Mr McBrayne added that there had been some difficulties in the past but he felt that with the existing people there was not a problem, and the report was referring to the historic situation. However, he added that he felt that more information could be shared. The Chair suggested that this be picked up in phase two. The Authority would respond formally to phase one.

The report was **noted**.

Agreed:

- **The NAO be included in any further discussions.**
- **The Authority to respond formally to phase one.**
- **It was recommended that the DfT Review of the relationships with the BTPA include discussions with the BTP and Home Office.**

44/2008 AOB

Agenda Item 14

There was no AOB.

DATE OF NEXT MEETING:

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

Signed…….

Chairman