

Minutes

Audit & Corporate Governance Committee

Wednesday 9 December 2009, 9.00am
at G1 & G2 FHQ, 256 Camden Road

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Present:

Sir David O'Dowd
Mr Colin Foxall
Suzanne May

Apologies:

Mr Michael Holden

In attendance:

Mr Andrew Trotter, Chief Constable
Mr Paul Crowther, Deputy Chief Constable
Mrs Sharon Burd, Director of Finance and Corporate Services
Mr Peter Zieminski, Chief Superintendent
Mr Andrew Clarke, Head of Finance

Ms Janet Angus, NAO

Mr Paul Coen, Interim Chief Executive
Mrs Liz Pike, Treasurer

The Committee had before them a Report from the Director of Finance and Corporate Services on the 2008/9 Draft Statement of Accounts and a draft Pre-certification Report from the NAO.

The Chairman thanked the NAO and staff of both BTP and BTPA for their work in getting to this stage in completing the 2008/09 Accounts. It had been hoped that the Committee would be able to approve the final set of Accounts and refer them on to the Authority that morning. However, from discussions with the NAO, it was now clear that would not be possible and subject to the discussion that morning a decision would need to be taken at the end of the meeting on how to proceed.

The Committee noted that an action arising from the Committee's meeting on the 1st December had not been fully addressed. Members had asked that government advice be sought on whether the Authority could be liable to pay interest on sums due from the Authority to PSA holders. Legal opinion had been obtained that there was no contractual obligation to pay interest but that if an application was made to the Court it was quite likely that interest would be awarded. Members nevertheless wished to have a view from the DfT or Treasury. Mr Coen agreed to see this was done. It was noted that the only fixed proportion PSA holder whose agreement included an interest clause, actually had sums due to the Authority.

In its report the NAO identified (paragraph 5) six draft recommendations. In their final form these will require formal managerial responses and will be incorporated in the final version of the report.

The NAO also highlighted fifteen matters which were outstanding at the time of writing and which needed to be completed before the NAO could complete its work. Most of these issues were of a routine or administrative nature in requiring further explanations of particular issues, sight of Authority paperwork, or small corrections to either numbers, narrative or both. The NAO indicated in its draft report that subject to agreement on these matters and the handling of bad and doubtful debt provision (which is discussed below) they expected to be able to recommend an unqualified audit opinion.

Bad and Doubtful Debt Provision

At its meeting on 1st December the Committee had agreed to make bad and doubtful debt provisions in the 2008/09 Accounts against the possibility of some of the invoices issued to PSA holders in response to the JR decision, not being paid. The NAO had reviewed these provisions and concurred with the Authority's decision in relation to amounts owed from the period prior to 2007/08. However, in the NAO's opinion it was too early to take a view about the liability of non payment in relation to invoices for the period 2007/08 and 2008/09, as these invoices had been raised in November 2009 once the verification work had been completed. They acknowledged there was some risk but felt this should be expressed as a contingent liability and not as a provision.

The Committee had previously decided to take a cautious view on the likelihood of payments for some invoices and had agreed provisions in the draft final accounts of £10.9m for pre 2006/07 and £13.1m for 2007/08 and 2008/09. One effect of this treatment was that it was considered unlikely that any further provisions would be required in future years, which would be beneficial in the overall conduct of the Authority's finances. If the Committee agreed with the NAO's view and

recorded a contingent liability in relation to sums that had previously been included within provisions, then it was possible that depending upon the actual payment record of invoices further provisions would have to be made in later years, which would extend the negative legacy effect of the JR decision. Against this, clearly not making provisions in the 2008/09 accounts would ensure a better financial result and would also assist in any commercial negotiations to be held with PSA holders.

On balance the Committee accepted the NAO's view and agreed to record a contingent liability in the 2008/09 accounts against the risk of non payment of the 2007/08 and 2008/09 invoices and to re -calculate the bad and doubtful debt provisions commensurately in the same accounts. The Treasurer and Finance Director were authorised to agree the relevant text and figures with the NAO.

Reporting to the Authority

The Committee had considered recommending to the Authority that the approval of the 2008/09 Accounts be withdrawn from that morning's agenda and be brought forward to its meeting in January. However, in the light of the agreement in the Committee on the handling of bad and doubtful debt provisions, and with the assurance from both the NAO and Finance Director that all other outstanding matters would be easily resolved, the Committee agreed to recommend to the Authority that it delegate to its Chair and Vice Chair (who was also Chair of the Audit Committee) the authority to approve the 2008/09 Accounts once the final pre-certification report had been received from the NAO.

Agreed

- Mr Coen to get a view from the DfT or Treasury on interest.
- The Committee agreed to recommend to the Authority that it delegate to its Chair and Vice Chair (who was also Chair of the Audit Committee) the authority to approve the 2008/09 Accounts once the final pre-certification report had been received from the NAO.