

Report to: Audit and Risk Assurance Committee
Agenda: 3
Date: 30 May 2014
Subject: Terms of Reference and Committee Work
Plan
Sponsor: Chair
Author: Lucy Yasin
For: Approval

The Forum
5th Floor North
74-80 Camden Street
London NW1 0EG

T: 020 7383 0259
F: 020 7383 2655
E: general.enquiries
@btpa.police.uk

www.btpa.police.uk

1. Purpose of paper

- 1.1 To review the terms of reference Committee and propose the work plan for the 2014/15 business cycle year.

2. The Terms of Reference

- 2.1 The current terms of reference are.

The Audit and Risk Assurance Committee will advise the Authority on¹:

- the effectiveness of the BTPA and BTP's plans for risk management and business continuity, including disaster recovery, and strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts, and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit and HMIC;
- adequacy of management's response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- anti-fraud and corruption and whistleblowing processes
- monitor and assess compliance with, and performance against, statutory duties; and
- proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services.

¹ These terms of reference mirror the model Audit Committee terms of reference in the HM Treasury Audit Committee Handbook 2013, with the exception of the penultimate bullet which is additional.

The Audit and Risk Assurance Committee may recommend to the Authority for approval:

- the internal audit strategy
- the external audit strategy

The Audit and Risk Assurance Committee will formally report in writing to the Authority after each meeting.

The Audit and Risk Assurance Committee will provide the Authority and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

- 2.2 How the fulfilment of each objective will be achieved is included in the work plan at Annex A.
- 2.3 The Committee will meet at least 4 times a year; however the Chair of the Committee may convene additional meetings, as they deem necessary. Following each meeting the Committee will formally report to the Authority in writing updating on any significant matters arising.
- 2.4 The Members of the Authority who sit on the Committee will meet with the internal and external auditors once a year in the absence of the executive members from the Authority and Force.
- 2.5 No amendments to the terms of reference for 2014/15 are suggested.

3. Membership

- 3.1 The standing membership for 2014/15 will be:

For the Authority

Brian Phillpott (Chair)
Bill Matthews, Passenger and Scotland
Catherine Crawford, Passenger and England
Andrew Pollins, Industry
Stella Mair Thomas, Passenger and Wales

Authority Chief Executive
Authority Finance Director (Executive lead)
Charging Model Management Accountant (minutes)

For BTP

Chief Constable (minimum of once a year as additional Accounting Officer)

Deputy Chief Constable (Force Executive lead)
Director of Capability and Resources

External attendees

National Audit Office
Internal Audit
Department for Transport

3.2 Other Authority or BTP representatives will be invited to attend to speak to, or support discussions on, agenda items as they arise throughout the year. Authority Members who are not formal members of the Committee may attend where there is an item of interest but will have no voting rights.

4. Style of working

4.1 The Committee's primary role is to support the Authority and Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. To achieve this the Committee is intended to be a discussion and challenge forum with all attendees encouraged to become actively involved in work to;

- jointly identify opportunities for improving controls within the organisation;
- jointly identify any gaps/weaknesses or overly stringent requirements in the Code of Governance which are impacting on the efficiency and effectiveness of the organisation;
- monitor action/improvement plans from HMIC, internal and external audit to drive improvements;
- jointly assess risks and agree where escalation of a risk is required; and
- identify opportunities to share good practice (internally and externally) and track the positive impacts of acting on any lessons learned.

4.2 Wherever possible the work of the Committee will;

- be based on joint working and supportive challenge;
- focus in detail on the reporting and discussion of exceptions; and
- seek to use existing sources of information, or properly understand the resource implications of requesting new information.

5. Work plan

- 5.1 The work plan has been developed to help the Committee to plan supporting activities and make most productive use of Members' time in meetings.
- 5.2 Following initial discussions with the Committee Chair a draft work plan is attached at Annex A and is recommended for approval. However, it should be noted that the work plan will be a live document and subject to change during the year as priorities shift. The work plan will be refreshed once the Internal Audit Plan has been approved.

6. Evaluation and review

- 6.1 The work of the committee will be reviewed and evaluated annually and a draft work plan developed for the following year. Feedback will be sought from the Committee membership, the wider Authority membership, executive staff, force colleagues and stakeholders.

7. Recommendations

- 7.1 The Committee to note the report.
- 7.2 The Committee approve the draft work plan at Annex A.

Annex A: The Annual Work Plan

The Terms of Reference and how these will be fulfilled

Terms of Reference	How fulfilled in 2013/14
The Audit and Risk Assurance Committee will advise the Authority on:	
1. the effectiveness of the BTPA and BTP's plans for risk management and business continuity, including disaster recovery, and strategic processes for risk, control and governance and the Governance Statement;	<p>The Committee receives copies of the 6 monthly Management Assurance Report (MAR) for approval which cover the areas outlined (March and September meetings). The MAR provides an assurance rating assigned by the organisation but supported by evidence submitted alongside the MAR.</p> <p>The Committee also receives updates on current risk in these areas in the strategic risk registers.</p> <p>Where there is a concern with respect to controls this is investigated and internal audit assigned if initial investigations are not satisfactory.</p> <p>The Authority Members of the Committee will also meet the internal and external auditors once a year in the absence of executive members of the Committee.</p>
2. the accounting policies, the accounts, and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;	<p>The Committee receives a quarterly update from the Authority Finance Director on progress on the Accounts and the annual Governance Statement.</p> <p>The Committee receives the annual Statement of Accounts and Governance Statement for detailed review ahead of the may meeting and it is then submitted to the meeting following any amendments with the External Audit Opinion for final review and recommendation to the Authority.</p> <p>The Authority Members of the Committee will also meet the internal and external auditors once a year in the absence of executive members of the Committee.</p>

3. the planned activity and results of both internal and external audit and HMIC;	<p>In consultation with the Committee an internal plan is produced which will then be recommended for approval by the Authority. The Committee receives quarterly audit progress reports from the internal auditors to each of its meetings, along with completed audit reports for that quarter. The external auditors submit their annual audit strategy to the Committee each December.</p> <p>The Authority Members of the Committee will also meet the internal and external auditors once a year in the absence of executive members of the Committee.</p> <p>The annual audit opinions from both the internal and external auditors are received in May.</p>
4. adequacy of management's response to issues identified by audit activity, including external audit's management letter;	<p>Management response to issues is found in the audit reports and feeds into the action plans. The outstanding audit actions are monitored quarterly by the Committee attached to the Director of Capability and Resources quarterly report.</p> <p>The Authority Members of the Committee will also meet the internal and external auditors once a year in the absence of executive members of the Committee.</p>
5. assurances relating to the corporate governance requirements for the organisation;	<p>The Authority Members of the Committee will also meet the internal and external auditors once a year in the absence of executive members of the Committee.</p> <p>Assurances will also be found in the annual corporate governance report, MAR and the annual governance statement.</p>
6. anti-fraud and corruption and whistleblowing processes	<p>The Committee approved the policy in late 2011 and it is due for review in October 2014.</p> <p>Unless the Committee has any specific concerns the policy will not come back until December 2014. The policy is clear that any suspected fraud must be reported to the Accounting officer immediately.</p>
7. monitor and assess compliance with and performance against statutory duties; and	<p>An annual corporate governance report with a breakdown of performance against statutory duties and any suggested</p>

	amendments will be presented. This report will also include a breakdown of key decisions made by the Authority in the financial year.
8. proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services.	There are no tenders scheduled for 2013/14. The Authority is directed by the DfT to use the National Audit Office (NAO) for external audit and the DfT's own internal audit team for internal audit at the present time.
9. The Audit and Risk Assurance Committee may recommend to the Authority for approval: <ul style="list-style-type: none"> the internal audit strategy the external audit strategy 	The Committee will receive these at the March and December meetings respectively, following which it will comment and then recommend to the Authority for approval.
10. The Audit and Risk Assurance Committee will formally report in writing to the Authority after each meeting. The Audit and Risk Assurance Committee will provide the Authority and Accounting Officer with an Annual Report, timed to support finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year	The annual governance statement to be written following the May meeting and submitted to the June Authority meeting. The report to also cover the performance of the Committee in accordance with HM Treasury guidance.

The Meetings

Meeting	Standing Items	Other Reports
18 September 2014	Minutes of previous meeting Matters arising Quarterly Update from the Director of Corporate Resources Quarterly Update from the Authority Finance Director (includes gifts and hospitality registers) Strategic Risk Registers BTPA and BTP HMIC Inspections Update from BTP Internal Audit Reports, including the quarterly progress against plan update and any completed audits	Management Assurance Return
04 December 2014		External Audit Strategy
05 March 2015		Management Assurance Return Information Assurance Returns BTPA Internal Audit Plan for year ahead External Audit Progress Report Annual Corporate Governance Report including a breakdown of key decisions taken

29 May 2015		2015/16 Draft Committee work plan Annual Statement of Accounts Annual Governance Statement External Audit Report and Opinion Annual Internal Audit Report with assurance rating Annual Health and Safety Report Annual Health and Safety Strategy/Policy Refresh Annual Insurance Review Information Assurance Return BTPA
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