

Report to: Police Authority
Agenda: 6
Date: 10 December 2015
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 Committees (“the Committee”) meeting held on 12 November and 03 December 2015.
- 1.2. The Committee also reviewed the strategic risks of the Authority and British Transport Police (“BTP”) which are both attached as an appendix to this report (appendixes A & B).

2. Authority Quarterly Update

- 2.1. Financial review - As agreed at the September Committee, a detailed forensic investigation to determine the potential for fraud is being carried out as a result of the Phase 2 Finance Review. Peter Tickner is currently carrying out the work which is expected to be concluded by the end of the calendar year. The Committee was informed that no evidence of suspected fraudulent nature has been discovered so far. The Authority Finance Director continues to provide weekly progress reports to the DfT and Committee covering the progress of the work against the action plan.
- 2.2. BTPA 2015/16 Year End Plan - The year-end process plan is beginning to take shape with several on site meetings with KPMG (new subcontracted audit team for the NAO). It has been agreed that some review of processes will take place in December. Interim audit procedures are planned for mid February with year-end scheduled for May/June.
- 2.3. The impact of the Finance Review on the year end financial statements was discussed with KPMG. They feel confident at this time that unless there was a material misstatement found in the

financial records of the British Transport Police Fund it would not affect the audit opinion. The Governance Statement wording must be considered carefully in order to reflect events in the year and actions that have been taken.

- 2.4. Gifts and Hospitality Register - It was agreed that going forward this should not be reviewed by the Committee but by the Chief Executive and then published appropriately to the public.

3. BTP Quarterly Updates

- 3.1. The Committee received a report on developments across Corporate Resources, with the main focus being as follows:-
- 3.2. Governance and Assurance review goal plan - The Committee was presented with actions being undertaken within relevant work streams with the aim to deliver a comprehensive reset that endures and can transition to an appropriately resourced level of business as usual.
- 3.3. Internal Audit update - an update against all Audit recommendations was provided.
 - 3.3.1. Core Financial Controls - Employee Expenses: There are 5 outstanding recommendations however these are expected to be suitable for closure in the next month.
 - 3.3.2. Cyber Security Audit - There are 2 outstanding actions of which again are expected to be ready for closure in the next month.

4. Authority Risk Report

- 4.1. The Committee was provided an update on the current risk register (see Appendix A- which includes updates agreed at the Committee) agreed to update the risk register as below:
 - 4.1.1. Residual risk regarding the number of members has been reduced to 'Amber' due to a recent increase in the number of members.
 - 4.1.2. Residual risk regarding the Finance Review and the associated reputational risk to be lowered to 'Amber' as controls including action plan management and correspondence with the DfT are in place.
 - 4.1.3. An increase in the risk rating from 'Amber' to 'Red' for the risk regarding funding for the transfer to ESMCP to reflect risk held within BTP register and the escalation to DfT.

5. **BTP Risk Report**

- 5.1. An update was received on all significant and new risks (see Appendix B).
- 5.2. VDI - The risk that failure to deliver the VDI project would result in a failure to deliver PSN-P compliance has been closed given the assurances that having achieved accreditation that BTP's connection to PSN-P would not be terminated. BTP are to clarify the difference between this risk and the 'Red' risk rating of the VDI project reported to the Finance Committee.

6. **HMIC Inspection**

- 6.1. The Committee received a report summarising the Force's activity in relation to HMIC inspections. Updates were received on inspections relating to Stop & Search, Police Custody, Crime Data Integrity, Police Integrity, Undercover Policing.
- 6.2. 2015/16 Inspections - BTP will participate in the inspections surrounding the 'Effectiveness' strand and the audit of the Police National Database during Q4, which form part of HMIC PEEL activity. Formal terms of reference/dates have yet to be communicated and agreed between HMIC, BTPA, and BTP.

7. **Internal Audit - Progress Update**

- 7.1. The Committee received a report setting out the updated 2015/16 audit plan. As a result of the issues identified over key financial controls in the Frith Street Finance Review the focus of IA work for the remainder of the year have been agreed by the Committee to be focused on the implementation of the resulting action plan. Workstreams prioritised for focus are accounts payable, accounts receivable and fixed assets.
- 7.2. An element of the remaining internal audit time has been allocated to a high level review of the current status of the Transformation Programme. It has been agreed that a memorandum of understanding be made between Internal Audit and Management as to the focus of work to be performed in this area.
- 7.3. Time has now been allocated for Internal Audit to review the Management Assurance Return to the DfT before the nine month return is submitted. The 9 month return deadline is 20 February 2016.
- 7.4. It was suggested that the original plan to perform audits on Governance and Health and Safety will now be performed in the following financial year in order to allow prioritisation of the review of the finance review action plan. The Committee agreed the revised changes to the internal audit plan.

- 7.5. Contract Management and Payroll Internal Audit Reports- The draft reports were presented to the Committee. Management also provided a response to the recommendations made. The RAG rating for both audits provided was “Red” or “Unsatisfactory”. It was agreed that in order to achieve a suitable resolution regarding certain issues raised by Management and to clarify actions to be taken against GIAA’s recommendations a meeting would be held between Management and the internal audit team before 17 December. A final report containing final management responses will then be submitted to the next Audit and Risk Committee for consideration.
- 7.6. An additional Committee will be organised prior to the Audit Committee planned for 03 March 2016.

8. External Audit

- 8.1. KPMG presented the draft external audit plan to the Committee. Significant financial statement risks identified this year are Management Override of Controls, Risk of Fraud in Revenue Recognition, Pension Liability and Staff Costs.
- 8.2. Materiality set for the current year is £6.2m which is an increase from prior year materiality of £5.7m. Members noted concern at the increase in materiality in light of recent risks that have come to light this year.
- 8.3. A meeting with the finance team, external and internal audit teams is planned for the 15th December to review business processes and to allow commencement of external audit planning procedures.

9. Information Management Report

- 9.1. The Committee received a report regarding recent updates on Information Management within BTP.
- 9.2. The report gave an update on Operation Canberra
- 9.2.1. The Committee was informed that the original ‘10,000 boxes’ have now all been retrieved and reviewed. This element of the project will be complete by the end of 2015.
 - 9.2.2. Retention of material beyond authorized time limit with regards to the 11,000 boxes of mixed files will be complete by 29 February 2016.
 - 9.2.3. The FIS back record work will be complete by the introduction of Niche in mid-2016.
- 9.3. Representatives of Information Commissioner’s Office at a meeting held on 20 October stated they felt assured with progress.

10. **Finance Review**

- 10.1. The Committee received a report updating the status of actions as a result of the finance review.
- 10.2. A high level dashboard has been developed and agreed with the BTPA. This was presented to the Committee to summarise the current status of the various work streams involved. Internal status reporting to Force management and BTPA will occur on a weekly basis.
- 10.3. Andrew Pollins is to act as BTPA Assurance lead to review progress of the project on behalf of the BTPA.

11. **Recommendations**

- 11.1. The report be noted