

Minutes

Audit Committee

Wednesday 26 September 2012, 11.00am
at The Forum, 74-80 Camden Street, London

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Present:

Colin Foxall, Chair
Michael Holden
Brian Phillipott

In attendance:

Andrew Trotter, Chief Constable
Paul Crowther, Deputy Chief Constable
Simon Hart, Head of Finance
Elaine Derrick, Senior Advisor

Andrew Townsend, Tribal Business Assurance
Nick Bateson, National Audit Office
Andy Nicholas, DfT
Ian Coates, DfT

Andrew Figgures, Chief Executive
Liz Pike, Authority Finance Director
Lucy Yasin, Business Manager

32/2012 Welcome

Non-agenda

1. The Chair welcomed all to the meeting. He announced that Mr Weimar had stepped down from the Committee as part of the annual reshuffle. Mr Weimar had been a member of the Committee since he began with BTPA in July 2006 and the Committee recorded their thanks for all his hard work.
2. The Chair thanked the Chief Constable for BTP's contribution to the smooth running of the London 2012 Games.

32/2012 Minutes of Meeting 31 May 2012

Agenda Item 1

3. The minutes were approved as an accurate record.

33/2012 Matters Arising

Agenda Item 2

4. The pension write off remained under discussion, as the reasons for the discrepancies, level of write off and chance of recoverability were reviewed. Once the recommendation of how to proceed was agreed between the parties this would be put to the Chief Constable as the Additional Accounting Officer and then to Andrew Figgures as the Accounting Officer to take the final decision.

5. Agreed

5.1. The recommendation with respect to the pension write off, once agreed between the Authority Finance Director and the BTP Head of Finance, to be put to the Chief Constable as the Additional Accounting Officer and then the Chief Executive as the Accounting Officer for the final decision.

5.2. A report from BTPA on their health and safety practices to be brought to the next meeting.

34/2012 BTP Finance Position - Quarterly Update

Agenda Item 3

6. The Acting Director of Corporate Resources for BTP was leading a piece of work called Operation Enterprise. The objective of Operation Enterprise was to revolutionise the back office functions and it focused on:

6.1. *Customer service*: BTP had joined the Institute of Customer Services and was developing a Customer Service Charter and delivering customer service training to its frontline staff.

6.2. *Performance management*: The Corporate Resources Directorate had introduced a Compstat process.

6.3. *Lean six sigma*: Training was being delivered in lean six sigma to help rationalise processes.

6.4. *Management and Leadership*: 30 managers from the Directorate were undertaking Management and Leadership training with the Chartered Management Institute.

7. The Chief Constable advised that he was very happy with the progress. He felt that Acting ACC Newton appeared to have brought drive and vigour to this important work and had raised the morale of the staff involved. The approach was comprehensive and inclusive with many streams. A plan had been developed to measure and demonstrate success at the various stages, as it would take time before the full results would be in place.

8. The Committee found the update encouraging and asked that Acting ACC Newton present on how the work was progressing at the next Committee meeting.
9. An end-to-end review of the purchase to pay system had been conducted. This had resulted in updates to the system, with a revised system due to be rolled out from 5 November. Training for staff on the changes was underway. There had also been a significant reduction in the number of procurement cards to improve controls and these could now only be used for low value purchases.
10. There had been a delay in the handover of the pension interface to the payroll department as a result of illness. This meant that the interface was still being held at Force Headquarters, which caused a timing issue with the data as a live extraction was not possible. The result of this was that there remained some discrepancies between BTP and RPMI data but this would be resolved once the interface was handed over in Period 7. The Committee would be updated in this at its next meeting.
11. There had been a lot of good work on estates rationalisation which was noted. Also, the Learning and Development department had worked hard to deliver the Olympic training which had fed in to the successful policing of the Games.
12. A new technology board had been established which would have strategic oversight of all technology applications with the aim to improve the governance and control in this area.
13. **Agreed**
 - 13.1. Acting ACC Newton to present to the next meeting on the progress of Operation Enterprise.
 - 13.2. The Committee to receive an update on the pensions interface handover to the payroll department at the next meeting and confirmation that RPMI had signed off all three interfaces (BRASS, 4 weekly updates and year end).

35/2012 BTPA Finance Issues - Quarterly Update

Agenda Item 4

14. The annual Statement of Accounts had been filed on time and there had been no issues raised by the DfT with respect to consolidating them into the Department's overall Accounts. There had been a lessons learned meeting with the National Audit Office (NAO) which had focused on issues that had arisen towards the end of the audit. These had been resolved and should not recur. The NAO had charged an additional £20k as a result of the additional testing required on

pensions and the re-employment issues. The draft dates for the 2012/13 Accounts process had been discussed and should follow the same pattern as the 2011/12 process.

15. The budget delegations were causing some issues, as DfT was required to authorise all temporary recruitment. This was a slow process but BTP, BTPA and the DfT were working together to try and reduce the turnaround time by establishing a clear process, including agreed timeframes. Permanent appointments where the budget was in place were not subject to the same restrictions. It was agreed that the Committee would be updated at an appropriate point on how the authorisation process was working following the work to improve this.
16. A £0.8m overspend on the Olympics was forecast. This was a result of Winsor 1 recommendations. BTPA had applied to the DfT to cover this and whilst a formal response was awaited the sense from informal discussions was that this would be approved.
17. There was a potential capital expenditure underspend of at least £0.8m identified at the mid term review. This was the result of savings made on the fleet arrangements, with the same number of vehicles for less money. Also, some good deals that had been reached with respect to the estate. The underspend had also been highlighted to the DfT.
18. The scheme of delegation in the Corporate Governance was under review to ensure clarity. This was seen as timely as the revised Accounting Officer arrangements had been in place for almost two years. The advice from the Committee was that the number of different delegated amounts should be kept to a minimum to avoid confusion.
19. The DfT had conducted a review of BTPA/BTP governance to assess the risk of consolidation into the DfT accounts. There were some suggested areas for refinement and improvement that would be picked up in the review of governance which was underway or in the annual Business Cycle review in March 2013. The report also acknowledged weaknesses as a result of the small sponsorship team. The final issued report would be presented to the December Audit Committee.
20. The Tribal contract would expire on 31 March 2013 following which the Accounting Officer had been advised that the DfT internal auditors would fulfil BTPA/BTP's internal audit function.

21. **Agreed**

- 21.1. The Committee to be updated on how the authorisation process was working following the work to improve this.
- 21.2. The final report from the DfT on the review of BTPA/BTP governance would be presented to the December Audit Committee.

36/2012 Quarterly Strategic Risk Reports

Agenda Item 5

BTPA Risks

- 22. The most significant risk for BTPA was having the new PSA signed by all companies required to have a PSA on or before 31 March 2013. The PSA was with the Secretary of State for approval at the time of the meeting having been through the consultation process with the current PSA holders. There was a complication as the Ministers and Secretary of State had changed in the recent reshuffle but the officials were comfortable and were expected to brief the Ministers in the next week.
- 23. There remained areas to which the current PSA holders objected but the DfT were not minded to change.
- 24. A new risk which would be added to the register before it was next presented was the valuation of the police officer pension fund.

BTP Risks

- 25. The progress on tackling cable theft remained strong but this was still a risk. There remained some good opportunities for influencing future statute.
- 26. The single Scottish police force presented some risks to BTP and these were captured on the register. ACC McCall was pursuing the section 104 Order to ensure that BTP was properly reflected.
- 27. The disaster recovery arrangements had been implemented and would be tested in October. The testing had been delayed as a result of the Olympics.
- 28. 137 sites had been upgraded to the new Wide Area Network (WAN) with a small number of difficult sites outstanding at the time of the meeting. BTP stated that this was good progress.
- 29. There was discussion regarding whether the terrorism risk could be moved to the "as low as reasonably practicable" (ALARP) sheet. It was noted that it could not be fully mitigated and if BTP were

satisfied that they had done all that was reasonably possible to mitigate the risk then it should not remain as a current risk as it became business as usual.

30. **Agreed**

- 30.1. The Chief Executive to seek DfT advice on a “Plan B” option if the new PSA was not signed by all in time for the 31 March 2013 deadline.
- 30.2. BTP to review whether the terrorism risk should be moved to the ALARP sheet.

37/2012 Management Assurance Return (MAR)

Agenda Item 6

31. This was due for return to the DfT by 2 November and was part of the clear line of sight work for the consolidated accounts. A new proforma had just been released and the BTPA/BTP response would be transferred to this before it was returned. There were two additional assurance areas since the last MAR and these were:

- 31.1. Travel and subsistence claims; and
- 31.2. Taxation of payments to off-payroll staff

32. These were not regarded as risky areas for BTPA/BTP as the appropriate controls were in place.

33. The assurance level had generally reduced. This was thought to be the result of a more critical review of the controls in place at BTPA/BTP as opposed to a drop in standards.

34. Areas that had reduced included:

- 34.1. *Investment appraisal* - this followed the issues with the WAN project and work identified by the internal auditors on the capital budget
- 34.2. *Succession planning* - as there was nothing formal in place for SCT or the Executive and this was work that was currently underway with the People Strategy. It was noted that the SCT succession planning was a joint endeavour between BTPA and BTP. BTPA would be guided by BTP as to whether there was internal talent or whether it needed to look outside and also with respect to operational requirements.

35. The process for the MAR was that:

- 35.1. The Internal Auditors would review the document and ensure that the evidence was in place.
 - 35.2. The final draft MAR would then go to the Chief Constable for approval as additional Accounting Officer and Committee Members for any final comments.
 - 35.3. Following incorporation of any further comments the MAR to go to the Chief Executive as Accounting Officer for final sign off and submission to the DfT.
36. The Committee felt that the detection of issues was positive as it demonstrated that the MAR was fulfilling its function and these were then dealt with.

37. **Agreed**

- 37.1. The following process was agreed:
 - 37.1.1. The Internal Auditors would review the document and ensure that the evidence was in place.
 - 37.1.2. The final draft MAR would then go to the Chief Constable for approval as additional Accounting Officer and Committee Members for any comments.
 - 37.1.3. Following incorporation of any further comments the MAR would then go to the Chief Executive as Accounting Officer for final approval, sign off and submission to the DfT.

38/2012 Corporate Governance

Agenda Item 7

38. BTP reported to the Committee on new arrangements to embed a culture of compliance across BTP. This followed a number of control issues that had arisen over the last financial year and the lessons learned from these instances were reported.

WAN Project

39. This had been a large and complex project the like of which had not been embarked upon before at BTP. The end result was that over the lifetime of the contract there would be £2m more spent than had initially been budgeted. This resulted from the extended period of dual running of the global crossing and BT systems which had cost £1.5m and a further £0.5m in VAT. The additional costs on dual running had been incurred against the business as usual revenue budget. The project itself had underspent against the business case.
40. Procedures had been tightened following the project issues and a finance professional had been recruited to track governance and compliance issues.

Unauthorised pension payments

41. This issue had arisen as BTP had been unaware of changes to the Finance Act. A number of police forces had been similarly affected. To ensure that such a situation did not happen again, BTP had developed its relationship with RPMI and put in place more effective and clearly documented arrangements to ensure that legislative changes are identified and acted upon.

Pensions write off

42. Pension reconciliation work had identified some issues with contributions. A write off was conducted by BTP but should have had formal authorisation from BTPA owing to the aggregated amount. New arrangements had been put in place to ensure that any future issue followed the appropriate governance.
43. A new governance structure had been put in place at BTP following the control issues and a review of compliance. Areas of the organisation where there was a risk of non-compliance were being closely monitored. The focus on the purchase order system was a good example of the work to improve controls. The retrospective purchase orders had previously amounted to £330k a quarter but since the new controls had been introduced this had been reported as only £11k for the last quarter.

(Michael Holden left the meeting)

39/2012 HMIC Reports

Agenda Item 8

Antisocial Behaviour

44. The main issue raised in the inspection was with respect to repeat victims. It was noted that there was a close focus on this following the Pilkington case. For BTP, however, repeat victims were not common and it was more a case of repeat locations. The HMIC report recommended that there be consistent questioning by call handlers to identify repeat victims, which BTP already had underway. The HMIC also recommended that a risk assessment with respect to ASB be conducted.
45. Overall the report had been positive and drew attention to the use of neighbourhood policing and the National intelligence Model (NIM) in the ASB area.

Without Fear or Favour Report

46. The re-inspection had been very positive. HMIC had been impressed that the BTP action plan went beyond the recommendations of the report, and with the level of scrutiny that had been brought in.

Crime Recording in Scotland

47. An inspection of crime recording for BTP in Scotland had revealed some issues with the recording of incidents. BTP had achieved a 91% rating in the first test which looked at whether the incident was recorded correctly. A 98% rating had been achieved in the second test which looked at whether the classification was correct. BTP reported that the percentages compared favourably with other forces and added that a Crime Management Unit Manager had been employed and checked every record for compliance. It was noted that the Performance Review Group would be looking at this area in more detail.

40/2012 Internal Audit Reports

Agenda Item 9

48. Andrew Townsend provided an overview to the Committee of the internal audits that had taken place since the last Audit Committee. He noted that all BTP Areas were now achieving reasonable assurance as a minimum. Also that the turnaround time for drafting, commenting on and finalising audit reports had significantly improved.
49. There had been two high priority findings in the audits finalised in the last quarter. These included:
- 49.1. Electronic signatures - The auditors recommended that a policy on the use of electronic signatures was drafted. The policy should make clear the boundaries of when these could be used and the format that was acceptable. The policy should comply with current established practice and confirmation should be sought from the relevant organisations that the policy was acceptable.
 - 49.2. Scheme of Financial Delegation - The Corporate Governance was drafted in 2010 following the change in Accounting Officer arrangements and a joint review of the Corporate Governance is taking place as planned.
50. Reasonable assurance was provided on the audit of Promotion arrangements. It was noted that BTP had already done a lot of work in this area and improvements had been made. The Chief Constable noted that any appeals by unsuccessful candidates at promotion boards would not go through the grievance process but through a separate appeal process contained within the promotion board SOP.
51. There had been no post-Olympics audit work at the time of the meeting. BTPA and BTP were looking at where this would add most

value. The NAO advised that they would be conducting a post-Olympics review but they did not expect that this would focus on aspects of policing.

52. All internal audit reports were noted.

40/2012 AOB

Non-agenda

53. The NAO advised they would be looking at the procurement processes in Home Office forces and after discussion with BTPA were also including BTP as part of this review.

Next Meeting

04 December 2012 at 12.00pm