



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 16 December 2010, 10.00am

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

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

**Apologies:**  
James King  
Jeroen Weimar

**In attendance:**

Paul Crowther, Deputy Chief Constable  
Andrew Clarke, Acting Director of Finance & Corporate Services  
Teresa Hickman, Acting HR Director  
Peter Zieminski, Chief Superintendent  
Simon Hart, Head of Finance

Martin Fry, Head of Professional Standards

David Hibbs, DfT

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

Andrew Townsend, Tribal Business Assurance  
Steven Lake, Tribal Business Assurance (part)

Andrew Figgures, Chief Executive  
Liz Pike, Authority Finance Director  
Lucy Barrick, Business Manager & Minutes

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**37/2010 Welcome and Apologies**

**Non-Agenda**

The Chair gave apologies from James King and Jeroen Weimar.

**38/2010 Minutes Meeting 21 September 2010**

**Agenda Item 1**

The minutes were approved as an accurate record.

**39/2010 Matters Arising**

**Agenda Item 2**

All actions had been discharged.

**40/2010 Finance Summary Report**

**Agenda Item 3**

The Force updated that as part of budget monitoring, work was taking place to reconcile the number of officers and staff on Areas compared to establishment. The extra challenge from the BTPA Finance Group was welcomed.

The funding envelope for 2011/12 had been agreed at the Authority meeting on 9 December and a significant amount of work was taking place on savings plans.

Work was already taking place to prepare for the Year End Accounts and there was early discussion with the National Audit Office (NAO) on a template.

The review of the Finance and Corporate Services Department was ongoing. The target for savings was above the 3.3% reduction which resulted from the funding settlement. This was going beyond looking at the structure of the Department to broader matters such as:

- Resource management
- Building capability of the F&CS function
- Ensuring F&CS policies are fit for purpose
- Process improvement, standardisation and compliance

An action plan was being developed to deliver this. CIPFA guidance was being consulted and benchmarking on cost and quality taking place. Mr Holden advised that the F&CS portfolio had been assigned to him as part of the Authority's new arrangements. He asked if he could meet to discuss this ahead of the Christmas break. It was agreed that arrangements would be made for this to take place if possible.

The Committee reviewed the outstanding audit recommendations that were appended to the report. These largely related to asset management and it was noted that an audit report covering this was a later item on the agenda. The Force advised that the major recommendation here was

ensuring that there was read across between the inventories and asset registers and that these were accurate. Work was taking place to ensure that all inventories were in a standardised format and quality assured.

The Committee asked whether the threshold had moved from £1k to £5k for capital expenditure. The Force responded that the threshold remained at £1k on capital. If this were amended it would impact revenue and capital departmental expenditure limits, with all spend under £5k becoming revenue. This would be a preferred situation but the Force was not in a position to move to this currently.

The Committee questioned whether cultural and wider issues needed tackling first in relation to asset management. The Force responded that the policy had been reviewed and was fit for purpose but compliance was an issue. It was suggested that the Force needed to approach this with employees in a way which demonstrated the value for them of accurately and consistently completing these to ensure that they followed the policy.

The audit action relating to creditor payments was being progressed with the IT Department developing a solution which would send invoices to the authoriser electronically so that they could be paid more promptly.

The Authority Finance Director updated that she and the Chair had been to Treasury Management Training which they had found very useful. Should any of the other Committee Members be interested they should advise the Authority Finance Director.

### **Agreed**

- A meeting with Mr Holden to be arranged to discuss the F&CS portfolio before Christmas as part of the new portfolio arrangements.
- Members to advise the Authority Finance Director if they would like to complete the Treasury Management Training.

## **41/2010 BTPA Quarterly Strategic Risk Report Agenda Item 4**

The Committee was notified that the strategic and operational risk registers were reviewed on a monthly basis by the Senior Management Team (SMT) at the Authority Executive.

A new risk had been added to the strategic register which referred to refreshing the data in the charging model for the 2011/12 charges. To mitigate this, weekly meetings were taking place with the Chief Executive to update him on any issues. Work was also taking place in plenty of time to ensure that any data issues could be identified and resolved. A data issue relating to the command and control data had been highlighted to the Authority at its last meeting on 9 December.

The risk around the irrecoverable gap had significantly reduced. The Committee agreed that the Authority needed to ensure that the DfT had current data when releasing franchise information. However, it was recognised that this should not be the Authority's responsibility. Mr Hibbs said that he would take this issue back to his colleagues.

On the pensions risk, the recovery plan for the officer scheme had been agreed and a letter was being sent to the Trustee. The staff fund valuation was the next matter to focus on and would take place in 2011.

It was noted that the London Governance issues did not appear on the risk register and it was suggested that a risk be added to cover this.

On the operational register, the Authority had passed the break clause in its lease and a rent review was underway. The initial letter from the landlord's had suggested a 20% increase. The Authority was resisting this and going to arbitration.

The Chair updated that at the Treasury training he had attended it had been suggested that the person presenting the assurance on the register should be named on the register. This was covered by the strategic lead on the BTPA/BTP registers but the wording could be amended to make this clearer.

### **Agreed**

- The Authority to ensure that the DfT has up to date information on BTP charges when franchise tenders arise.
- Mr Hibbs to take the accuracy of BTP charges in franchise tender information issue back to his colleagues and to review the DB Regio agreement in light of this.
- A risk to be added to the strategic register on the London Governance arrangements.
- The "Strategic Lead" column to be renamed to demonstrate that this was the person presenting assurance.

## **42/2010 BTP Quarterly Strategic Risk Report**

### **Agenda Item 5**

The Force updated that compliance with Freedom of Information (FOI) Act deadlines had become an issue. Additional staff had been drafted in to clear the backlog that had developed and the Information Commissioner was assisting and aware of the issues faced. The additional staff would not be required for much longer and a plan was in place to ensure that the backlog did not reappear after their departure.

FOI had moved to the Protective Services portfolio. The volume of requests was an issue and the Force's Publication Scheme would be expanded to try and make as much information easily available as

possible. The FOI team would also be moving to a new management structure and would work alongside those providing Criminal Records Bureau checks.

The risk that other police forces may charge for services they had previously provided free of charge had been moved to “as low as reasonably practicable” (ALARP) as this had not taken place thus far and there was no evidence to suggest it was imminent. However, with the budget settlements this may re-emerge in the future.

The contract for the Wide Area Network (WAN) had been signed and should mitigate the risks outlined in relation to this. Therefore, the risk had been closed and the risks relating to the project were included on the project risk register.

The Professional Standards Department (PSD) was expanding to become the Equality, Compliance and Standards Department. It was considered that there was a significant overlap between PSD’s work and employment tribunals. Therefore, the legal services function would come under this umbrella along with the risk and audit functions. There would also be a shift towards location based audits to streamline this process rather than subject related. Similar models to this had been put in place at Norfolk Constabulary and Camden Borough Council both of which were reporting success.

The Committee questioned the limits included in the impact table. The definition for minor impact in a financial sense was up to 5% of an Area/Departmental/Project budget. The Committee felt that this appeared low but accepted that it may be offset by the £5m figure included in the major impact definition. The Force said that it would review the categories.

The custody risk had been on the register for 3 years and it was asked whether this would be removed soon. The Force responded that the opening of the London North facility would do much to answer the risks.

The Committee noted that some things, such as an increase in the price of copper, appeared on the register that the Force could not do anything about. It was argued that these should be taken off as having a plan in place was the appropriate response.

### **Agreed**

- The Force to review the risk impact definitions.

## **43/2010 Management Assurance Document Agenda Item 6**

The Management Assurance Statement was presented to the Authority. This document had to be completed on a six-monthly basis and sent to the DfT. The document presented had been signed off by the Chief Executive as Accounting Officer and sent to the DfT in September. In future it would come to the Committee before being submitted.

The Force advised that it would review the process for following up the items that the statement noted as requiring action as part of its work to look at managing the response to audit reports.

The sources of assurance document that was appended to the paper would go to the Chair of Audit Committees Forum at the DfT which the Chair now attended.

### **Agreed**

- The Management Assurance Statement to come to the September and March Committee meetings for comment before submission to the DfT.
- The Force to review the process for following up the items that the statement noted as requiring action as part of its work to look at managing the response to audit reports.

### **44/2010 BTPA Gifts and Hospitality Register**

#### **Agenda Item 7**

The BTPA Gifts and Hospitality Register was presented for sign off by the Chair of the Committee.

The Chief Executive advised that he had reviewed BTP's register and approved it. This could be found on the Force's website as part of its FOI Publication Scheme. He confirmed that all items had been authorised appropriately. However, he added that a new standard operating procedure had been developed which was much more rigorous on what it did and did not allow to be accepted. The Deputy Chief Constable had briefed the chain of command on the changes. The SOP had been developed following benchmarking with similar organisations.

### **Agreed**

- The BTPA risk register was approved.

### **45/2010 Payroll Review Update**

#### **Agenda Item 8**

The internal auditors had reviewed the payroll arrangements in October/November 2009 and made a number of recommendations. In response BTP had undertaken an internal review and incorporated the findings of each into a project which was addressing the below matters:

- Co-locating the HR Business Centre (HRBC) and payroll in Birmingham
- Introducing electronic timesheets
- Introducing electronic payslips
- Integrating appropriate IT systems

The project to deliver these changes was progressing well. This statement was supported by Mr Holden and Mrs Pike both of whom sat on the Project Board.

The NAO had carried out some sampling tests following the audit of officer HR files. This had uncovered some minor issues regarding time off in lieu (TOIL) payments and similar matters but overall was promising. The staff files were currently being audited and should be completed by the end of December. Any under and over payments would be sent to the SCT in January for decision but nothing material had been found. The reasons for these were varied and related to things such as London Allowance not being stopped in time when an officer moved to a different area and in some cases the complexity of the payments had been an issue.

The Committee thanked the Force and NAO for their work in this area and Mr Holden and Mrs Pike for their role. The NAO advised that they had done their best to help the Force get the files right but could not guarantee that there would not be any issues for the audit.

#### **46/2010 Final Accounts 2010/11 Timetable**

##### **Agenda Item 9**

The skeleton of the Year End Accounts for 2010/11 was being developed much earlier than previously. There was a small disagreement between the BTP timetable and NAO timetable but nothing that could not be managed.

It was noted that the timetable would need to change in 2011/12 as the Authority would be required to submit consolidated accounts to the DfT.

#### **47/2010 Corporate Governance Scheme of Delegations**

##### **Agenda Item 10**

The Committee received a report updating on the financial aspects of the revised Governance Code. The Financial Framework and Management documents had been commented on previously. The new document for discussion was the scheme of delegation.

The scheme of delegation had been amended from its previous version to include a column showing where the DfT needed to be consulted. It no longer included a column for the BTP Director of Finance and Corporate Services as the Chief Constable would delegate downwards as appropriate. It was confirmed that the Chief Executive and Chief

Constable were not intended to be joint signatories but had individual delegations. The scheme amounts were inclusive of VAT as this could not be recovered.

A template document for a business case was presented to the Committee as Appendix B to the report. However, this was not intended to be part of the scheme.

The Committee questioned what was meant by the delegation of total revenue budget. The Authority Finance Director explained that this gave the post holder the delegation to spend the budget once approved as long as it was spent in accordance with the approval. The Committee was concerned that this lacked clarity. There was also a concern regarding those delegations that were stated as unlimited. The Committee felt that a figure should be inserted to clarify what was being delegated.

The Committee stated that it did not want to interfere with the Chief Constable's ability to run the Force, but it needed to ensure that good governance was in place in that it was clear, appropriate and unambiguous. It wanted a permissive scheme not an inhibitive one where people were able to manage effectively. For those categories where unlimited was stated it was agreed that average spends would be calculated and inserted.

The NAO commented that the European Union (EU) limits should be applied for tender limits. Also, that the DfT had the delegation in relation to redundancy and not the Authority.

#### **Agreed**

- Those categories where unlimited was stated it was agreed that these would be reviewed.

#### **48/2010 BTPA Anti-Fraud & Corruption Policy and BTP Fraud Policy - Fitness for Purpose**

##### **Agenda Items 11 & 12**

These items were deferred to the next meeting to allow further work to take place.

#### **49/2010 Business Continuity Presentation - FCRL Scenario**

##### **Agenda Item 13**

Superintendent Trendall and Inspector Taylor gave the Committee an informative presentation on a scenario which forced the closure of the Force Control Room London (FCRL) and how the business continuity arrangements would work.

#### **50/2010 National Audit Office Update**

##### **Agenda Item 14**



The NAO submitted its Audit Planning Report to the Committee. The significant risk areas were named as:

- Staff costs – in relation to the appropriate documentation being available and the relocation of payroll to Birmingham
- PSA Income – in regards to the potential for additional challenges to the charging model
- London Underground – relating to the contractual arrangements and governance of the Area
- Accounts Preparation and Audit Pack – owing to the tight deadlines it was noted that the quality of evidence would need to be improved from the previous year, particularly in the case of payroll and non-routine transactions

On the L Area governance issue the Chief Executive advised that he was preparing a report to explain what happens, what can be done about it and what the flows are in terms of who does what for who. Tribal were reviewing the arrangements at the present time and had raised a number of questions which were being answered. The NAO advised that they wanted clarity on what was happening in 2010/11 and what would happen going forward.

The NAO drew the Committee's attention to the area of departmental loans and grants which would be a focus of the audit. It was noted that this was an important area for BTPA and that there would be questions regarding the treatment of grants.

The Committee felt that the risk relating to the evidence for staff payments was overstated owing to the significant amount of work that had gone into this area in the last few months. The NAO agreed to clarify the risk in its report.

### **Agreed**

- A report on the L Area governance arrangements to come to the Audit Committee for its March meeting with an interim measure to resolve the situation until 2013/14.
- The NAO agreed to clarify the payroll risk in its report.

## **51/2010 Tribal Reports**

### **Agenda Item 15**

#### **Summary Internal Audit Progress Report**

Tribal updated that the audit plan was on target. The travel and accommodation booking system would be revisited in the last quarter.

### **Banking Arrangements**

The audit had given reasonable assurance. There had been four important recommendations of which the Force had accepted three. The fourth related to cash in the bank and whether the Force was achieving

value for money. The Force did not consider that it had the capacity to put cash into longer term investments and that this would add a degree of complexity.

The Committee suggested that the Force consider committing money for shorter periods of time such as overnight money and encouraged creative thinking in this area. However, it was accepted that interest rates were currently low and as such a 0.5% return on the RBS account was reasonable.

### **Agreed**

- The Force was encouraged to think creatively about making its money work and to consider shorter term investment options.

### **Police Service Agreements**

This audit had given substantial assurance and was seen as a significant improvement on the previous year.

### **Travel and Accommodation Bookings - BTP**

The audit had given limited assurance. The focus was on two elements which were the Capita booking agents and the use of procurement cards. The emerging control issues had largely focused on the use of procurement cards and it was noted that significant progress had been made on the recommendations since the report had been written.

The Deputy Chief Constable assured the Committee that there was a piece of work underway to ensure that procurement card holders were submitting their transaction logs on time, and the number of card holders was being reduced. The balance of the account which held the procurement card fund had much improved although there was an issue between the timing of the receipt of the statement and payment. Capita had been spoken to and clearer requirements agreed.

Travel warrant arrangements had also been reviewed as part of this audit and no fraudulent activity had been found. However, there were several recommendations for the Force on the administration of these to be implemented.

The Committee requested an update to its March meeting on where the Force was with the recommendations. It was also suggested that some small scale internal sampling on a regular basis may be useful.

### **Agreed**

- The Committee to receive an update to its March meeting on progress against the recommendations.

### **Travel and Accommodation Bookings - BTPA**

This audit had given substantial assurance and was noted.

**Privileged Travel**

Tribal advised that they were conscious that a lot of work was already taking place. The issues reported were considered symptomatic of things that had been happening for a long time.

The Force assured the Committee that tighter controls were being put in place. One of the major issues was people leaving the service and ATOC not being informed promptly. A full reconciliation had been completed as a result of this and the Force could reassure the Committee that the ATOC charge now only reflected those in service.

**Asset Management**

This audit had given limited assurance. A detailed implementation plan for asset management was due in March from the Director of Finance and Corporate Services.

**Agreed**

- The Force to bring a detailed implementation plan to the March meeting.

**IT Review of Net Controls**

The 50 days programme was almost complete. The Vigilance Pro software was being placed on people’s machines as part of this upgrade.

**HR Records**

The HR records audit had given limited assurance but it was recognised that this was now a historic document as so much work had been completed in this area over the last couple of months. Ms Hickman updated that the audit of the HR files had covered off most of the recommendations and the focus was now on the weeding and disposal of files. Personal files now never left the HRBC which covered the data protection point.

**Date of next meeting:** 28 March 2011 10.00 – 12.30 at FHQ

Signed.....

Chairman