

Report to: Police Authority
Agenda: 8
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Subject: Audit & Risk Assurance Committee
Sponsor: Committee Chairman
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For: Information

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1. Purpose of paper

- 1.1. The purpose of this paper is to update the British Transport Police Authority (“the Authority”) on the issues discussed at the Audit and Risk Assurance Committee (“the Committee”) meeting held on 30 May 2014.
- 1.2. The Committee also reviewed the British Transport Police Authority Statement of Accounts for the year ended 31 March 2014 (“the Accounts”) and the strategic risks of the Authority and British Transport Police (“BTP”) which are both presented elsewhere on the agenda.

2. Agenda Items

2.1. Terms of Reference and Work Plan for 2014/15

The Committee reviewed and approved the terms of reference and work plan for the forthcoming year for the Committee. The work plan continues the previous year’s activity but with an additional focus on potential effects of post re-structuring.

2.2. BTP Quarterly Updates

Following a request for assurance to be provided in respect of cash storage the BTP Head of Finance and Control reported administrative changes and the removal of all petty cash across BTP with the exception of covert operations.

The Committee was provided with an update on outstanding recommendations made in previous internal audits. BTP reported that a lesson learnt, particularly in relation to an outstanding recommendation for Disaster Recovery, was to ensure that the level of assurance required was proportionate to the risk.

Recommendations made following the internal audit of procurement were raised. BTP acknowledged that work is required in relation to its procurement activities and the ways that contracts are managed internally.

2.3. Contractual dispute with Northgate

An update was provided to the Committee on the current contractual dispute with Northgate.

2.4. Authority Quarterly Update

The Authority has received six queries from PSA holders concerning their 2014/15 provisional charges. A number of these have been resolved to date with the remaining queries being dealt with by the Finance Director. Following the recent announcements from both DfT and Transport Scotland the Authority will be contacting the new franchise holders shortly to ensure that the contracts and direct debit mandates are in place.

2.5. Gift and Hospitality Register

An updated version of the Force's and the Authority's Gift and Hospitality registers were reviewed, with no significant issues being raised (copies are available to Authority Members on request).

2.6. Authority Risk Report

Following a discussion by the Committee it was agreed that the strategic risk ASR64 - legislation anomalies should not be moved to ALARP but should be kept open and raised again with the DfT.

The Committee discussed a potential new risk and its impact to BTP, but it was agreed that at this time it does not need to be added to the register but to be monitored.

2.7. BTP Risk Report

Two changes have been made since it was last presented to the Committee. Two risks SR70 - PNN replacement and SR73 - ability to connect with PSN have been merged into one risk. Also SR69 - Restructure this risk has now been closed.

2.8. British Transport Police Fund Statement of Accounts

The Accounts were presented to the Committee for approval. The National Audit Office ("NAO") confirmed that the 2013-14 Accounts would be given an unqualified audit opinion, without modification.

The NAO raised queries concerning uncleared accrual balances, Pensions auto-enrolment and the quality of data held on the fixed asset register. The Interim Director of Finance provided responses to the queries.

The Committee recommends the Accounts are approved by the Authority. This item is reported on in more detail as agenda item 9.

2.9. **Annual Insurance Review**

The Head of Risk and Insurance presented the paper to the Committee. An overview was provided to the Committee of BTP's current insurance arrangements and liabilities.

2.10. **Health and Safety Annual Report**

A report on the current progress made by the Gold Group was presented to the Committee. As has previously been agreed progress against the Gold Group action plans is monitored by the People and Standards Committee. The it was decided that the report should still be presented to the Committee.

2.11. **Information Assurance Return 2013/14**

The 2013/14 Management Assurance Return ("MAR") has shown a lower level of compliance compared to the previous year's submission. The lower level of compliance was due to BTP more robustly reviewing the submission and having it independently reviewed. As a result the Information Management team has a comprehensive action plan to address the areas for improvement.

2.12. **HMIC Inspection**

An overview was provided to the Committee of the current inspection programme for 2014/15. It was agreed that BTP would be inspected on Stop and Search, Police Integrity and Corruption and Crime Data Integrity. BTP expressed an interest in the planned Cyber Crime inspection, but following the advice from HMIC is awaiting further details of what this will cover. The Committee requested that HMIC are invited to give a short presentation at the next meeting on the new PEEL inspection process. The Authority and BTP have sought assurance from HMIC that future inspection teams will be provided with a brief on BTP prior to any inspection activity to help them fully understand BTP's operating environment.

The Chief Constable raised concerns to the Committee on the number of inspections and audits that BTP is currently involved with and the burden this puts on the force. It was agreed that a meeting would be held to map out BTP's current audit and inspection activity.

2.13. **Internal Audit Progress Report**

The Committee noted the annual audit opinion from the Head of Internal Audit was "reasonable assurance" and this was agreed by the Committee. Concerns were raised in relation to the content of the Internal Audit plan for 2014/15. It was agreed by the Committee that Internal Audit should not be auditing operational functions within BTP as assurance on the effectiveness of these areas can and will be provided by HMIC or

other specialists in these areas. As a result 30 days of internal audit activity are now available to be used for other activities during the year or as a contingency to the programme.

Five audits from the 2013/14 internal audit programme had been completed since the last meeting:

- 2.13.1. **BTPA 13/02 Delegations Scheme - Implementation and Compliance (Phase 2)** - Levels of assurance were found to be substantial. The auditors commented on the improvements since the completion of Phase one when a rating of reasonable was given.
- 2.13.2. **BTPA 13/03 Management Assurance Return** - Levels of assurance were found to be substantial. The issues highlighted by Internal Audit were considered and reviewed as part of the submission for the end of year MAR to DfT.
- 2.13.3. **BTPA 13/05 HR Core Controls (Phase 2)** - Levels of assurance were found to be reasonable. The auditors identified issues concerning the documenting and recording of sickness absence.
- 2.13.4. **BTPA 13/06 Physical and IT Security Controls** - Levels of assurance were found to be reasonable. The auditors identified issues concerning site security assessments, the closing of leavers accounts and the security training and awareness.
- 2.13.5. **BTPA 13/08 Procurement & Contract Management** - Levels of assurance were found to be partial. The auditors identified a number of issues including a failure to link the procurement activities with the procurement strategy, lack of training for contract managers and the ability to identify key risks with suppliers.

2.14. **Non-Notifiable Crime Recording Process**

The Temporary Deputy Chief Constable provided an update to the Committee on the work BTP are doing on changing the process for the recording of non-notifiable offences.

2.15. **Management Assurance Return year-end submission**

Following the submission of the nine monthly Management Assurance Return ("MAR"), the Authority was required to submit an end of year MAR to DfT highlighting any changes to assurance ratings. As a result of the Internal Audit four assurance ratings were lowered prior to submission to DfT.

3. **Recommendations**

- 3.1. Members to note the report.