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Minutes

Audit & Corporate Governance Committee

Date: Thursday 18 March 2010, 10.00am

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

Present: Sir David O'Dowd (Chair)
Mr Michael Holden
Suzanne May

Apologies:

Mr Colin Foxall
Mr Jeroen Weimar

In attendance:

Mr Andrew Trotter, Chief Constable
Mr Paul Crowther, Deputy Chief Constable
Mrs Sharon Burd, Director of Finance & Corporate Services
Ms Linda Scott, HR Director
Mr Peter Zieminski, Chief Superintendent
Mr Andrew Clarke, Interim Head of Finance
Ms Kay Black, Head of Risk Management & Insurance
Ms Vanessa Delices, Secretariat Manager

Mr Ian McBrayne, DfT

Ms Janet Angus, NAO
Ms Jo Taylor, NAO

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

Mrs Liz Pike, Treasurer
Miss Lucy Barrick, Business Support Manager & Minutes

01/2010 Welcome and Apologies

Non-Agenda

The Chair gave apologies from Mr Weimar and Mr Foxall. He also formally welcomed back Mrs Burd who had been unwell.

02/2010 Minutes of Special Meetings 1 and 9 December 2009**Agenda Item 1**

The minutes of 1 December were approved with a small amendment to the third paragraph under 37/2009.

The minutes of 9 December were approved.

03/2010 Minutes of Meeting 15 December 2009**Agenda Item 2**

The minutes were approved as an accurate record with two small amendments.

04/2010 Matters Arising**Agenda Item 3**

The Committee was updated that the Charges Group was progressing the work on London Governance.

The Authority had approved a new governance structure within which corporate governance had moved from the Audit Committee to the full Authority. This had already started with the Authority receiving the 2010/11 PSA charges at its meeting on 11 March and the further decision that the Strategic Risk Register would be reported more frequently to the full Authority. The Committee requested that they have sight of their new terms of reference for comment.

The Accounting Officer was also changing with the Chief Executive to the Authority being the Accounting Officer for BTPA and the Chief Constable being the Accounting Officer for BTP. This would more accurately reflect their actual responsibilities. The changes would not affect the Chief Constable's responsibilities in relation to policing. The new arrangements would also provide for shared accountabilities where these were appropriate and formal agreements between the Authority and BTP when one was providing services for the other. A service level agreement was being developed and would be brought to the Full Authority for approval.

Agreed

- The Committee to have sight of the new terms of reference for the Audit Committee for comment.
- As soon as the Accounting Officer changes are completed the Financial Governance Framework must be updated to reflect this.

05/2010 Finance Summary Report**Agenda Item 4**

The Committee was advised that the 2008/9 Accounts had been finalised and laid before Parliament. The close of 2010/11 was the current task and a plan for this was in place with final Accounts scheduled to come to the Audit Committee in June and full Authority in July.

The exit from Tadworth was described as on track. BTP had moved out of Tadworth on 12 March and was moving into Spring House, Holloway Road. There had been no gap in training resulting from this. The Committee was given assurance that there were no issues and a final assurance report on the exit would be provided to the June meeting which would cover all the issues raised in the internal audit report regarding Tadworth.

The Committee noted that the potential increase in the threshold for defining capital expenditure from £1k as described in the paper seemed low and would be addressed as part of the Force review of Finance and Corporate Services.

The Pension Plus scheme had launched in January and would be effective from the March payroll. This had been an opt-out scheme and the take-up had been lower than expected with around 50% opting out. It was noted that the take-up was not as high as would be expected in private sector organisations, but as BTP was the only police force able to do this it was considered that this may be a result of initial nervousness around the scheme. It was identified that better communications may have helped here.

The Force advised that savings from the Pension Plus scheme had not been an assumption in the budget for 2010/11, and offered reassurance that the scheme was still viable despite the lower than anticipated take-up. However, it was noted that the scheme could only be opened up for new membership on an annual basis meaning that people could not opt in or out part way through the year.

The review of Finance and Corporate Services was underway. The review aimed to improve consistency between the Areas ensuring one way of doing things. It was reported that there may be some savings as a result but the main gain was expected to be improved support and effectiveness at a high level.

A concern was raised regarding the tone of the paper in paragraphs 3.2 and 3.3 in the current economic climate. It was noted that the Authority had been clear that a rush to spend at the end of the year would not be an acceptable situation.

On review of the outstanding audit actions, the Committee noted that these had progressed well and commended the Force on its work, with many outstanding actions now being completed.

The Committee questioned why the follow up payroll work had not been put on the agenda. Tribal advised that the site work on allowances had been completed but it was difficult at this stage to be precise on the root

cause of the issues. The Force advised that a review of all the issues raised in the original audit had been completed and found that in most cases where there had been a suggestion of overpayment there was an explanation for this. The Force was looking for a recovery plan for the few actual overpayments found and was taking legal advice on this.

The Force accepted that the allowances policies were complex but stated that they were clear. To resolve issues in this area the focus was on ensuring that those administering the policies were fully trained. It was noted that there should be more consistency in these matters as the new HR Business Centre became embedded.

The Committee was reassured by the Force that allowances should not be an issue for the 2009/10 Accounts. It was agreed that a further update would be provided to the Committee in June. The NAO advised that the important factor was to find why things had gone wrong and do a detailed test. The NAO informed the Committee that they would be relying on Tribal's audit work on payroll for the 2009/10 Accounts but would be having a look again themselves for the 2010/11 Accounts Audit.

Agreed

- An assurance report on the Tadworth exit to be brought to the June meeting covering all the issues that had previously been raised in the internal audit report.
- An update on progress against the payroll findings recommendations to be provided to the June meeting.

06/2010 Strategic Risk Management

Agenda Item 5

The Committee had been remitted the Annual Risk Report from the full Authority. The Committee noted that in the last quarter a significant number of risks had reduced following a push by BTP to complete actions.

Four new strategic risks had been identified by BTPA:

- Failure to collect monies due to BTP/BTPA
- Challenges to the Standard PSA introduced from April 2010
- Challenges to the Uniform PSA to be introduced in 2013
- Potential pension fund shortfalls for both police officers and police staff

The Committee was advised that these risks, which needed to be completed as soon as possible, would be included on the Register by 29

April. A BTPA Risk Register would also be a standing item on the Committee agenda from the next meeting. The Authority had drafted out all its risks and was formatting these into a combined Risk Register with the Force.

It was suggested that it would be useful for the Authority and Force to review the ownership of the strategic risks. This was agreed.

It was noted that the pensions risk relating to transfer between BTP and Home Office forces remained a difficult risk as no acceptable solution could be reached. Mr McBrayne suggested that it would be useful for a letter to be sent to the Secretary of State setting out the reasons why the legislation changes, which had been put through by the Home Office, were not considered to be workable. The Committee was advised that a letter had been drafted and would be sent shortly which included a comprehensive explanation.

The NAO questioned why the risk around the failure of key suppliers (SR26) was not mitigated further. The Force advised that a lot of activity to mitigate this risk took place, including a six-weekly review of suppliers and single points of contact appointed for critical suppliers. However, in some cases there was only one supplier available and as such the risk remained high despite the mitigation activity.

The Committee noted that the risk relating to the Judicial Review decision creating a funding deficit (SR37) was out of date as it had been realised. The Committee was advised that this risk would be closed once the new risk in this area was received from BTPA.

The risk relating to disaster recovery in the event of server loss (SR41) was discussed. There were two options being considered to mitigate this and these were a back up server in Birmingham or off site location. These were being scoped and costed currently.

Risks were closed at the Committee and in the future would be removed from the Register at this point. Records of closed risks would be retained by BTP.

The Committee was informed that a revised Risk Management Standard Operating Procedure had been developed which enhanced the process making it more manageable but did not significantly change it.

Agreed

- A meeting to be arranged to discuss the ownership of the strategic risks between BTP and BTPA for inclusion of BTPA risks onto the Strategic Risk Register by 29 April.
- Closed risks to be removed from the Register presented to the Committee.

07/2010 Tribal Reports Agenda Item 6

Summary Internal Audit Progress Report

Tribal updated that they were on target to complete the agreed work.

It was suggested that the audit of the business continuity arrangements for the Human Rescores Transformation Project be cancelled with the agreement of the Committee as the project had come to a close. This was agreed.

The Statement of Internal Control was for 2009/10 was currently in draft form and would be going through the Strategic Command Team. It was agreed that it would also be distributed to the Audit Committee offline for comment. It was suggested that the 2010/11 Statement of Internal Control should be developed earlier and come to the December meeting. The NAO felt that this would be difficult to achieve and further consideration would be given to this outcome going forward.

It was requested that Tribal did not print on green in future as this was difficult to read due to the poor contrast.

Agreed

- The Statement of Internal Control for 2009/10 to be distributed offline to the Audit Committee once in final draft for comment.
- Further consideration to be given to the suggestion to develop the Statement of Internal Control earlier for 2010/11.

Internal Audit Annual Plan 2010/11

It was noted that the Treasury was conducting an alignment project which would see the consolidation of all NDPBs into Departmental Resource Accounts. This would mean that the timetable for the certification of Accounts would need to be accelerated. The Committee would also need to review the timeframe for the Statement of Internal Control with a view to bringing it forward (as discussed in the previous item).

Tribal were not suggesting that they review cashable savings as another provider was looking at this for BTP.

Tribal suggested that it may be useful for them to be proactively involved in the work on the Accounting Officer in drawing up the service level agreement between the Chief Executive and Chief Constable. This was agreed. It was further suggested that once the arrangements were in place that a review of how they were working would be useful.

Tribal was also suggesting a review of expenses both transactional testing generally and a review of the general policy and whether this was justifiable. This was agreed.

The Committee was pleased to see the synergy between the NAO requirements and the Internal Audit Plan. They noted that the plan included an additional 10 days.

The Force advised that the plan had been through the Strategic Command Team and they were content.

The Committee **approved** the plan.

Area Compliance Checks - London South & Wales and Western

The Committee questioned why the reports did not give an assurance level. Tribal suggested that it would be useful to identify any recurring themes across Areas to see if issues identified were local or national. This would give a more balanced view and enable a rating to be recorded.

Tribal responded that they did not believe that there was anything within the reports that would give the Committee specific concern. It was noted that there was one urgent finding to be addressed on the London South Report. The Force advised that this related to a third party property and the agreed actions were already implemented.

The Committee noted its disappointment that it was the same legacy issues as had been previously identified that were being found again. The Force advised that a process was being developed whereby the results of the Area audits could be notified to other areas as a matter of routine so that all the benefits of the audit recommendations could be realised across BTP.

In response to the finding regarding the treatment of CCTV, the Force responded that the instruction to treat this as property was a new approach so some teething problems were anticipated but the structures were now in place and this should improve.

The Committee requested sample sizes to be included in the findings tables to give a feel of the scale of issues.

Agreed

- Sample sizes to be included in the findings reported.

Review of ICT Procedures Procurement Arrangements

This had given reasonable assurance with no urgent recommendations identified. A government strategy relating to this had been released since but the view was that this would not have significantly changed the audit.

Review of the Purchase Order Arrangements

The review of purchase orders had given substantial assurance and no recommendations.

Review of Creditor Payments Arrangements

This review had resulted in reasonable assurance.

The NAO had some concern regarding speed of payment. This had also been an issue historically, which was accepted, and it was noted that changes were in train to make this process more efficient. The bank account change had also reduced the stock of cheques and all the old cheques had been destroyed.

Follow-up Review- PwC Recommendations

The follow-up report found that the matters were being addressed and many had been completed.

Agreed

- The Government Protective Marking Scheme to be applied to all audit reports.

08/2010 Data Security**Agenda Item 7**

The Force had provided a detailed report on where the four risks identified by PwC had progressed to.

The risk around portable storage devices had been mitigated with the introduction of a new standing operating procedure. The SOP did not ban the use of portable storage devices but controlled it with an authorisation process being introduced. BTP had also purchased new software called Vigilance Pro which would monitor how data moved around the Force and flag any breaches and potential breaches. The software was currently being tested and should be implemented by the end of March and cover the whole Force by July.

The risk around third party access had been mitigated.

The risk around regulatory compliance monitoring was being addressed and the result of the actions should be the ability to track restricted and above information around the organisation.

The risk on electronic data transmission through insecure channels would be mitigated through the Vigilance Pro software.

A final update on these recommendations would be brought to the October Committee.

Agreed

- A final update on these recommendations would be brought to the October Committee

09/2010 Business Continuity Planning Update**Agenda Item 8**

BTP updated that progress had been made and 12 of the 13 HMIC recommendations had been completed. The national skills audit was the outstanding action but this was in progress and due to be delivered on time.

The Committee was also updated that the Force was looking at introducing more training on business continuity as its aim was for continuous improvement.

The Committee requested a final verbal update to its October meeting.

Agreed

- A final verbal update to be provided to the September meeting

10/2010 NAO Final Completion Report**Agenda Item 9**

The draft completion report had come to the December meeting and this report updated that, showing that the outstanding issues had been completed. Management responses were also now included in the report and were discussed in detail. The Auditor and Comptroller General had taken the decision not to report publicly on the Accounts but had written to the Chief Constable as Accounting Officer and a thorough response had been received.

The Committee thanked the NAO for their hard work on the audit.

11/2010 NAO Draft Audit Strategy**Agenda Item 10**

The Chairman and Chief Constable had seen a draft of the Audit Plan prior to the meeting. The key risks to the Authority that the audit would focus on were included in Annex 1 - which was comprehensively discussed.

The first set of risks related to PSA income and it was noted that negotiations were ongoing with PSA holders and the Authority was close to finalising the outstanding issues. There were also risks around the substance of the changes following the recalculation of the 2009/10 charges and these would be reviewed. The prospect of future legal challenge would also need to be considered along with treatment of the

split of the grant/loan amounts from the DfT resulting from the implementation of the Judicial Review decision.

The Authority had identified an alignment issue around the treatment of capital grants with the DfT. The audit would look at the agreements reached around the accounting treatment of this.

The audit would review the basis for calculating amounts to be recharged to PSA holders to ensure that it remained appropriate. Focusing on the London governance issue and enhanced PSAs.

The changes to the governance structure with the new Accounting Officer arrangement would be reviewed as part of the audit. The Statement of Internal Control would also be considered as part of this as it was currently focused on BTP and not BTPA. There was also the risk relating to the changes in staffing with a new Chief Executive at BTPA and a new Head of Finance at BTP.

The strategy was **approved**.

Agreed

- Ms Angus to meet with Mr Coen for an exit discussion on governance matters and meet with the new Chief Executive once he was in post.

12/2010 NAO Statement of Internal Control: A Guide for Audit Committees

Agenda Item 11

The implications of the Statement of Internal Control were discussed, specifically focusing on those for the Audit Committee. The work was being taken forward by Mrs Pike and Mrs Burd and the Statement of Internal control was currently in draft form - as discussed under 07/2010. The NAO cautioned that the Committee should not become a substitute for other people's roles when reflecting the new guidance in practice.

Date of next meeting: 29 June 2010 10.00 - 12.30 at FHQ

Signed.....

Chairman