



British Transport Police  
**Authority**

The Forum  
5th Floor North  
74-80 Camden Street  
London NW1 0EG

T: 020 7383 0259  
F: 020 7383 2655  
E: [general.enquiries@btpa.police.uk](mailto:general.enquiries@btpa.police.uk)

[www.btpa.police.uk](http://www.btpa.police.uk)

# Minutes

## Audit Committee

Date: Tuesday 29 June 2010, 10.00am

Venue: G1 & G2, FHQ, 25 Camden Road, London NW1 9LN

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**Present:** Sir David O'Dowd (Chair)  
Michael Holden  
Colin Foxall  
Jeroen Weimar

### Apologies:

James King  
Suzanne May

### In attendance:

Paul Crowther, Deputy Chief Constable  
Andrew Clarke, Acting Director of Finance & Corporate Services  
Peter Zieminski, Chief Superintendent  
Marie Daniels, Head of Strategic Development  
Simon Hart, Head of Finance  
Janet Dowding, Principal Accountant  
Vanessa Delices, Secretariat Manager

David Hibbs, DfT  
Mike Ainsworth, DfT

Janet Angus, NAO  
Jo Taylor, NAO  
Chris Wlaznik, NAO

Andrew Townsend, Tribal Business Assurance

Andrew Figgures, Chief Executive  
Liz Pike, Treasurer  
Lucy Barrick, Business Support Manager & Minutes

### **13/2010 Welcome and Apologies**

#### **Non-Agenda**

The Chair welcomed all to the new Audit Committee. The Committee had dropped the Corporate Governance part of its remit as this would now be dealt with at the full Authority.

The Chair gave apologies from Suzanne May who was unwell and in her absence thanked her for her contribution to the Audit Committee as this would have been her last meeting. The Committee also noted apologies from James King and passed on their best wishes that he would have a full and speedy recovery.

The Chair welcomed Mr Hibbs from the Department for Transport (DfT) who had replaced Mr McBrayne. The Chair also welcomed the new Head of Finance, Mr Hart, to his first Audit Committee meeting.

### **14/2010 Minutes Meeting 18 March 2010**

#### **Agenda Item 1**

There were some inaccuracies noted relating to dates within the minutes. Once these amendments were made the minutes were approved.

### **15/2010 Matters Arising**

#### **Agenda Item 2**

It was confirmed that the service level agreement (SLA) between the Chief Executive and Chief Constable in relation to the Accounting Officer role would be finalised shortly and go to the 29 July Authority meeting for sign off. Once this was agreed the Chief Constable would become an Additional Accounting Officer. A paper on delegated responsibilities would go to the September meeting.

The Finance and Corporate Services Review was looking at the functions carried out by the department across the Force as a whole. The review was expected to uncover some quick wins around transactions, but this had been delayed due to other matters within the department. It was not the intention to centralise all the functions but it was recognised that work needed to be done on the link between payroll and the HR department.

The timetable from the DfT regarding consolidated accounts was awaited. This would impact on the internal timetable for the Accounts and Statement of Internal Control for 2010/11. A proposed BTP(A) timetable would be brought to the September meeting by which time the DfT timetable should have been received.

## **Agreed**

- The SLA between the Chief Executive and Chief Constable for the Accounting Officer role to be taken to the 29 July Authority meeting.
- Once the Accounting Officer SLA is complete an amended financial framework document to be brought to the September Authority meeting for approval.
- A paper on delegated responsibilities to be brought to the September Authority meeting.
- A BTP(A) Accounts timetable for 2010/11 to be brought to the September meeting for discussion once the DfT timetable was received.

## **16/2010 Finance Summary Report**

### **Agenda Item 3**

The new monitoring approach was underway and the first report would come to the 29 July Authority meeting. Work had begun on the Medium Term Financial Plan (MTFP) for 2011-12 to 2013-14. It was expected that reduced net expenditure would be required throughout the life of the MTFP. The Committee noted the comment that BTPA was aspiring for a 1% reduction in core PSA charge for 2011/12. The Force commented that it recognised the required net expenditure reduction was likely to increase significantly.

The capital programme provided £9m for 2010/11 and the Force confirmed that the DfT had not yet advised that this would be reduced. However, the Force was looking at where reductions might be possible. The DfT confirmed that there were currently no plans to reduce the capital amount but nothing was certain.

The follow up audit actions were reviewed with the majority being completed. The Committee noted that the review of the PSA charges calculation would be discharged in the next few days. A post inspection process for responsive maintenance arrangements was being developed but had been slowed down as new contractors had been employed. Asset management had improved and the Force was looking at centralising the asset register. There was still improvement to be made in the 10 day payment terms for smaller contractors although the 30 day terms were not an issue. This was partly due to some IT issues regarding the scanning of invoices.

## **17/2010 Strategic Risk Management**

### **Agenda Item 4**

The *Group Corporate Governance - Agency Management Assurance Return* was noted. This was a new document and the Committee was advised that this document had been sent by the DfT for BTP to fill in as part of their assurance work. The DfT had requested that the document be put through the Audit Committee. The DfT advised that this was the

first time that this document had been distributed and feedback was welcome.

The NAO felt that the wording of some of the questions within the document made them difficult to answer. It was suggested that as the document was intended to address more than one type of organisation this was where the difficulty arose.

The Committee was unclear on the status of the document and it was agreed that Mr Figgures would speak to the DfT regarding the document and report back to the September meeting.

The Committee noted that the Force should only be carrying risks that were within its gift to mitigate, any risks around budget and the recession should be escalated to the Authority's register. In turn the Authority would also need to escalate any risks that were out of its control to the departmental register at the DfT.

It was agreed that the risk registers would be reformatted with separate registers for those risks that needed to be carried by the Authority and those by the Force.

#### **Agreed**

- Mr Figgures to lead discussions with the DfT regarding the Assurance document and report back to the September meeting.
- The BTP and BTPA strategic risk registers to be separated and brought back to the July Authority meeting and presented in the new format from then on.

#### **18/2010 BTPA Risk Register**

##### **Agenda Item 5**

See item 4.

#### **19/2010 Review of Reserves**

##### **Agenda Item 6**

This item attempted to explain the nature and extent of the reserves.

The reserves had been split into three overarching categories described as the *PSA funded reserves*, *cashflow advances* and *accounting requirements*. The contingency reserve was part of the PSA funded reserves and it was noted that this was currently at £1.8m. There was some concern within the Committee that the organisation would no longer be permitted to hold such a reserve due to the economic situation.

It was noted that the distributable reserve should reduce to a small positive once the doubtful debt provision resulting from the Judicial Review had been either recovered or written off through the DfT loan agreement. This was subject to any changes arising out of the Audit.

The NAO advised that a closer look at the make up of the reserves needed to take place due to their complexity.

Guidance from the DfT was still awaited with regard to the capital financing reserve. The NAO said that the DfT position on this reserve needed to be clear as there was some question as to whether the DfT intended to request the return of the depreciation collected against capital projects funded by government. A letter from the DfT confirming that this was not the intention of the clause in the framework agreement, which referred to the collection of non cash costs, would resolve this matter. If the DfT intended to take the money back, which their framework agreement allowed, the money in this reserve relating to government funded projects would move from reserves to creditors. The NAO said any uncertainty around this needed to be removed before a *true and fair* opinion could be given on the Accounts.

The working capital requirement needed to be determined.

The Committee suggested that the wording at 3.4.1 should be reviewed.

The NAO was content with the reserves as described with just one amendment that the IFRS reserve move into the distributable reserve. This was agreed.

It was suggested that the reserves could be presented using just the overarching headings. If this suggestion was adopted it would need a clear note in the accounts explaining the reserves as presentationally it could be an issue.

### **Agreed**

- The DfT to come back with a clear interpretation of the issues around the non cash clause in the framework agreement.
- The IFRS reserve to be moved into the distributable reserve.
- The working capital requirement to be determined in due course.
- The wording at 3.4.1 to be reviewed.

### **20/2010 BTP Statement of Accounts 2009/10 and NAO Report Agenda Items 7 & 8**

The Audit was significantly complete and a sheet had been circulated showing a slightly adjusted final outturn. The outturn showed an underspend for BTP of £427k and on an overspend for BTPA of £783k, totalling a £356k overspend overall. Members were reminded that the year had started with a £1.6m deficit to reduce the PSA charge. This had then been adjusted as a result of the DfT grant and the deficit increased to £1.9m.

The Committee were advised that all historical errors pre 2006/07 had been recovered (£7.6m) or written off with the DfT (£0.1m). There was now only one major outstanding debtor. The JR invoices which arose post 2007/08 because of differences between the 'fixed proportion' charges and the new charging model had been settled for the majority of debtors. There were three outstanding debtors here but this was expected to change as discussions continued with the parties involved. The Committee noted the status of the debt and recognised the achievements of the team in the successful recovery of the debts.

The NAO spoke to their report and advised that the payroll and allowance issues had led to a delay in completing the audit. The NAO had initially intended to rely on the internal audit work in this area but due to difficulties had reverted to their own testimony. The NAO noted a number of matters that remained outstanding, mostly relating to receiving documentary evidence. The NAO confirmed that none of the matters were likely to have a material effect and should not delay the Accounts. The two more substantial outstanding issues related to sensitive disclosures which needed to be carefully worded. The only major issue which could stop the Accounts being signed off was the issue with the capital financing reserve discussed under item 6.

The Committee requested that the NAO review the marking of its paper due to the sensitive nature of some of the content.

The NAO thanked the finance team for all their help and patience throughout the audit. The Force reciprocated noting the significant amount of work carried out by the NAO.

The Committee requested more information regarding the employment tribunal provision due to the high figures involved. The Committee also felt that the message around football policing and terrorism could be stronger as they felt that the current wording underplayed the work that BTP did in these areas. The Chair also commented that after the considerable effort and success in dealing with the debtors arising from the Judicial Review verification work, that it had been understated in the commentary. It was also noted that some Members were described in the present tense as at 31 March 2010 when they had already left the Authority.

### **Agreed**

- The sensitive disclosures for the Authority to be presented carefully.
- The NAO to review the marking of its paper due to the sensitive nature of some of the content.
- The Force to provide more information regarding the employment tribunal provisions.

- The Member notes to be reviewed ensuring the correct tense as at the 31 March 2010 was used.

## **21/2010 Committee Terms of Reference**

### **Agenda Item 9**

These were approved.

## **22/2010 Tadworth Exit Assurance Report**

### **Agenda Item 10**

The Force gave assurance on items 1-6 in the report. The 7<sup>th</sup> item related to the assets of the social club which was outside of the Force's assurance but it was confirmed that the assets had been removed satisfactorily.

## **23/2010 Payroll Audit Findings**

### **Agenda Item 11**

The Committee was most concerned about the payroll situation and lack of assurance.

The Force responded that it was looking at aligning the HR and payroll systems more closely. The payroll system had opportunities to input more closely with the HR system and the Force was looking to exploit these. The Force was also looking at the possibility of automated timesheets.

The auditors had noted the main problem area was in providing documentary evidence for increases and allowances. The Force advised that they had carried out the Engaging Police Staff project which should address this from a staff perspective. The next step was a review of officer pay and allowances. An action plan was being drawn up for this and would be brought to the next Committee meeting and put past the auditors. Mr Holden volunteered to be the Member lead for this project. It was agreed that the Treasurer would be invited to join the group. Tribal would also be involved in the project once the timetable was set.

The NAO said that they would be happy to provide more detail on the testing that they had carried out. They confirmed that the main issue that had found related to documentary evidence rather errors which had been few.

### **Agreed**

- The action plan and methodology for the police officer review of pay and allowances to be brought to the next Committee meeting and to be put past the auditors.
- The Committee to receive quarterly progress reports once the action plan and methodology were agreed.
- Mr Holden to be lead member and the Treasurer invited to join the Group.

- The NAO to provide more detail on their payroll testing.

## **24/2010 Tribal Reports Agenda Item 12**

### **EPSAs**

The review gave limited assurance with the major issue being that the process had not been followed in all cases. It was noted that the correct process had been emphasised to Areas and a full list of EPSAs had been reviewed and the invoicing checked.

The Committee raised a concern that there was not standard documentation. The Executive advised that this was a historical matter and there was a standard document which had been used in more recent years.

### **Review of Major Projects – Risk Management**

Reasonable assurance had been given and the Force confirmed that the issues identified had been addressed.

### **Review of Management of Risks and Maintenance of a Sound System of Internal Control**

The Gifts and Hospitality register recommendation was resolved as it was agreed that the Chief Executive, as Accounting Officer, would review the BTP register and the Chair of the Audit Committee would review the Authority's register. Tribal agreed this as a way forward. APA guidance would be reviewed to ensure that this was in line with the arrangements of other authorities.

Assurance from London Underground was awaited with regards to the budget expenditure and purchasing arrangements.

### **Agreed**

- The BTP Gifts and Hospitality register recommendation to be reviewed by the Chief Executive in his role as Accounting Officer. The Chair of the Audit Committee to review the Authority's register.
- APA guidance to be reviewed to ensure that this is in line with the arrangements of other authorities.

### **Review of the Financial Management of Major Capital Projects**

A delegations paper was to come to the September Committee meeting which should address the issues raised.

### **Follow Up Review**

It was noted that there were no outstanding issues.

### **Compliance Review PSA Debtors**

Reasonable assurance had been given.



**Review of Payroll Arrangements**

See item 11.

**Annual Report**

Tribal advised that the control issues related to historical matters and a lot of action was being taken to address them. They were clear that there was no sign of a reduction in control over the year.

**Date of next meeting:** 21 September 2010 10.00 - 12.30 at FHQ

Signed.....

Chairman