

Report to: Audit Committee
Agenda item: 6
Date: 26 September 2012
Subject: Management Assurance Return for DfT
Sponsor: Authority Finance Director
For: Discussion and Comment

1. Purpose of Paper

1.1 This paper presents the draft Management Assurance Return (MAR) for the period 1 April 2012 to 30 September 2012 ahead of finalisation and submission to the Department for Transport (DfT) on 2 November 2012. The MAR is attached as Appendix A. The submissions from BTP have been approved by the Senior Command Team (SCT) and the Authority submissions have been approved by the Finance Director and will be reviewed by the Chief Executive and Tribal after the Audit Committee.

2. Background

2.1 The MAR was developed by the DfT in 2009-10 as a tool for gaining assurance from all of its agencies and departments including Non-Departmental Public Bodies (NDPBs) on specific issues of internal governance and internal control.

2.2 The MAR in Appendix A is based on the March 2012 return. The Authority only received the new template for the half yearly return on the 18 September. In the revised template there are two new assurance statements, being the checking of travel and subsistence claims, and on the taxation of payments to off-payroll staff. Together with BTP, BTPA will complete these sections. The DfT have also slightly amended the statement concerning security, and it now includes personnel security. Again BTP are reviewing this change and will update their response accordingly. The

submission date for the half yearly return is 2 November. Once the additional information has been submitted to the Authority, the revised pro-forma will be, after review by the Chief Executive and Tribal, re-circulated to members of the Audit Committee for comment. This will be done prior to any submission to the DfT.

- 2.3 The Authority Finance Director (FD) met with the Head of Audit and Compliance (BTP) to agree the approach to updating the MAR for 2012-13 on 15 August 2012. It was agreed that the approach used for 2011-12 which focuses on what assurance the Authority can provide to DfT for each business area, what arrangements for oversight of BTP activity does the Authority have in place, and finally where relevant, what BTP's arrangements are; would continue to be used for 2012-13. This approach allows both BTP and the Authority to provide appropriate management responses to DfT highlighting instances where the special requirements of the Authority as a police authority and BTP as a police force apply.
- 2.4 As Accounting Officer, the Chief Executive needs to be aware of areas of weakness and management action planned or taken to rectify them. Consideration of the content of the MAR gives an opportunity for these to be reflected in BTPA's Annual Governance Statement.
- 2.5 There is no requirement for BTP/A to provide 'Full' or 'Substantial' Assurance across all areas of the return. Indeed to do so could indicate that BTP/A has a lack of understanding of its own business. It is however important to provide an accurate response that is capable of scrutiny and supported by evidence. Where 'Full' or 'Substantial' assurance cannot be given, details of action plans are required for the final submission of the MAR to DfT. In addition, the Authority FD has requested action plans for all assurance levels less than Full.
- 2.6 The levels of assurance are defined by DfT as:

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| None | Control arrangements are poorly developed or non-existent, or major levels of non-compliance or non-conformance have been identified. Control arrangements are not adequately documented, or evidence does not exist to demonstrate effective operation of the majority of the year. |
| Partial | Control arrangements are operating effectively, except for some areas where material weaknesses or significant deficiencies have been identified, aspects of the control arrangements need documenting, or evidence does not exist to demonstrate effective operation for parts of the year. |
| Reasonable | Control arrangements are generally established and effective, with some minor weaknesses or gaps (which have action plans to resolve), or minor exceptions exist in the evidence available to demonstrate effective operation of the controls for the year. |
| Substantial | Control arrangements are well established and working effectively. Very minor control weaknesses have been identified in a maximum of one or two discrete areas, and were promptly addressed (i.e. lasted no longer than a month). Control arrangements are supported with clear and sufficient evidence, with any gaps rectified promptly. |
| Full | Control arrangements are fully established, documented and working effectively, have operated throughout the whole year and in all areas, and are supported with clear and comprehensive evidence of operation. |

3. Assurance Statements

3.1 All BTP departments with a requirement to provide responses to the MAR have reviewed and updated their sections. All responses have been signed off by SCT leads and the MAR reviewed by SCT on 13 September. Evidence supporting the content of responses is available for scrutiny by members on a CD-ROM if required.

3.2 Changes to Assurance Levels

3.2.1 Five assurance ratings have changed since the 11/12 MAR. These changes can be seen in Impact Assessments (Substantial to Partial), Succession Planning (Substantial to Reasonable), Programme and Project Management (Substantial to Reasonable), Investment

Appraisal (Full to Substantial) and Financial Controls (Substantial to Reasonable). BTP did originally rate Investment Appraisal and Succession planning as substantial and reasonable respectively, but following the initial review of the MAR, the Authority FD has subsequently reduced the rating because of some concerns around controls raised in recent internal audit reports, and the compliance issues from 2011/12.

3.2.2 Impact Assessment in the 11/12 MAR was rated as Substantial, but in the half yearly return, this has been amended to Partial as this reflects the current position within the Authority. Work will take place to review the situation and introduce value adding processes if this is deemed necessary.

3.3 Reasonable Assurance

3.3.1 The following business areas are considered as providing Reasonable Assurance against the questions in the MAR:

- Equality Duties - Scoping work in relation to Equality Impact Assessments (EIAs) has commenced and a formal action plan setting out the steps BTP needs to take is expected to be agreed by the end of September 2012. The aim of this work will be to enhance and refine the existing processes while meeting the requirements of the new Public Sector Equality Duties.
- Business Continuity - The assurance level remains at Reasonable for BTP given the number and complexity of BTP Business Continuity Plans. Actions to improve the assurance level are detailed within the Business Continuity Programme which is updated each year in line with the Business Continuity Cycle. BTP also undertakes a significant amount of work to comply with the provisions of the Civil Contingencies Act (2004) including contributing to multi-agency contingency planning via Local Resilience Forums. BTP improved its logistics capability in May 2012 with the introduction of a

computerised Action and Tasking facility. In July, BTP introduced two new Major Incident Vehicles.

- Programme and Project Management - The assurance level has been reduced to Reasonable following evidential weaknesses in the governance arrangements for the WAN Project. This has led to a thorough review of project management arrangements within BTP and the reformation of Portfolio Management Office and total refresh of the Terms of Reference and role of BTP Programme Board, which has been reconvened as Service Improvement Board.
- Financial Controls - The assurance level has been reduced to Reasonable following the failure to comply with Finance Regulations in relation to the WAN Project and Pension Control Reconciliations. An action plan to resolve these weaknesses is in place and it is envisaged that a Reasonable rating will be retained until all actions have been completed.
- Succession Planning - The assurance level has been reduced from Substantial (in the 11/12 MAR) to Reasonable. This amended rating reflects the fact that the evidence provided is concerning a pilot scheme that is now complete. But the approach is yet to be adopted and embedded across BTP; therefore the assurance rating has been amended. BTP

3.4 Substantial Assurance

3.4.1 The following business areas are considered as providing Substantial Assurance against the questions in the MAR:

- Implementation of Audit Recommendations
- Regularity, Propriety and Conduct
- Fraud and Bribery
- Risk Identification & Management

- Use of ICT
- Communications
- Records Management (BTPA only)
- Information Assurance (BTPA only)
- Security
- Procurement and Contract Management
- Human Resources
- Investment Appraisal

3.5 Full Assurance

3.5.1 The following business areas are considered as providing Full Assurance during 2012-13:

- Delegated Authority
- Longer Term Planning
- Annual Budget
- Risk Management Policies
- Achievement of Business Objectives
- ICT Policy and Strategy
- Financial Performance Management
- Health and Safety

4 Recommendation

4.1 It is recommended that members:

4.1.1 Note the content of the draft MAR.

4.1.2 Comment for agreement on the assurance levels and supporting evidence.

4.1.3 Direct any changes required in the MAR.

4.1.4 To authorise the Chief Executive to submit the revised MAR to DfT after a review by Tribal.