

Minutes

Audit Committee

Date: Tuesday 21 September 2010, 10.00am

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

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

Apologies:

Colin Foxall
James King

In attendance:

Paul Crowther, Deputy Chief Constable
Stephen Thomas, Assistant Chief Constable Operations
Andrew Clarke, Acting Director of Finance & Corporate Services
Teresa Hickman, Acting HR Director
Peter Zieminski, Chief Superintendent
Marie Daniels, Head of Strategic Development
Simon Hart, Head of Finance

David Hibbs, DfT

Janet Angus, NAO
Jo Taylor, NAO

Andrew Townsend, Tribal Business Assurance
Steven Lake, Tribal Business Assurance

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

25/2010 Welcome and Apologies

Non-Agenda

The Chair gave apologies from James King and Colin Foxall.

26/2010 Minutes Meeting 29 June 2010

Agenda Item 1

The minutes were approved as an accurate record. The only amendment requested was for the word “*approved*” to be replaced with “*agreed*” under item 12 in relation to the process agreed for reviewing the gifts and hospitality registers for BTP and BTPA.

27/2010 Matters Arising

Agenda Item 2

An update was given on the situation with Arriva Trains Wales. The arbitration proceedings remained stayed until 30 September in the hope that a settlement could be agreed upon. The proposed settlement required Ministerial approval and was currently with the DfT lawyers.

The Force gave an update on progress in regards to data security. There had been several strands of activity relating to access, design, transmission, operational effectiveness etc that needed to be addressed. Software called *Vigilance Pro* was being implemented and the Force was confident that this would provide assurance for the matters raised. The implementation of *Vigilance Pro* had been delayed as it had slowed some applications when it had initially been installed. As such, fixes had to be requested from the provider to prevent this. The fixes had now been received and applied successfully and the implementation was expected to be complete by the end of October 2010.

New procedures had also been established for portable storage devices and the *Vigilance Pro* software would help in the monitoring of these and ensure that those who were not authorised could not download. There would also be prompts when sending emails to ensure that these were marked appropriately. The Force was confident that these measures would be in place fully by the end of October 2010 when the full implementation of *Vigilance Pro* was complete.

It was noted that information technology generally was an area that required significant improvement and the new wide area network should be the key to this happening.

The NDPB Assurance Return that the DfT had requested to be completed for 2009/10 was under review at DfT before being released for the current year. It was noted that this should be reviewed by the Audit Committee before being submitted with the 2010/11 Accounts.

The Committee recorded its thanks to the teams at BTP, BTPA and the NAO who had worked extremely hard on the Accounts and laid them before Parliament ahead of the summer recess.

It was noted that APA and CIPFA guidance had been reviewed in relation to gifts and hospitality recording and monitoring. A copy of the DfT's register had also been requested for comparison of recording style.

Agreed

- The DfT NDPB Assurance Return to be reviewed by the Audit Committee before submission with the 2010/11 Accounts.

28/2010 Business Continuity

Agenda Item 12

The Committee welcomed the hard work that had gone into developing the plans but was concerned, particularly from a value for money perspective, that this could become overly bureaucratic. The Force responded that it could see how the concern could arise but it did not intend to produce plans unless it believed that they were required. However, there was the added dimension of what was expected by the HMIC to be considered alongside this. It was also noted that as all the plans had been written these would now be for update only and as such there was only one person employed at FHQ for business continuity and one person on each area. This may be subject to reduction given the budget efficiencies required.

It was agreed that a presentation would be brought to the next meeting which would look at the scenario of a complete loss of the building for Force Control Room London (FCRL) or an industrial dispute, and how this would be managed according to the plan.

It was also noted that the business continuity plans were backed up in various places in the event of an IT failure.

Agreed

- A presentation to be brought to the next meeting looking at the scenario of the complete loss of the building for Force Control Room London (FCRL) or an industrial dispute, and how this would be managed according to the plan.

29/2010 Finance Summary Report

Agenda Item 3

A fundamental review of the Finance and Corporate Services department had begun with Strategic Command Team (SCT) support. This review would encompass the Areas as well as FHQ. The review was split into two parts one focusing on the finance element and the other on corporate services. Some efficiencies were expected to be found. The Committee was assured that it would be kept apprised as the review progressed.

The first payroll of the Engaging Police Staff (EPS) salaries had been successful with 1,475 revised payments made correctly to staff.

The Chair updated the Committee that the Strategy Group had had a general discussion on budget setting on 16 September and this was progressing well. The current stage was a review of the various financial models and related scenarios with resulting papers being brought to the Full Authority for consideration.

The Committee asked how prepared the Force was for the financial year end as it wanted to ensure that the issues that had arisen at the 2009/10 close were not repeated. The Force assured the Committee that it was amending the Accounts timetable to try and improve the situation and avoid a repeat of the previous year by learning from the lessons. It was noted that the Accounts timetable was still awaited from the DfT and this would be discussed further at items 7 and 8.

Progress against the outstanding 2009/10 audit recommendations was reviewed. The Force advised that an audit had been carried out on asset management and further work had been requested on this. The report would be presented to the next meeting.

Internal audit work had commenced on L Area. This work aimed to develop a protocol for audit between TfL and BTPA internal auditors to avoid duplication and obtain assurance on all relevant matters. The major area where assurance was required was for those transactions that went through the BTP fund. However, it was noted that there was still a public relations issue for BTP should there be improper transactions by a BTP employee through TfL funds. Therefore assurance was required for both circumstances.

The audit accountability was the most pressing matter to be resolved with TfL, but there also remained issues around the instability of the EPSAs, which needed to be resolved by the next financial year, and how the PSA and governance would be taken forward. It was agreed that Andrew Figgures and Andrew Townsend would produce a paper detailing the way forward.

Agreed

- The Committee to be kept apprised of progress against the review of Finance and Corporate Services.
- The internal audit report on assets to come to the next meeting.
- Andrew Figgures and Andrew Townsend to produce a paper detailing the way forward for resolving the issues on L Area and with TfL generally for EPSAs.

30/2010 NAO Update Report and Accounts Timetable and Lessons Learned

Agenda Items 7 & 8

The Force reported that it was starting the process involved in closing the Accounts earlier for the current year. Issues in the balance sheet were being dealt with early as a result of improved planning, lessons learned, communications from Tribal and the capability of the team. There would also be an interim close at period 9 and an interim audit. This would not be a full audit but would help to address disclosure and opening balance issues. It was expected that with this process the year end should be approached and finalised much more expeditiously.

The Committee was pleased to see that lessons had been learnt and a plan was in place; it was now the effective execution of this that had to take place. It was added that there needed to be clear points of accountability. Simon Hart answered that he would be the single point of accountability.

The NAO said the key points for improvement from their perspective needed to be around the quality of the drafts and the quality of payroll and HR data. The major issue which could seriously impact the Accounts would be the completeness of the payroll and HR records. Any disclosure regarding the arbitration would also need to be considered.

It was agreed that Liz Pike and Andrew Clarke should put together a timeline for the Accounts with the NAO without waiting for the DfT timetable, as this was not expected to impact the deadlines for the current year.

The Committee asked for assurance that the organisational changes taking place in Finance and Corporate Services would not impact the Accounts closure. The Force offered its reassurance that this would not cause a problem.

Agreed

- Liz Pike and Andrew Clarke to put together a timeline for the Accounts with the NAO without waiting for the DfT timetable.

31/2010 Payroll Audit Findings Update

Agenda Item 11

The Chair expressed his disappointment at the paper with which the Committee had been provided. He said that the paper did not indicate where the Force had reached in resolving the issues raised or what the action plan was. There were no timeframes and only promises for things to happen in the future giving the Committee no confidence that matters were in hand. It was noted that the resolution of the payroll issues was time critical as if these were not resolved before Christmas the 2010/11 Accounts were likely to be qualified at the year end close.

The Force accepted that the paper could have been firmer with regard to timescales but assured the Committee that the work was taking place. The payroll was moving to Birmingham so that both payroll and HR were on one site, and there was a full project plan for this. A 100% review of police officer entitlements was taking place and was expected to be completed by the end of November. Tables had been created which detailed the various nuances in police officer pay, which depended on rank and year of entry to the service, for files to be compared against. Once files had been reviewed a certificate would be placed on each file to confirm that the entitlements had been checked and signed off. The check would begin with those officers who had been identified from the Origin system as appearing to have discrepancies between their entitlements and their actual pay and allowances, these were few.

This approach was welcomed but the NAO added that its main concern had been missing documentary evidence generally, such as joining letters and promotion letters. The issues identified had also included other matters aside from allowances, such as documentary evidence for bonus payments and the fact that some files had been completely empty. The NAO said that it needed clear evidence for its audit but recognised that this was a huge task for BTP to undertake and the resources required should not be underestimated.

It was agreed that the Force would develop a plan for its own audit of the files ahead of the NAO to ensure that the NAO had the required evidence for its audit. Once developed the plan would be shared with the NAO to ensure that the proposals would fulfil their evidence requirements. This work needed to be finalised before the end of 2010 to prevent the likelihood of qualified Accounts for 2010/11 as a result.

The Force confirmed that all officer files that had been started within the current financial year should meet the audit standards as the new HR Business Centre was responsible for the files and had strict guidance on how these should be maintained. It was noted that as a result of the EPS project there should not be an issue regarding the staff files.

Agreed

- BTP to develop a plan for its own audit of the files ahead of the NAO to ensure that the NAO has the required evidence for its audit later in the year.
- The plan to be shared with the NAO to ensure that the proposals will fulfil their evidence requirements.
- This work needed to be finalised before the end of 2010 to prevent the likelihood of qualified Accounts for 2010/11 as a result.

32/2010 BTPA Risk Register

Agenda Item 4

Two new risks had been added to the Authority's strategic risk register since the last meeting. These included a risk around a reduction in revenue and capital funding resulting from the effects of the comprehensive spending review and the McNulty review (SR53). These pieces of work had not yet reported so the probability and impact of them was difficult to gauge at this stage. However, it was confirmed that the BTPA and BTP were engaging with the McNulty review and had responded to the 21st Century Policing consultation. The Chair was also speaking with stakeholders. It was agreed that these actions should be included on the risk register. It was further noted that this risk should take account of matters outside of the DfT as the Home Office police settlements could affect BTP.

The second new risk described the potential budgetary and cash flow risk related to an exceptional operational event. The profile of spend for previous events was being reviewed to determine the impact of this. The possible cash sources were also being determined but would include the contingency reserve and the DfT. It was agreed that a discussion was required with the DfT to determine where it would help and what sort of help would be given in the case of different exceptional operational events, i.e. whether this would be initial funding to be repaid or permanent funding or whether the instruction would be given to go out to the PSA holders.

Agreed

- The actions taken in relation to SR53 to be included in the risk register.
- SR53 to be expanded to include the possible effects of Home Office police force budget settlements.
- Liz Pike and David Hibbs to ensure that the DfT framework document includes a piece on DfT funding in the case of exceptional operational events.

33/2010 BTP Risk Register Review of Reserves

Agenda Item 5

The Force updated that the three main updates were that training had been an issue but was being tackled. EPSA contracts were not a major risk currently as most had long notice periods but the risk would increase in future years as the terms expired. The potential budget settlement for 2011/12 was causing concern but this was being picked up through the usual budgeting process.

There was a concern around custody facility provision. The Force advised the Committee that forces could not refuse the use of their custody facilities to BTP if there was space.

It was agreed that the EPSA risk (SR43) should be reviewed with the Executive to agree whether it should be moved from the BTP register to the BTPA register.

Agreed

- The EPSA risk (SR43) should be reviewed with the Executive to agree whether it should be moved from the BTP register to the BTPA register.

34/2010 Amended Financial Framework

Agenda Item 9

A copy of the finance governance statement, which detailed the charging governance arrangements, was circulated for comment (copy in the minute book). This document had already been approved by the Committee but was circulated for comment following amendments resulting from the change to the Accounting Officer. Once comments had been received and any resulting amendments made the Chief Executive and Treasurer were authorised to sign this off. Comments were also requested on the DfT framework document which was attached to the cover paper. All comments to be sent by email to Liz Pike within 7 days.

The Committee noted that the Financial Governance document referred to the Authority Members as the “*BTPA Board*” and the Executive team as the “*Authority*” and considered this inappropriate. Whilst it was recognised that this was the result of an attempt to clarify where the actual Authority Members were referred to as opposed to the Executive team, and agreed that this clarification was necessary, it was felt that the chosen wording should be reviewed and revised.

The Committee asked how the split of the Accounting Officer position was working. Andrew Figgures updated that this was working well and any tensions were being worked through to deliver an efficient and effective police force. He added that within the constraints of the financial systems within which BTPA and BTP operated he had the appropriate level of visibility of financial information.

Agreed

- Comments on both framework documents to be sent to Liz Pike within 7 days.
- The Chief Executive and Treasurer to be authorised to sign off the finance governance statement following Member comment and any resulting amendments.
- The nomenclature within the Financial Governance document to be reviewed and revised.

35/2010 Reserves

Agenda Item 10

This paper addressed the questions raised regarding the levels of contingency reserve and working capital required. The NAO felt that the word “distributable” was misleading and required revision.

The DfT and the Authority to discuss the proposals for the working capital reserve.

Agreed

- The term “distributable” to be revised to income and expenditure
- The DfT and the Authority to discuss the proposals for the working capital reserve.
- The contingency reserve to remain at £2.2m with an aspiration to increase to £3m.
- The capital funding reserve be amended each year to represent the monies spent on capital expenditure net of the depreciation recovered from the DfT, after adding back the pre 2004 asset net book values. An adjustment to then be reflected in the accounts and disclosed as a creditor / debtor with the DfT.
- The detailed cash flow forecasts to be reviewed at the Finance Group to establish whether further cash is required for funding working capital.
- The Executive and BTP be authorised to discuss any requirements with the DfT.

36/2010 Tribal Reports

Agenda Item 6

Summary Internal Audit Progress Report

Progress against the plan was progressing well. Some additional days had been spent completing the DfT Internal Audit Quality Review and on other matters that had arisen.

Annual performance figures were also included in the progress reported which were promising.

Area Compliance Checks - London North and North Western

The Committee said that more assurance that things had been physically addressed and dealt with appropriately would be welcomed. Tribal assured the Committee that recommendations were followed up and would be checked on other Area reviews, if they had not been implemented on these Areas they would go back to the original Areas as a further check.

The Committee asked how BTP dealt with people who repeatedly did not follow procedure and policy. The Force responded that in some cases such as the minor misuse of procurement cards these would be removed

but if serious persistent offenders were identified this would be referred to PSD for investigation. However, the audits had not uncovered particular problem individuals.

DfT Internal Audit Quality Review

The review had been returned to the DfT where it was now subject to peer review. It was understood that this was a review that all organisations that were part of the DfT family were undergoing.

Date of next meeting: 16 December 2010 10.00 - 12.30 at FHQ

Signed.....
Chairman