

Minutes

Audit and Risk Assurance Committee

Friday 30 May 2014, 10.00am
at The Forum, 74-80 Camden Street, London

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

Present:

Brian Phillpott, (Chair)
Bill Matthews
Andrew Pollins

Apologies:

Catherine Crawford
Stella Thomas
Andrew Figgures, Chief Executive (BTPA)
Ben Wright, Interim Finance Director (BTPA)
Nick Haigney, Internal Audit (DfT)

In attendance:

Paul Crowther, Chief Constable (BTP)
David McCall, T/ Deputy Chief Constable (BTP)
Simon Downey, Director of Capability & Resources (BTP)
Simon Hart, Head of Finance and Procurement (BTP)
Elaine Derrick, Senior Advisor (BTP)
Nicola Lines, Head of Risk Management & Insurance (part)(BTP)

Paul Oliffe, National Audit Office
Rose Enemuwe, Internal Audit (DfT)

Samantha Elvy, Strategy & Performance Manager (part) (BTPA)
Vicky Tanner, Income & Compliance Manager (BTPA)
Iggi Falcon, Senior Policy Officer (BTPA)
Lawrence Fatona, Charging Model Management Accountant &
minutes (BTPA)

14/2014 Welcome

Non-Agenda

1. The Chair welcomed everyone present and before proceeding to business asked that the Audit and Risk Assurance Committee formally recognise the work and service of Liz Pike, former Authority Finance Director, who passed away in March.

2. The Chair welcomed Simon Downey as the new Director of Capability & Resources to his first Committee meeting since taking up his post.

15/2014 Minutes of Meeting 04 March 2014

Agenda Item 1

3. Assistant Chief Constable McCall pointed out that paragraph 36 of the HMIC report from the previous meeting minutes suggested an action was outstanding. This was not the case and HMIC papers to the next Committee would be amended to reflect this. Other than that, the minutes were approved as an accurate record.

16/2014 Matters Arising

Agenda Item 2

4. All the items had been completed or were covered elsewhere on the agenda.

17/2014 Terms of Reference and Committee Work Plan

Agenda Item 3

5. The Chair presented the Terms of Reference and Audit Committee Work Plan for the business year 2014/15 to the Committee for noting and approval.
6. The plan followed standard convention and best practice. The Committee noted that with the commencement of the new Force Operating Model it would be prudent to ensure that the Force operated in accordance with governance across the new structure and some capacity would need to be built in to accommodate additional audit if appropriate. Mr Hart noted in the paper his name had been omitted from the Committee and requested he be added as an attendee of the Committee as Head of Finance and Procurement.
7. The report was noted.

Agreed

- 7.1. The Terms of Reference and Work Plan for the business year 14/15 was approved.
- 7.2. Mr Hart to be added to the list of attendees of the Audit and Risk Assurance Committee and ensure it is reflected in the updated Code of Governance. (Ms Tanner)

18/2014 BTP Quarterly Update

Agenda Item 4

8. Mr Downey and Mr Hart jointly presented the BTP Quarterly update.
9. Following a previous internal audit and issues raised by the Committee, Mr Hart updated the meeting in relation to petty cash held at BTP

premises. Mr Hart confirmed that all petty cash had been removed with the exception of cash required for covert operations. Mr Hart stated that he would confirm this number to the Committee.

10. Mr Downey informed the Committee that there remained two outstanding actions from the 2012/13 audit year. BTP felt that in retrospect some of the recommendations made by Internal Audit in relation to disaster recovery could not be implemented. The Committee agreed that where the recommendations made by Internal Audit were felt to be unworkable BTP had the option available to challenge and the Audit committee would make a decision. Mr Downey would update the Committee on progress in this area at the next Committee meeting.
11. The other outstanding recommendation was in relation to procurement. Internal Audit had identified that the current procurement team was small and did not have the capacity to carry out the day to day contract management. BTP intended to improve this function and address the issues raised. Mr Pollins offered his assistance and experience in this area to BTP.
12. Mr Downey updated the Committee on the current contractual dispute.
13. The report was noted.

Agreed

- 13.1. Inform the Committee of the exact cash value used for covert operations (Mr Hart)
- 13.2. The Committee to be updated on those internal audit actions BTP felt unworkable. (Mr Downey)
- 13.3. Confirm whether BTP need DfT approval to disposal of assets (Ms Tanner)

19/2014 BTPA Quarterly Update

Agenda Item 5

14. Ms Tanner introduced a report updating the Committee on significant developments since the last Committee meeting. Ms Tanner advised that all Police Service Agreements (PSAs) had been signed and the first payments received. New franchises had recently been awarded to Govia (Thameslink) and Serco (Caledonia Sleeper Service). The Authority would establish contact with the new franchise holders to ensure that contracts and direct debits are signed as soon as possible.

[Afternote: Thameslink Govia PSA has been signed and returned with the completed direct debit agreement]

15. The Authority and the BTP Gifts and Hospitality Registers were presented to the Committee. No issues were raised.

16. The report was noted.

20/2014 BTPA Quarterly Strategic Risk Report

Agenda Item 6.2

17. Ms Tanner presented the Authority Strategic Risk Register to the Committee. The two risks that were requested to be closed following the last Committee meeting had been removed from the Register. At the last review of the Register by the BTPA Executive the risk relating to legislation anomalies (ASR64) was considered ALARP (as low as reasonably possible). Following a discussion, the Committee requested that the risk be moved back as an open risk due to its operational impact on BTP and to ensure that DfT were aware of the constraints BTP were operating in.
18. The Committee discussed potential new risks that might need to be added to the register. The Committee would continue to monitor risks to the Authority and to update the risk register when risks were identified.
19. The report was noted.

Agreed

- 19.1. The risk relating to legislative anomalies (ASR64) would remain open and be raised with the DfT at the next bi monthly meeting. (AF).

21/2014 BTP Quarterly Strategic Risk Report

Agenda Item 6.3

20. Assistant Chief Constable McCall advised the Committee that there had been two changes to the Risk Register since it was last presented to the Committee. Risk SR69 concerning the restructure of BTP had been closed as the restructure was complete. Two risks (SR70 & SR 73) concerning the replacement of the Police National Network (PNN) and connection to Public Service Network (PSN) have been merged into SR 70.
21. The Committee discussed whether there were any potential new risks that might need to be added to the Register. None were identified.
22. Mr Pollins requested that the Risk Register refer to the job titles of the parties named on the BTP Risk Register as opposed to the individual's names.
23. The report was noted.

Agreed

- 23.1. BTP to add job titles to the BTP risk register instead of the employee's names. (Assistant Chief Constable McCall)

22/2014 British Transport Police Fund Statement of Accounts 2013/14

Agenda Item 7

24. Mr Hart stated that the audit had gone well and thanked Mr Oliffe and his team from the National Audit Office for conducting a professional audit. The Committee were advised that BTP had ended the year with an underspend of £1.1m. Mr Hart advised the Committee that he would be recommending to the Finance Committee that £0.9m of the total underspend be used to help fund the Accelerated Information Strategy Programme and the remaining £0.2m be added to the contingency reserve.
25. The International Accounting Standard (IAS) 19 Employee Benefits adjustments had been posted to the financial statements. These adjustments did not affect expenditure or BTP's operations so do not get posted to the BTP management accounts. Mr Pollins asked why the interest had increased from £14m to £19m. Mr Oliffe stated that the IAS 19 journals had been provided by Mercer (the BTP actuaries) and were not controllable. He added that contributions were likely to increase in the future but this was not an immediate concern.

[After meeting note: Ben Wright (Interim Authority Finance Director) contacted Mercer to enquire why the interest charge relating to the IAS 19 pension adjustment has increased compared to prior year. Mercer stated that the interest charge was calculated using the opening deficit, as the opening deficit was higher in 2013/14 than in 2012/13 it is expected that there would be a higher interest charge.]

26. Mr Oliffe informed the Committee that the audit opinion was expected to be unqualified and unmodified. There were still some final minor audit procedures to be completed but these were not expected to alter the audit opinion.
27. Mr Oliffe presented the audit completion report to the Committee. A number of minor control issues were identified during the audit relating to accruals, the fixed asset register and pensions. The control issue related to the aging of the accruals and Mr Oliffe recommended this was reviewed and then monitored on a regular basis. The issue of with the fixed asset register referred to the quality of the data recorded. Mr Hart stated that he would review this to ensure that there was sufficient information recorded on the fixed asset register when new assets were added to it.
28. The Chair presented an email from the Interim Finance Director (who was not in attendance) which acknowledged the control issues identified by NAO and stated that that these issues would be reviewed and appropriate action taken.

29. The Chair presented the financial statements to the Committee. The Committee agreed the Statement of Accounts for 2013/14 should be recommended to the Authority for approval.

Agreed

- 29.1. The Audit and Risk Assurance Committee to recommend to the Authority that the Statement of Accounts were approved for signing.
- 29.2. The control issues identified in the final audit be reviewed and appropriate action taken (Mr Hart)

23/2014 Annual Insurance Review

Agenda Item 8

30. Ms Lines joined the meeting to present the annual insurance review to the Committee. The report provided the Committee with assurance that BTP had sufficient insurance cover in place and that the team were actively seeking value for money. One of the key activities during the year was adding the London Underground fleet to the BTP insurance. This increased the premium but the situation was being actively managed by Ms Lines.
31. In noting the report the Committee thanked Ms Lines for her clear report and active management of insurance costs.

24/2014 Health and Safety Annual Report

Agenda Item 9

32. The annual Health and Safety report was presented to the Committee. A Gold Group set up in August 2013 to address a number of health and safety issues had made good progress and 22 of the 48 actions had been completed. The remaining actions were being managed as part of business as usual processes.
33. The next step was to provide guidance to the operational chain of command by the Strategic Command Team. This would mark the handover from the Gold Group to “business as usual”.
34. As agreed at a previous Committee meeting monitoring of Health & Safety as part of business as usual would be deferred to the People and Standards Committee. The annual report, however, would continue to be presented to the Audit & Risk Assurance Committee.
35. The report was noted.

Agreed

- 35.1. Monitoring of Health & Safety to be deferred to the People and Standards committee. An annual report would still be required by the Audit & Risk Assurance Committee. (Ms Tanner)

25/2014 BTP Information Assurance Return 2013/14

Agenda Item 10

36. Mr Downey provided an overview of the process that was adopted for the completion of the 2013/14 return. A comprehensive review had been completed by an independent reviewer which had resulted in a lower level of assurance being achieved. Mr Downey assured the Committee that the fall in assurance level was expected and more realistic to BTP's actual position in those areas. A comprehensive action plan had been formulated and vacancies in the procurement team filled. An Information Sharing Manager with responsibility for data processing arrangements had also been recruited. Together these measures would increase assurance across data management. In due course consideration would be given to reducing the level of IAMM (SR66) in the BTP Risk register.
37. The report was noted.

Agreed

- 37.1. Mr Downey to discuss with the Chief Executive the level of risk awarded to SR66.

26/2014 HMIC Inspection Update to include HMIC Inspection Plan

Agenda Item 11

Inspections update

38. Assistant Chief Constable McCall introduced the inspection update report. The key points were:
- 38.1. Stop & Search – A new forum was to be set up from 1 June 2014 across BTP on stop and search. The Committee were aware that one of the Authority members, Catherine Crawford, had been appointed as the Stop and Search Champion. The HMIC plan for the ensuing year would be conducting National Inspections into Stop & Search matters.
- 38.2. BTP custody suites were inspected in April and a draft report was expected on 20 May 2014. Informally there had been an issue relating to destruction proof blankets and steps had been taken to ensure such blankets were now issued as standard throughout BTP.
- 38.3. The HMIC were also inspecting organised and cyber crime.

2014/15 Inspection Plan

39. Mrs Elvy introduced a paper setting out proposals for HMIC inspection activity for BTP for the twelve months ahead. Members were asked to note that since the papers were distributed a further briefing meeting with HMIC had taken place and this had brought further clarity around the proposals set out in the paper.

40. HMIC had stated that the number of 'all force' inspections carried out by HMIC was being scaled back to accommodate the forthcoming Police Efficiency and Effectiveness Legitimacy ("PEEL") assessments, with a risk based approach being introduced instead.
41. The implications of this for BTP and the Authority was twofold - firstly that the new PEEL assessments would be populated by the findings of other inspection activity, such as Crime Data Integrity, therefore BTP's inclusion (or not) in the PEEL programme would influence which standalone inspections BTP would need to be engaged in. Secondly, HMIC's risk based approach would mean that only a sample of forces would be selected for inspection on each theme. BTP would be welcome to take part in any or all of these but HMIC's recommendation was that it might be more useful for the initial reports to be reviewed internally and any learning taken from these in order to inform a decision about commissioning inspection activity. The HMIC offered to attend a future Committee Meeting to brief it about PEEL. The Committee accepted the offer.
42. The Chief Constable expressed concern about the amount of additional work required to support and inform HMIC inspections, internal audit, completion of the MAR and providing information to Authority meetings, stating this caused a distraction from business as usual for the resources involved. There was the potential for duplication of work to meet all the audit and inspection activity and he wondered how this could be better managed. The Chief Constable had particular concerns in relation to the draft Internal Audit plan to look at "Operational Areas" of the Force. It was felt that there was chance of overlap between the Internal Audit and HMIC.
43. The Chair stated that the Committee had no wish to overburden, duplicate or interfere with "operational Issues" and that it was appropriate that where assurance was sought it was provided by the most appropriate body. That could be HMIC, the Internal Auditors or any other suitable body appropriate to the circumstances, citing the recent external independent audit of covert accounts. The Committee, however, accepted that a meeting to create an audit map should be arranged to identify any possible areas of duplication.
44. The report was noted.

Agreed

- 44.1. Members agreed to BTP's participation in the following inspections:
- Crime Data Integrity
 - Police Integrity and Corruption
 - Stop & Search revisit

- 44.2. In light of the HMIC guidance Members agreed to revisit BTP's inclusion in the following inspections after initial reports had been published by HMIC:
- Cyber
 - Police management of information
 - PEEL (and valuing the police)
- 44.3. A meeting is to be arranged including the Chair, PC, Internal Audit and AF to prevent overt duplication of audit. (Mr Downey)
- 44.4. Liaise with HMIC to arrange a briefing on the PEEL inspection programme for the Audit Committee at its next meeting. (Mrs Elvy)

27/2014 Internal Audit Progress Report

Agenda Item 12

45. Ms Enemuwe presented the following reports to the Committee for approval. The internal audit work for 2013/14 had been completed with the exception of Core Financial Controls Phase 3 which had not been finalised at the time of the meeting.
- 45.1. BTP 13-02 - Delegations Scheme phase 2 - the assurance level achieved was substantial with good progress noted since the completion of Phase 1.
- 45.2. BTP 13-03 - Management Assurance Return - the assurance level achieved was substantial and the results of this were reflected in the end of year MAR submitted to DfT.
- 45.3. BTP 13-04 Core Financial Controls phase 3 - Report yet to be finalised. Recommendations had been made to management and internal audit were awaiting management responses.
- 45.4. BTP 13-05 - Core HR Controls - Phase 2 - achieved reasonable assurance overall. Issues were raised concerning the recording and documentation relating to sickness.
- 45.5. BTP 13-06 - Physical and IT Security Control - achieved reasonable assurance. Three key findings were identified regarding the need for a structured plan for site security assessments, leavers being removed from the IT system and network and security training as required by Her Majesty's Government (HMG) Security Policy Framework.
- 45.6. BTP 13-08 - Procurement and Contract Management - the assurance level achieved was partial. The key findings were:
- Procurement documents being out of date

- Risks relating to procurement identified in the risk register had not been reviewed since 2010
 - Evidence of contract review by contract managers
 - Training of contract managers
- 45.7. Annual Internal Audit Report 2013/14 – Ms Enemuwe presented the annual internal audit report to the Committee. The overall audit opinion for 2013/14 was reasonable assurance. Mr Oliffe assured the Committee that it was difficult to give opinion on several areas and as a result reasonable level of assurance is good.
- 45.8. 2014/15 Draft Internal Audit Plan – the draft internal audit plan for 2014/15 was presented to the Committee. The plan had been constructed following consultation with key stakeholders. Ms Enemuwe expressed appreciation for the support from BTP and the Authority.
46. In response to the report on core HR controls, Mr Downey advised that an HR specialist would be engaged to provide guidance to meet audit recommendations. Mr Oliffe asked if the issue was around staff not recording sickness. The Chair questioned whether it was due to a combination of failure of staff to do paperwork and poor management supervision. Mr Downey highlighted the fact that the recent restructure should offer the opportunity for better data management and re-education of staff. Management should also use the opportunity to improve controls as the restructure bedded in.
47. The Chief Constable added that one of the major factors contributing to the failure to capture sickness was the fact that recording of sickness could only be done while on BTP premises. Mr Pollins asked if leavers were taken off the payroll, as and when they leave. Mr Hart confirmed that leavers were taken of payroll when they left BTP.
48. Mr Hart noted the audit findings on contract management. In response, he stated that there would not be sufficient time to implement the audit recommendations by quarter two. The Committee agreed that it was too early to review given the restructure.
49. The Chief Constable again raised his concerns with respect to Internal Audit auditing of operational areas of BTP. He was concerned that Internal Audit had not previously been involved in this area and would not have the specialist skills or knowledge to complete this work. The Chief Constable requested that this be removed from the Plan and HMIC or other specialist agencies that had the appropriate skills and knowledge should be asked to provide assurance on operational areas within BTP. Internal audit should have access to these reports so they

can assess whether they can place reliance on audit work being completed HMIC or other parties.

50. Mr Hart requested that if there was the opportunity to review the new control environment that had been created since the restructure of the finance team, it would be welcomed.

Agreed

- 50.1. The Committee agreed to approve the allocation of 170 of the internal audit days as set out in the plan. The 30 days allocated to the audit of the Core Operational Processes would be not be approved until there had been a review of internal audit's proposed plan for this work.
- 50.2. BTPA, BTP and the internal auditors will meet to discuss any potential additional audit work relating to the BTP restructuring.
- 50.3. Internal Audit to amend the 2014/15 Audit plan to reflect the discussions held at the Committee. (Internal Audit)

28/2014 Non-notifiable Crime Recording Process

Agenda Item 13

51. Assistant Chief Constable McCall advised the Committee that this report was for information only to provide an overview of the process. Assistant Chief Constable McCall reiterated the fact that BTP was the only police force that recorded non-notifiable crime in the country. The change in recording processes would impact the charging model and the Authority was working with BTP to ensure that the new process provided the Authority with the correct information required for the charging model. BTP introduced a method of recording the required data in its Command and Control system and the data this produced was being reviewed to determine if it could be used in the model.

29/2014 Management Assurance Return - End of Year Submission

Agenda Item 14

52. Ms Tanner presented the end of year Management Assurance Return (MAR) to the Committee which had been circulated to the Members out of Committee for approval and submitted to the DfT in accordance with their deadline. Following the completion of the internal audit four assurance ratings were lower when compared to the nine monthly submission. The Authority was awaiting further information from DfT on the MAR cycle for 2014/15.

Date of next meeting

18 September 2014 at 10.00 am.