

Minutes Audit Committee

Tuesday 28 June 2011, 10.00am

at G3, FHQ, 25 Camden Road, London NW1 9LN

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Present:

Sir David O'Dowd
Colin Foxall

Apologies:

Michael Holden
Jeroen Weimar

In attendance:

Andrew Trotter, Chief Constable
Paul Crowther, Deputy Chief Constable
Sharon Burd, Director of Finance and Corporate Services
Simon Hart, Head of Finance
Marie Daniels, Head of Strategic Development
Kay Black, Head of Risk Management and Insurance
Vanessa Delices, Secretariat Manager

Andrew Nicholas, DfT

Nick Bateson, NAO
Jo Taylor, NAO

Andrew Townsend, Tribal Business Assurance

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

17/2011 Welcome and Apologies

Non-Agenda

1. The Committee recorded their sadness at the news of James King's passing. Mr King would be remembered for his significant contribution to BTPA and sadly missed. The Committee also recorded their appreciation of Mr King's drive and determination in his approach to his role as a Member of the Committee.

2. It was noted that it was the Chairman's last meeting and Mr Foxall would be taking on the role of Chairman going forward. Mr Foxall said that Sir David had made significant positive changes to the financial affairs of BTP and BTPA through his drive and energy and would be missed. The Committee recorded their thanks to Sir David for his strong and enthusiastic chairmanship.

3. Apologies had been received from Mr Holden and Mr Weimar and as such it was acknowledged that the Committee was not quorate. In regard to the approval of the fraud and corruption policies it was suggested that these be deferred until a future meeting for reasons in addition to the quorum issue that would be discussed once the item was reached on the agenda.

18/2011 Minutes of Meeting 28 March 2011

Agenda Item 1

The minutes were approved as an accurate record.

19/2011 Matters Arising

Agenda Item 2

1. The Chair asked for an update on the issue of pension transfer between the Home Office and BTP 30 year pension schemes. The Chief Executive updated that the DfT had advised that the Authority await the outcome of the Hutton Report recommendations and the impact of Winsor.

2. The Committee recognised that there was not the political will to address this issue at present and that to get any movement the BTPA would need to demonstrate that there was a serious operational risk resulting from the current situation. The Chief Constable said that he believed that the risk had already been articulated as this was not a new issue. The Deputy Chief Constable said that he had evidence of where the pensions issue had directly resulted in the loss of good candidates from Home Office forces as part of talent management and succession planning work and he could provide this to BTPA.

3. It was suggested that the Authority could approach this from the position that the implementation of Hutton could provide a vehicle for this minor improvement. It was stressed that the Treasury would not re-open the Home Office 30 year scheme, however with Hutton and the review of public sector pensions, and the rising pension retirement age, it may well become an issue again if the 35 year scheme was closed to new entrants. Therefore, it may well be worth making this point to the appropriate people.

4. It was agreed that a paper should go to the Full Authority in September to update on progress on this matter following any initial discussions.

5. The Chair was assured that the relevance of the Management Assurance Statement as it was currently produced for the BTP, was discussed at the bi-monthly meeting with the DfT and work on this was in hand. The NAO advised that the framework was currently being discussed and suggested that it may be useful to discuss this further outside of the Committee at a later date.

Agreed

- DCC to provide evidence of the impact of the pensions transfer issue on BTP from the talent management and succession planning work conducted, to be incorporated in a paper to go to the September Authority meeting on police officer pensions transferability between the Home Office and BTP schemes.
- The issue to stay on the BTPA Risk Register for the present time
- The NAO and BTP(A) to discuss the management assurance framework and the potential changes outside of the Committee at a later date.

20/2011 Finance Position - Summary Report

Agenda Item 3

1. The Force updated that the major pieces of work in the Finance and Corporate Services (F&CS) portfolio currently were the final accounts and the audit of these, strengthening further the budget monitoring arrangements and the development of the F&CS Futures Action Plan. There was some audit work outstanding but this was in hand.

2. The Chair recorded his gratitude to Mrs Burd's team and to Mrs Pike and her team for the year's work.

3. The Committee noted its surprise that the best that the bank could offer was a 12 month deposit on cash balances. The Force assured the Committee that they had pushed hard on this but the Force's cash balances were not that high and this was all that the bank would offer.

4. The Committee asked Tribal for their view on the new procurement card practices. Tribal responded that this would be reviewed in quarter 2 but it appeared that things were moving in the right direction.

5. The outstanding audit actions on procurement cards were listed with completion dates of 30 September. As this was shortly after the Audit Committee the Chair asked if they could expect them to be finished in

time for the Committee meeting. The Force responded that the actions would be completed by the September meeting.

21/2011 BTPA Quarterly Strategic and Operational Risk Report

Agenda Item 4

1. There had been two new risks added to the Strategic Register. The first of these was on the investment strategy currently in use for the police officer pension scheme. The current strategy was weighted heavily on equities which led to a high risk exposure. The profile of investments did not match the profile of the scheme members where over 40% of the members were retired. This was being worked on currently by the Pensions Working Group in partnership with RPMI and Punter Southall.

2. The second new risk related to the police staff valuation for which draft results were due on 1 July 2011. The results so far had shown a small deficit. The Authority Finance Director had challenged the pay assumptions and this had been accepted, as such it was expected that the valuation should result in a small surplus. Once the final results were received the risk would be reviewed.

3. The Chair asked what was happening with the business continuity risk. It was updated that this had been completed but the accommodation that had been identified was no longer available so new arrangements were being sought. The Chief Constable suggested that the Chief Executive speak with Mrs Burd who could facilitate new accommodation arrangements.

Agreed

- The Chief Executive and Mrs Burd to arrange new accommodation in the event of the Authority being unable to use its own premises.

22/2011 BTP Strategic Risk Report

Agenda Item 5

1. The risk reporting process had been simplified with the Risk Committee becoming part of Force Management Team Meeting (FMT) Part 2. This incorporated the operational risk and enabled a full picture of risk concerns to be reviewed and collaboration on solutions to take place with lessons learned shared widely.

2. There had been four risks closed since the last meeting which included:

- Custody provision in north London - closed following the opening of the new Brewery Road facility
- Demand for policing additional events in the build up to the Olympics - this risk was retained on the Olympic Risk Register

- The potential for claims by subjects of s44 searches following the European Court ruling - this had been closed as no claims had been received.
 - Response times to FOI requests - this has been closed as the enforcement notice from the Information Commissioner had now expired.
3. Four new risks had also been added to the register and these included:
- Potential failure to address issues of training, interoperability and legal powers to carry firearms as this was new for BTP.
 - Two relating to fraud and bribery as the policies were under development and a failure to deal with any of these properly could damage stakeholder confidence.
 - A failure to manage the introduction of the police Information Assurance Maturity Model (IAMM) which could damage BTP's reputation.
4. The paper also included an update on those items that been highlighted in the Statement on Internal Control.
5. The Committee noted that it appeared that a lot of good work had taken place. The Chair also stated that he was pleased with the final version of the Statement on Internal Control as this had been tightened up.

23/2011 BTPA & BTP Gifts and Hospitality Registers

Agenda Item 6

The report and register were noted.

24/2011 Annual Statement of Accounts 2010-11

Agenda Item 7

1. The Accounts were presented but it was noted that a significant issue had arisen on 20 June 2011 regarding approval of the IT expenditure on the Wide Area Network (WAN) Project. It was agreed that the Accounts would be discussed without reference to this initially and the WAN issue would be discussed in detail following this.

2. The Accounts had been circulated to Members for their comments in early June and comments had been received and incorporated. The process had been much smoother than in previous years and there was a good relationship with the NAO. The management commentary had also been reviewed and amended during the year. The Force advised that the report accompanying the Accounts also went into a lot more detail than previously for transparency.

3. The reconciliation between the year end management accounts and the financial accounts was reviewed. It was noted that there was a very large credit shown as a result of a change from RPI to CPI in valuing pension scheme liabilities under the pension disclosures. The NAO advised that this had been agreed between the NAO and the Treasury as a fundamental change in the benefits. The Treasury concern was that this matter was still subject to Judicial Review and also the presentational issue this created. It had been agreed in mid-June and the required adjustment had been made in the Accounts.

4. Mr Nicholas from the DfT said that other than the unusual pension adjustment discussed he did not have any comments on the Accounts.

5. The Committee asked what running out of money meant in relation to the agreement with DfT on loans and grants. Mrs Pike answered that this would mean going into an overdrawn position and an interest bearing loan would need to be arranged with the DfT. She noted that there was currently £9.1m outstanding from the DfT but that was expected that week. Also, the DfT were talking about not funding the BTPA capital as the PSA recharge for depreciation had been received. The DfT had confirmed that they would still be covering the irrecoverable gap and Olympics costs to 2012/13. The Committee noted that it was imperative that these sorts of agreements were clarified in writing so all were clear on what was agreed and there was a formal record. Mrs Pike assured the Committee that a letter had been written setting this out and a formal response was awaited.

6. The Committee noted that a formal revenue delegated expenditure limit (DEL) letter had not yet been received for 2011/12 from the DfT. A capital delegation letter had been received in March. However, a figure for the revenue delegation had been suggested verbally and the Authority had been advised that this figure had been approved by the Secretary of State but this had not yet been received in writing. The figure was lower than had been expected and the Authority did not understand where it had come from as it did not bear any relation to the discussions that had been taking place with the DfT in this regard. The NAO warned that if the Authority accepted this and then overspent this was something that the NAO took a dim view of. The Committee strongly felt that the Executive should go back to the DfT and discuss the issues that this raised. It was agreed that Mrs Pike would discuss this with Mr Nicholas outside of the meeting. It was also requested that the NAO flag this up with the DfT and the Chief Executive would also speak with the relevant people.

7. The Chief Constable said that it must be remembered that the Force's funding did not come from the taxpayer but from the rail industry and as such was stand alone from the DfT.

8. The Chair asked that the WAN issue be discussed. The NAO accepted that this had been raised late in the day but advised that there were two issues:

- Determining what is a capital IT spend and what is not
- The advice that came from the DfT to BTPA on whether this needed Cabinet Office approval

9. The sponsorship team at the DfT has given incorrect advice to the Chief Executive. In the NAO's view, as the Authority is an NDPB, spending controls for NDPB's apply, and therefore Cabinet Office approval should have been sought. The NAO noted that retrospective approval would be satisfactory and it did not envisage this being a problem owing to the necessity of the project.

10. The Chair asked what the possible unintended consequences may be if the Treasury would not approve this and asked for reassurance on this point.

11. The Chief Executive responded that the Authority needed the Minsiter of the Cabinet Office to sign off the submission. In order for this to happen it first needed to receive Treasury and Government IT Strategy approval. There was a chance that this could be achieved by 7 July but this relied on certain meetings taking place. If the submission failed in terms of ICT strategy or best value he believed it was likely that the Cabinet Office would help the Authority and Force to comply with this as BT was a key government supplier. However, he felt that as there had been very detailed scrutiny of the project costs and deliverables there was a fair chance that it should be compliant. The view from the Cabinet Office from initial discussions was that retrospective approval did not sound like it should be an issue therefore the risk was delay of the Accounts rather than qualification.

12. The Chief Executive advised that the DfT had regarded the matter as being operational IT and had given the green light on that understanding. The DfT had been sent the headline business case and were advised when the Chief Executive would be signing the contract. It was noted that the Authority had acted properly and sought the DfT's advice on the matter. However, there had been issues with sponsorship with frequent changes of staff assigned to BTPA sponsorship since December 2010.

13. The Committee again noted how important it was to ensure that things were received in writing.

14. The NAO agreed that the Authority had acted properly in referring the matter to the DfT. They advised that the Authority would be better to delay the closure of its Accounts and gain the retrospective approval. This was also the view of the DfT.

15. It was agreed that a note would be written to accompany the Accounts for the Authority meeting explaining the situation and the view of the Audit Committee. The note should make it clear that the Authority had acted properly.

Agreed

- All agreements with DfT to be clarified in writing.
- Mrs Pike and Mr Nicholas to discuss the revenue delegation outside of the meeting.
- Recommend that retrospective approval be sought and the Accounts be delayed for this if required.
- A note to be written to accompany the Accounts to the Authority meeting explaining the issues and the view of the Audit Committee on how this should be dealt with.

25/2011 National Audit Office Report

Agenda Item 8

1. The NAO advised that assuming the WAN issue could be resolved their opinion would be unqualified. The NAO thanked Mrs Pike, Mrs Burd and Mr Hart and their teams for their good working relationship and all the hard work that had gone into the audit.

2. The risks identified were not considered to be material and there was nothing unusual in the errors that had been identified. One recommendation that would be included in the management letter was on the future negotiations of enhanced PSAs as to the extent to which the Authority will provide cost subsidy as there was a consistency point to be addressed. Mrs Burd advised that the Force was working with the Authority's Finance Group to make it more overt.

26/2011 Anti-Fraud and Corruption Policy

Agenda Item 9

The Chair said that he felt there was poor integration between the documents and there were also some inaccuracies with regard to process which needed to be addressed. It was agreed that the policies be referred back to the authors to work together to create a coherent policy

and address any inaccuracies. It was noted that the Bribery Act was only just due to come into force on 1 July and this had not aided the policy development process.

Agreed

- The policies be referred back to the authors to work together to create a coherent policy and address any inaccuracies before coming back to the Committee at a later date.

27/2011 Update on BTPA Oversight of Crime Data Quality Arrangements and HMIC Inspection 2011/12

Agenda Item 10

1. The Authority had been advised that HMIC would be inspecting the quality of crime data in the current year. The Committee Chair had previously been the Member Lead on this and this had now been handed to Mr Holden.

2. Some reservations were noted from Mr Foxall, who felt that beyond ensuring that there was a process in place to quality assure the data, and that it was adequate, the Committee could not offer further opinion on the data. It was agreed that Mr Foxall and the Chief Executive would discuss his concerns but in the meantime the Committee approved the proposals for oversight and assurance activities as set out in the report.

Agreed

- The proposals for oversight and assurance activities as set out in the report were approved.
- The scope and focus of the forthcoming inspection were noted.

28/2011 Tribal Reports

Agenda Item 11

Summary Internal Audit Report

Tribal assured the Committee that they expected to complete the planned work in line with the plan.

Follow Up Report

There had been good progress with 40 recommendations implemented, eight in the process of being implemented, and other than one recommendation that had been deemed not applicable there were no recommendations that were not being implemented.

Information Governance

The Audit had found one urgent recommendation and offered reasonable assurance. The urgent recommendation was to ensure that training with regard to information compliance was provided to those staff who had been in place prior to the policies coming into action and temporary staff. The Force assured the Committee that this would be standard practice by the end of the year.

Business and Travel Expenses

This audit gave reasonable assurance. The Force was ensuring that by the end of the year all the substantial issues had been moved forward. The recommendations with regard to travel warrants had been completed.

Payroll

This audit had provided reasonable assurance which demonstrated the significant progress made in this area. Tribal was also reviewing matters for how they would work within the new payroll arrangements to ensure that the system would receive reasonable/substantial assurance.

Main Financial Systems BTPA

This audit related to the Authority and had provided substantial assurance with just four operational level findings.

Debtors

The audit had provided reasonable assurance. All the recommendations had been actioned and completed. The Committee asked if the Force was content that it had robust procedures in place generally for suppliers. The Force responded that since credit control had been brought in-house these had significantly improved. The Force had followed the working practices of the previous provider but had not documented these initially but this had now been completed.

Monitoring Framework to Support the Wording in the Statement on Internal Control

The Auditors advised that they were comfortable that the items in the Statement on Internal Control were being supported through.

Internal Audit Annual Report 2010/11

Tribal advised that overall they had given an unqualified opinion for 2010/11. It was noted that where there had been control issues action had been taken quickly and comprehensively.

The format and wording of the Annual Report had been changed to comply with DfT requirements so that it could be subsumed into their annual report.

29/2011 AOB

Agenda Item 12

1. The Chair offered Mr Foxall his best wishes in taking over as Chair of the Committee.

2. The Chief Constable, on behalf of BTP, thanked Sir David for his chairmanship of the Committee. He said that remarkable progress had been made thanks to Sir David's drive and energy both in this Committee and the Authority. He also thanked Sir David on a personal level.

PART II - Closed Meeting BTP and BTPA only

30/2011 Internal Audit Tender

Agenda Item 12

1. The Committee felt that Tribal had been responsive and had the confidence of the Force. Also, they felt that from a continuity perspective it would be useful to extend the contract by one year as this would cover the Olympics period and the build up to the implementation of the new PSA and charging arrangements.

2. The Committee noted that it would need to take advice as to whether it was possible to extend for a year. In the meantime the re-tendering process described in the paper was approved should it be required.

Agreed

- The re-tendering process was approved subject to exploring the possibility of extending the current contract by one year.