

## **BTPA & BTP Planning Approach and Rationale and Draft DfT Audit & Risk Assurance (ARA) Audit Programme 2013/14**

### **Introduction**

From 1 April 2013, the BTPA and BTP internal audit services will be provided by DfT Audit & Risk Assurance (ARA). Bonnie Sweet the Head of Internal Audit (HIA) for BTPA and BTP has held meetings with the Chief Executive, the Finance Director, Audit Committee Chair (BPTA) and the Chief Constable, Deputy Chief Constable and the Chief Inspector of Corporate Resources BTP to discuss the audit provision for 2013/14. There will be further meetings with other key senior members of BTPA and BTP and regular quarterly meetings with these individuals will continue in addition to quarterly meetings with the Audit Committee Chair.

There was a short lead in time to deliver a draft internal audit plan for discussion and endorsement at the March 2013 Audit Committee. ARA recognises that the plan requires some further review and development and a further plan will be presented to the Audit Committee in May 2013. Comments have been received from BTPA Chief Executive, the Finance Director, but due to the short turnaround to provide papers for the Audit Committee, the attached plan does not include any comments which BTP Chief Constable, Deputy Chief Constable and the Chief Inspector of Corporate Resources may have, any comments received will be fed back at the Audit Committee meeting on 19 March.

### **Core Controls Approach**

In relation to the core controls work, the attached draft plan does not yet show:

- the three year cyclical approach to be taken
- details of specific branch visits

as, at this point in time, further knowledge of the current control environments operating with the BTPA and BTP is desired. I intend to use a risk-based approach for identifying which key control areas I would seek to cover, and formulate the three year cycle. This will include factoring in the last time a topic was reviewed, the outcome of that review, any changes to business processes/procedures or other changes which may impact on the risks within any key system or process within the business. I feel I will be better placed to develop the core controls audit topic cycle by the May 2013 Audit Committee and I will keep this element of the audit programme under review throughout the year.

### **Property & Estates**

One of the issues raised during the planning meetings was in relation to the current estates and property management process. Potentially this could be considered as consultancy activity. Property and Estates within BTPA & BTP are not owned, but rented. A question has been raised by the Chief Constable whether then current approach to property and estates management in operation is effective and offers best value for money. Potential scope could include evaluation of the current property management process and establish if best value for money is achieved, if there are any improvements which could be made to the way the BTPA/BTP estates are managed in the long term, and alignment of the BTP/BTPA property strategy with that of the Government Property Unit (Cabinet Office).

We have considered how such a review would fit within our overall audit programme, and have concluded that it is not core to our audit opinion for 2013/14. There is potential to undertake the review on a consultancy basis, subject to funding from BTP.

### **Contingency**

The attached plan does not include any contingency should anything be urgently required, potentially this would need to be done instead of another strand of the plan, unless the Finance Director agrees this can be funded.

### **Governance and Next Steps**

Audit scopes will continue to be refined in advance of audit work being formally agreed with the client. Any changes to the audit programme will be included in my quarterly update to the Audit Committee for endorsement at each meeting.

The timings for the audits on the programme attached have yet to be agreed and are suggested timings only. In relation to the core controls work, the timing of these is set to conclude in Quarter 4. However, the work may start earlier and may span across the year as an opinion needs to be given on the effectiveness of controls across the whole financial year. This is to be discussed and agreed in April.

I also intend to work closely with the NAO and consider the work undertaken by other assurance providers when refining the attached audit programme. There has been insufficient time for me to engage with the NAO and other assurance providers in the development of the attached plan. This will be of particular importance in relation to the core controls audit work.

Once the attached audit programme has been approved by the Audit Committee and the timing of individual audits have been discussed, and there is a clearer idea of when the audit activities are likely to be undertaken, I will include a breakdown of the days over each quarter to give a clearer picture of the spread of audit activity across the business. I would also like to have had an opportunity to fit the timings of the audits around the activities of other assurance providers to minimise the impact on the business.

**Bonnie Sweet**  
**Head of Internal Audit BTPA & BTP**

Ref	Audit	Rationale	Outline Audit Scope	Audit Type	Quarter			
					Q1	Q2	Q3	Q4
BTP 13/01	BTPA Police Service Agreements (PSA)	<p>British Transport Police is funded by the companies that provide passenger, freight and infrastructure services on railways across England, Scotland and Wales. It is the Police Authority that enters into agreements with each of these companies, indicating the level of policing resource that will be allocated to its line and services. It maintains similar arrangements with London Underground.</p> <p>These agreements, referred to as Police Services Agreements (PSAs), also require the companies to make payments for the service. When, for instance, a new rail franchise is awarded by the Department for Transport, the winning company is required to enter into a new or existing PSA with BTPA.</p> <p>The current PSAs are in the process of being negotiated and signed, and although the process appears to be running smoothly from management's perspective in terms of reaching an agreement and sign-off, they have raised some concerns over the potential legal challenge, which they still feel presents a risk to the organisation as a whole. These PSAs will all have been signed off by 31 March 2013.</p>	To review the model for accuracy and evaluate the workings to allow the BTPA to consider any issues in relation to potential arbitration risks.	Risk	20			
BTP 13/02	BTPA Delegations Scheme – Implementation and Compliance	<p>Delegations are issued each year by the Department for Transport to the Accounting Officer, based on guidance issued by HM Treasury.</p> <p>Before considering individual limits, Treasury operate six "strategic" controls, which override any delegated authority. Any spending proposals falling within the remit of those controls must be submitted to Treasury</p>	<p>The review would seek to review the delegations process to evaluate the effectiveness of the processes and controls in place and to identify potential conflicts. In particular:</p> <ul style="list-style-type: none"> <li>• Appropriate consideration given to business critical needs that may be compromised if the Authority or the Force are unable to react in a timely manner due to delegations constraints;</li> </ul>	Risk	15			

Ref	Audit	Rationale	Outline Audit Scope	Audit Type	Quarter			
					Q1	Q2	Q3	Q4
		<p>for approval. The strategic controls cover spending proposals which:</p> <ul style="list-style-type: none"> <li>are novel, contentious or repercussive</li> <li>could exceed the agreed budget and estimate limits</li> <li>would entail contractual commitments to significant levels of spending in future years for which plans have not been set</li> <li>include items requiring primary legislation</li> <li>could set a potentially expensive precedent</li> <li>HM Treasury is required in statute to provide its approval</li> </ul> <p>In addition, since 2010, the Cabinet Office have imposed further controls over spend in certain categories.</p> <p>In previous years, BTP/BTPA have committed to projects and/or expenditure outside of the extant delegations. A significant amount of work has been undertaken to bring the system of delegated authorities up to the required standard for the 2012/13 year.</p>	<ul style="list-style-type: none"> <li>Appropriate business cases, authority and justification if deviation from the delegations is considered to be necessary to meet business critical delivery targets;</li> <li>Appropriate governance and reporting mechanisms exist between BTP, BTPA, DfT, HM Treasury and the Cabinet Office; and</li> <li>Compliance with delegations.</li> </ul> <p>We will review a summary of what has already gone through the scheme during the year to identify any potential gaps.</p>					
BTP 13/03	BTPA The Winsor Review – Progress and Actions	<p>The Winsor Review was a comprehensive review of Police Officer and Staff Remuneration, Terms and Conditions. The report was issued in two parts Part 1 issued in March 2011 and Part 2 issued in two volumes in March 2012.</p> <p>Some of the recommendations will have an impact on both the BTPA and the BTP.</p>	<p>BTPA have already adopted Winsor part 1. BTPA plan to decide whether they should and what the implications are for them regarding Winsor 2. The review will seek to provide comfort on how they will be assessed what should be implemented and how these changes have will be implemented, documented and communicated.</p> <p>The scope of this review is to be refined, however, it will seek to evaluate how the BTPA and the BTP intend to take forward recommendations made which they wish to adopt</p>	Risk		15		

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					Q1	Q2	Q3	Q4
			and the potential impact on service delivery.					
BTP 13/04	BTPA & BTP Core Financial Controls	<p>Every organisation has critical core systems that support the day to day operations of the organisation. Although these are not delivery focused, without the effective operation of these systems the organisation would be unable to conduct its business.</p> <p>We intend to provide assurance to the Accounting Officer over the effectiveness of the key business systems core controls on a cyclical basis over a three year period in accordance with risk and materiality levels. Some core systems, due to the inherent risk and materiality they carry will be reviewed annually. In the past, the audit focus has been on the control frameworks and strengthening these rather than more in-depth compliance to evaluate the effectiveness of the controls in place.</p> <p>A separate three year cycle of the core controls audit coverage will be further developed in consultation with management, based on risk and the completion and outcome of the 2012-13 audit programme.</p> <p>We will liaise with the NAO in order to allow them to place reliance on our work as appropriate.</p>	<p>Key financial systems include:</p> <ul style="list-style-type: none"> <li>• Income;</li> <li>• Debtors;</li> <li>• Payments;</li> <li>• Creditors;</li> <li>• Payroll;</li> <li>• Financial Delegations;</li> <li>• Budget Management;</li> <li>• Cash and Banking;</li> <li>• Reconciliations;</li> <li>• Accruals;</li> <li>• Prepayments;</li> <li>• Travel and Subsistence; and</li> <li>• Procurement, Contract Management (Purchase to Pay).</li> </ul> <p>The areas to be covered in the years 2013-14, 2014-15 and 2015-16 will be detailed in a separate core controls audit programme based on risk, completion of the 2012-13 audit programme and in consultation with management.</p>	Business as usual				20
BTP 13/05	BTPA Core Human Resources (HR) Controls		<p>Key HR systems include:</p> <ul style="list-style-type: none"> <li>• Performance Management;</li> <li>• Training;</li> <li>• Discipline &amp; Grievance;</li> <li>• Bullying &amp; Harassment;</li> <li>• Health &amp; Safety;</li> <li>• Annual Leave;</li> <li>• Sickness Absence; and</li> </ul>	Business as usual				20

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					Q1	Q2	Q3	Q4
			<ul style="list-style-type: none"> <li>Pay and Conditions.</li> </ul> <p>The areas to be covered in the years 2013-14, 2014-15 and 2015-16 will be detailed in a separate core controls audit programme based on risk, completion of the 2012-13 audit programme and in consultation with management.</p>					
BTP 13/06	BTPA Core Security & IT Controls		<p>Key Security &amp; IT systems include:</p> <ul style="list-style-type: none"> <li>Physical Security of Buildings and Assets (including information assets);</li> <li>Information Security;</li> <li>Access controls to IT systems;</li> <li>Compliance with Legislation and other Regulations;</li> <li>Disaster Recovery; and</li> <li>Security Vetting Procedures.</li> </ul> <p>The areas to be covered in the years 2013-14, 2014-15 and 2015-16 will be detailed in a separate core controls audit programme based on risk, completion of the 2012-13 audit programme and in consultation with management.</p>	Business as usual				20
BTP 13/07	BTPA Business Continuity and Contingency Planning and IT – Disaster Recovery	<p>The nature of the BTP's work means it is essential that they are able to continue operations in the event of a disaster and are also able to respond to major incidents both at their own locations and on the railways etc. Business Continuity, Contingency Planning and Disaster Recovery are key functions in ensuring operations can continue and the force can continue to discharge its responsibilities.</p> <p>BTPA will in turn have some key functions and systems which need to continue in the</p>	<p>The review will seek to evaluate the systems in place to determine if they are fit for purpose at both BTPA and BTP in relation to:</p> <ul style="list-style-type: none"> <li>Business Continuity &amp; Contingency Planning                             <ul style="list-style-type: none"> <li>Identifying critical systems and tasks;</li> <li>Identification of key staff and communications strategy in the event of emergency;</li> <li>Testing and enacting a plan; and</li> <li>Post event evaluation.</li> </ul> </li> </ul>	Risk/Business as usual			20	

Ref	Audit	Rationale	Outline Audit Scope	Audit Type	Quarter			
					Q1	Q2	Q3	Q4
		event of emergency/disaster and in protecting information from loss or damage.	<ul style="list-style-type: none"> <li>IT Disaster Recovery                             <ul style="list-style-type: none"> <li>Identification of key systems;</li> <li>Back-up and restore facilities;</li> <li>Testing and enactment; and</li> <li>Post event evaluation.</li> </ul> </li> </ul> <p>The audit will focus on the corporate systems critical for BCP and ITDR capability, including the systems that support the BTP's ability to implement incident response plans (ie in the event of an emergency/disaster). However, the audit will not review the design or appropriateness of the operation policing response plans themselves. The scope will be refined in advance of conducting the audit.</p>					
BTP 13/08	BTP Procurement & Contract Management	Progress has been made in strengthening the policies and procedures in relation to Procurement and Contract Management. These policies and procedures are now bedding down and a review of the effectiveness of these would now be timely.	<p>The scope of the audit will cover the following:</p> <p>Procurement:</p> <ul style="list-style-type: none"> <li>Compliance with standard procurement policies and procedures;</li> <li>Roles, responsibilities and delegations;</li> <li>Purchasing and tendering procedures, including the use of GPC, evaluation of tenders, single tender action, purchasing of specialist skills or equipment and of fixed assets;</li> <li>Quality of management information both at Regional and Headquarters level: and</li> <li>Identification of best practice.</li> </ul> <p>Contract Management:</p> <ul style="list-style-type: none"> <li>processes for ensuring all key relationships are supported by appropriate contractual arrangements, which meets the needs of the</li> </ul>	Business as usual			20	

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					Q1	Q2	Q3	Q4
			business; <ul style="list-style-type: none"> <li>the establishment of performance standards and processes for monitoring and assessing performance against such standards;</li> <li>methods by which the value for money provided by key contractual providers is assessed and remedial actions taken where appropriate;</li> <li>procedures in place designed to ensure all variations to contracts are valid, appropriate and properly authorised and communicated;</li> <li>determination and communication of key factors leading to successful/unsuccessful contractual relationships; and</li> <li>the methods developed to ensure payments are made in line with contractual terms and conditions.</li> </ul>					
BTP 13/09	BTPA Governance & Risk Management (to include Corporate Reporting/Decision Making)	There is currently an internal review underway of BTPA committees with a view to streamlining these and updating and developing Terms of Reference to reflect the new structure of committees. There is currently a concern that some committees require the same information and often the same information is presented at several committees. In addition to this, some committees do not seem to be clear on their role and when they have a decision making role or whether they are just provided with the information for a governance overview.	The review would seek to evaluate the mechanisms in place for Governance and Risk Management and review the functions of the committees that report to the Board etc.  In addition, reviewing the currently corporate reporting and decision making process and information flows would be useful to help identify what information is required, whether the information is sufficient or too much is provided.  Risk Management: <ul style="list-style-type: none"> <li>The content of the BTP/BTPA risk management policy and the extent to which it is complied with;</li> <li>the content and make up of BTPA &amp; BTP Corporate, Directorate, Programme and Project and Information Asset risk registers to understand how well risk is articulated and whether the mitigating actions are adequate</li> </ul>	Business as usual		20		



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			and effective to reduce the risk materialising; and • the escalation and risk reporting process including escalation to the Department to determine adherence to the identified risk appetite. Corporate Governance: • An evaluation of roles, responsibilities and accountabilities; • the appropriateness and effectiveness of current governance structures (management meetings etc); • the assessment of the effectiveness of the relationships between BTPA and BTP Senior Management; and • a comparison of governance arrangements against recognised guidance. The scope to be further refined in advance of the assignment.					
<b>Sub-Total: Audit Work</b>				<b>170 days</b>	<b>35</b>	<b>35</b>	<b>40</b>	<b>60</b>
	Follow up on management actions	To assess progress on agreed management actions from 2012/13 reviews where these are not considered as part of the reviews as detailed above. We will also undertake follow up work of 'none' and 'partial' rated reports.		10 days	Work will be spread out across all quarters			
<b>Sub-Total: Audit Work</b>				<b>180 days</b>				
	Audit management	Including planning, preparation of AC papers and attendance at AC meetings. We will continue to attend Risk Advisory Group meetings to keep a watching brief on current developments and provide 'external challenge' to the discussions as part of the meeting.		20 days	Work will be spread out across all quarters			
<b>TOTAL</b>				<b>200 days</b>				