
BRITISH TRANSPORT POLICE AUTHORITY

MINUTES**AUDIT & CORPORATE GOVERNANCE COMMITTEE****TUESDAY 17th MARCH 2009 10.00AM****at****PRINCES ROOM, BMA HOUSE, TAVISTOCK SQUARE**

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

In Attendance: Mr I Johnston, Chief Constable
Mr A Trotter, Deputy Chief Constable
Mrs S Burd, Director of Finance & Corporate Services
Mr A Watson, Chief Information Officer
Mr A Clarke, Interim Head of Finance
Ms M Daniels, Acting Head of Strategic Development
Ms K Want, PA to Director of Finance & Corporate Services

Mr I McBrayne, DfT

Ms J Angus, NAO
Ms A Manning, NAO

Mr D Braithwaite, PwC
Mr S Dellow, PwC

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

01/2009 MINUTES OF MEETING 16th DECEMBER 2008

Agenda Item 1

The minutes were **approved** as an accurate record.

02/2009 MATTERS ARISING

Agenda Item 2

The Force gave assurance that a revised process was in place when appointing contractors, to ensure that they would be capable of completing contracts in the current economic climate.

The actions around the pension situation had been discharged and a way forward had been agreed. The Home Office had given their

commitment to put the appropriate statutory framework in place by the Autumn. It was understood that this would remain a cost neutral solution. Mr Foxall asked specifically for further reassurance on this point which explained how this could be the case.

It was agreed that papers on these pension arrangements which went to the HR&R Committee would also be copied to other interested Committees.

It was noted that the pension solution being discussed would not work for Scotland as the legislation involved was for England and Wales. However, there was no reason why a similar provision could not be put in place in Scotland.

All other matters had been discharged.

Agreed:

- **The secretariat to provide an explanation of how the pension agreement will work in terms of cost/saving. Including whether this will be cost neutral, and if so, evidence supporting this.**
- **The secretariat to ensure all papers relating to the pensions solution to be copied to other interested Committees.**

03/2009

UPDATE FROM DIRECTOR OF FINANCE AND CORPORATE SERVICES

Agenda Item 3

The Force updated that an audit plan for 2009/10 would be presented to the June meeting, as the new auditors were currently working on this.

An update on the revenue position was given. The year to date underspend stood at £2.9M and was expected to come in very close to the forecast of £1.6M. The capital spend stood at £7.45M and indications from budget holders showed that the full £11M should be spent by the end of March.

The efficiency progress within the Finance Department was going well. The debtors function had been brought back in-house and this was working well. There were projects involving interfaces between databases that were ongoing.

The biggest area of exposure the Force currently faced financially was the enhanced PSAs. The risk was well mitigated, as most contracts had long notice periods during which Force turnover should allow for any officers and PCSOs involved to be absorbed into other areas. The Members posed the question as to what the Force would do should an operator become bankrupt as this would nullify the contract. The Force responded that this was listed on the Strategic Risk Register and was monitored closely. The liabilities in this area had been identified and recorded but it remained a risk. Mr McBrayne said

that in practice he could not see any serious difficulties arising in this area.

A high volume of work was taking place on the close of the accounts as the Force approached the end of the financial year and the NAO was helping. The procedures in place were not as up to date as they could be but were being reviewed.

04/2009 STRATEGIC RISK MANAGEMENT

Agenda Item 4

There had been two new risks added to the agenda which related to the current economic crisis. The first of these related to the risk of a train operating company (TOC) with an enhanced PSA failing, leading to a shortfall in funding. The second related to a key supplier failure impacting on the Force's ability to deliver policing. Both these risks were being mitigated as far as possible.

Three risks had been closed since the last meeting. Two of these had related to the control rooms project but the new control room was now up and running so they had been closed off. The third related to the efficiency savings to be made over the life of the 2008/11 strategic plan, which was closed as efficiencies had been identified to reach this target.

A joint strategic risk register was to be produced between the Authority and the Force to make risk management more cohesive. This would be ready for the next meeting.

It was noted that the pension risk had not reduced following the identification of a solution. The Force said that until the solution was fully implemented this would not be removed as a risk and they would be cautious to reduce it.

The risk relating to a lack of custody facilities in London was unchanged. It was explained that premises had been found and the financial aspect of converting them appeared affordable but there were outstanding planning issues to be resolved.

The risk relating to an inability to accommodate future risks within agreed funding from PSA holders over the strategic plan period covered three pressure areas:

- The economic climate
- The Judicial Review
- The relationship between the pay deal and inflation

These were all very different pressures which could culminate to cause a serious issue. The Force confirmed that it was looking at ways to mitigate these risks.

The report was **noted**.

05/2009**FOLLOW-UP TO PREVIOUS AUDIT REPORTS**

Agenda Item 5

The business continuity review was ongoing. More plans had been developed since the last meeting which had delayed the completion of this work. There was some confusion around where the review had got to following the last meeting. The Committee had understood that the testing of the plans was imminent yet it appeared that it had not started. It considered that if this was the case a closing date of June for the review was very ambitious. They Force accepted that it was an ambitious deadline but added that they would expect all the main plans to have been tested by June.

The Force updated that all the plans had been uploaded onto the software and reviews of the plans were being undertaken with the next stage being to test the plans. The Committee felt that the process and number of plans was very bureaucratic and would be very difficult to manage and update. The Force answered that this was a new piece of work and it expected that it would become more streamlined but added that there were also many buildings to be considered.

The action to review and reduce the exception list had been completed. There would also be a review of the Purchase to Pay Policy as it was believed that this could improve the processes and timescales.

The action to ensure that all key partnerships had effective risk management was underway but the scope of this had been too ambitious and it had turned into a major piece of work. PwC confirmed that they considered the definition of key partnerships to be those that were critical to achieving key objectives. The Force said that it was looking at this and wanted a common sense approach.

The Committee was concerned that again this appeared to be very bureaucratic and felt the focus should be sharper.

The payroll review was ongoing with more documentation required on some of the processes.

The Committee asked for reassurance on network security following the previous actions and latest audits in this area. The Force confirmed that the Active Directory was fitting over the old system and as such there were no gaps so there were no security issues. The Auditors confirmed that limited assurance had been due to some parts only being partially implemented but things had progressed since the audit.

It was noted that the handover from Lease Portfolio Management (LPM) of the debtors function had been completed and this had gone smoothly.

The actions following the London Underground Area audit had been largely implemented. The outcomes of the final outstanding actions

were expected to come to Mr Clarke for sign off before the end of the March.

The Committee acknowledged the large amount of work that had taken place to complete so many of the actions.

The report was **noted**.

06/2009 FORCE CONTROL ROOM BIRMINGHAM

Agenda Item 6.2

The document contained an error on page three where the summary of findings table should show one medium risk and three low risks.

PwC updated that an interim review had been carried out the previous year and this report built on that. The review had focused on the project management. The medium risk identified was due to the lack of a disaster recovery plan document existing at the time of the review. It was acknowledged that the Force had identified this and work was underway to address it.

The Force said that back-up arrangements were in place for call handling and had been tested.

The report was **noted**.

07/2009 ACTIVE DIRECTORY REPORT

Agenda Item 6.3

The Active Directory was described as a service containing information about users and resources which fitted over the current system and enabled tasks to be carried out more efficiently and effectively. The Active Directory controlled what users could and could not see.

The Committee was confused as to how the audit resulted in limited assurance when no high priority findings had been found.

The review looked at two separate issues, one being the project management and the other the key controls. It appeared that it was the project management part that had resulted in the limited assurance.

PwC responded that project management was key to achieving the outputs and with no formal budget or project plan this was a significant risk to the completion of the project.

The Force felt there was not a risk as this was being managed as an ongoing piece of work within existing resources. It was also subject to monitoring by the Programme Board which was content that it would be delivered on time.

The report was **noted**.

08/2009 DATA SECURITY REVIEW

Agenda Item 6.4

The review had found two high priority findings. The first of these related to third party remote access, where management arrangements of this needed strengthening. This had been completed.

The second involved the use of storage devices. The Force policy only allowed encrypted storage devices to be used but there was no mechanism in place to support this. The completion of this recommendation had been delayed by staff absence. The interim position was that staff were aware of the policy and as such they should not be using memory sticks. Computers could also be monitored for the use of storage devices. The longer term position was that software would be in place which would prevent the use of portable storage devices that had not been authorised by the Force.

The Committee noted the deadline was August and asked if the Force was content that it had sufficient controls in place until then. The Force gave assurance that there should not be an issue but gave the caveat that it should be noted that the audit only dealt with electronic material.

The NAO suggested that the Force should review the Cabinet Office guidance on information management. The Force said that it believed it was in line with this. The auditors added that the audit had been based on Cabinet Office guidance although it had not been a compliance test.

The report was **noted**.

Agreed:

- **The Force to review the Cabinet Office guidance on information management to ensure that it is line with it and report back to the next meeting.**

09/2009 PAYROLL REVIEW

Agenda Item 6.5

The payroll review had identified two high priority findings. The first of these was limited monitoring of system administrator activity and that access was available through a generic account. The second high priority finding was limited monitoring of changes to salary and bank details.

The Committee was concerned that the same issue of monitoring system administrator access and having generic accounts kept arising.

The Force answered that there were different layers in the systems, one that dealt with applications and the other with databases. The systems were separated from each other. The Force was confident that any changes could be tracked.

The Committee was further concerned that a new system had been installed which contained clear deficiencies which had previously been acknowledged in other systems.

The Force said there was a meeting due to take place with the Payroll Manager and the software company shortly. In the meantime the audit function had been activated and payroll staff did not have access to their own records. The generic account was rarely used and had been set up for specific work, and as soon as the account was logged on an audit facility was activated to monitor any changes made. Budget holders were also provided with a list of payees each month to prevent 'ghost employees'. Additionally, there was no entry made on payroll unless the documentation had been received from HR and this was also checked against the ORIGIN system to make sure it matched the entry.

The Force confirmed that the situation would be monitored and the recommendations should be fully implemented by the end of March.

The report was **noted**.

10/2009 FOLLOW-UP REPORT 2008/9

Agenda Item 6.6

The report was **noted**.

11/2009 CORPORATE GOVERNANCE REVIEW

Agenda Item 6.7

The main finding following this review related to the joint Authority and Force risk register which had been discussed earlier in the meeting.

The report was **noted**.

12/2009 INTERNAL AUDIT ANNUAL REPORT

Agenda Item 6.1

The annual report showed that no audits had given 'no assurance' which was an improvement on the previous year. There had been audits which had offered only 'limited assurance' and although these addressed some significant issues there was nothing fundamental involved.

The NAO suggested that the five points relating to the weak areas should be included in the Statement of Internal Control. PwC agreed saying that where these related to a breakdown in controls any follow-up work would also need to be included.

The report was **noted**.

The Committee thanked PwC for all their hard work over the past few years.

13/2009 NAO REPORT

Agenda Item 7

The NAO had not given an opinion on the restated balance sheet as work was ongoing. An opinion was expected at Trigger Point 4 on 31st December 2009.

Work was in hand to demonstrate that any changes to the financial statements as a result of the new accounting standards did not impact on the Authority's budget. Leases on buildings are likely to be treated as finance leases under IFRS; this change will be contained within the Balance Sheet. The opinion had been delayed as the work to value leases had not been completed in time for the audit.

There were some adjustments arising from the audit but these were not considered to indicate significant weaknesses in internal control. The amendments would be addressed as part of the preparation of the 2008/9 FRS based accounts.

The Force updated that most of the work for the FRS based 2008/9 accounts had been completed and the NAO was working closely with the Finance Team on this.

The NAO reported that the audit had started, and with payroll costs being such a high proportion of overall expenditure this would be a focus of the audit.

The report was **noted**.

14/2009 BTP'S RELATIONSHIP WITH LONDON UNDERGROUND LTD (LUL)

Agenda Item 8

The Committee looked at the governance arrangements for BTP's London Underground Area. The statutory responsibility for delivering policing was clearly with the Authority. However, the current governance arrangements meant that TfL gave a budget for BTP policing, which was approved by the Authority but held by TfL. The Force then either spent money directly through TfL or funded costs initially before reclaiming these from TfL.

The London Underground Area spend was monitored in Force at the periodic budget reviews and by LUL and TfL internal monitoring processes. The London Underground Area budget was then audited as part of TfL's accounts by the Audit Commission. Budget monitoring was also carried out by TfL and LU transactions were subject to TfL Internal Audit.

Mr Weimar noted that this had been an inheritance but arrangements had worked well to date. However, he considered that energy should be put into simplifying the arrangements.

The Committee said it wanted clarity on governance, accountability and assurance in relation to the London Underground Area.

There was a concern that the difference in charging style was difficult to justify. The Committee felt a shift to regularise this was required. Any change would need to be carried out in partnership with TfL.

The question was posed as to what would happen should there be an overspend and who would be responsible for it. The legal position on this needed to be clarified as soon as possible.

The NAO said that accountability needed to be clarified.

The Committee was updated that there was an agreement in place with TfL covering the policing arrangements. This agreement gave the commitment to provide a specific level of resources and an agreed policing plan that would be funded. TfL supplied the Force's London Underground Area with accommodation and IT and other infrastructure which was a 'payment in kind' arrangement.

TfL also paid a proportion of BTP's overheads. This was based on an agreed sum to reflect an appropriate proportion of the various FHQ Overhead activities. The sum was increased in 2007/08 taking account of a consultant's report in 2006 that considered the basis of charges made. Further negotiations are continuing on the application of the principles involved. The charge made is partly reflected in the charging model in respect of the historical level of charge previously applied. The balance is included as income in the Force budget. The total charge reflects the overheads relating to LU Area operations and thereby excludes these costs from the charges to other PSA holders for policing overground policing services.

The situation was even more complex following the agreement of enhanced PSAs which could make it difficult to disaggregate those employed under enhanced agreement and those under the core agreement. The Authority was already in discussion with TfL to revise the agreement as the current agreement had been entered into before the current statutory base and things had moved on since. The discussions were ongoing and the NAO would be approached as they progressed. Any new agreement would have to be signed off by the Secretary of State. The timeframe for this work was approximately six months.

The report was **noted**.

Agreed:

- **An update on this piece of work to be provided to the September meeting.**

15/2009
Agenda Item 9

AOB

There was no AOB.

DATE OF NEXT MEETING:

Tuesday 30th June 2009 at 10.00am – FHQ G1 & G2

Signed.....

Chairman