



**Government
Internal Audit
Agency**



British Transport Police Authority

Internal Audit Progress Report

Period: March 2016 – June 2016

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1. Introduction

- 1.1 This paper gives an update on the completion of our revised 2015/16 Internal Audit plan, our 2015/16 Annual Report & Opinion and the Internal Audit plan for 2016/17. The Audit and Risk Assurance Committee (A&RAC) is invited to note and comment on the reports provided and approve the Internal Audit plan for the year to 31 March 2017.

2. Revised 2015/16 Internal Audit plan

- 2.1 The following reports have been issued in final since the March A&RAC meeting, completing our 2015/16 programme of work;

- 2.2 *BPTA 15/009, Management Assurance Statement* issued with a 'limited' opinion. The key findings were;

- Due to the later than usual release date, the responses gathered for the 9 month submission did not go through sufficient review and critique at the Force prior to the March submission to the DfT.
- We found the evidence collated to back up the initial MAR commentary was insufficient for 15 out of 20 responses tested by Internal Audit.
- Of the 20 answers sampled by Internal Audit 8 were subsequently changed from a 'yes' to 'no' response as a result of our testing and/or review by the Authority.
- Based on the audit work undertaken we were satisfied that the final 9 month submission made to DfT was an accurate reflection of the internal control framework within the Force and Authority at that time.

- 2.3 *BTPA 15/03A, Payroll follow up review* of the recommendations made in our Payroll audit report completed earlier in the year. We did not provide an overall opinion for this follow up as the work undertaken did not constitute of full re-audit of these areas. However we did rate each recommendation in the action plan according to the degree of progress the Force has made in implementing the actions. The key findings were;

- Overall, BTP has demonstrated good progress in addressing the issues identified in the November audit report and have demonstrated that the report has been a catalyst to improving the wider Payroll/HR control environment.
- The Force has proactively begun the process of monitoring compliance to the changes made in reaction to the payroll review, for example the compliance tests on the updated starters, leavers and amendments processes. Future refinements to these tests should lead to efficiencies, whilst ensuring controls are adhered to.
- In the longer term, the Force recognises the requirement to improve the overall payroll/HR system and are seeking to fast track a new Enterprise Resource Planning system.

- 2.4 *BTPA 15/01A, Contract Management follow up review* of the recommendations made in our Contract Management audit report completed



earlier in the year. As with the Payroll follow up review an overall opinion was not provided. The key findings were;

- Overall, BTP has demonstrated good progress in addressing some of the issues identified in the November 2015 audit report and can demonstrate that work is ongoing to address other areas. In addition, a few areas have been identified where some further work is required to implement recommendations fully.
- We also completed the review of the Sarax procurement process which has been reported in a separate management letter due to the timing of the fieldwork on this area. This management letter is to be discussed with the Chief Executive on 7 June. A verbal update on the outcome of this meeting and the conclusions of the review will be provided at the Audit Committee.

3. 2015/16 Annual Report & Opinion

- 3.1 The Internal Audit Annual Report & Opinion, included in the A&RAC papers, provides my opinion on the adequacy and effectiveness of the framework of governance, risk management and control as it operated in BTPA during 2015/16. My opinion is based on the underlying internal audit programme of work and it also draws on my understanding of the business and other sources of assurance such as the recent Governance review.
- 3.2 On the basis of the evidence obtained during 2015/16 I am able to provide an overall 'Limited' assurance rating. In my view there are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
- 3.3 I acknowledge the significant amount of work that has already been undertaken by the Authority and Force to address the issues identified by the Finance Review and our payroll and contract management reviews. This opinion, however, must reflect the control environment in place across the full year under review and although significant work has been undertaken, in particular for year-end account purposes, the action plan has not been fully completed at this time.
- 3.4 If the Authority and Force can maintain the current momentum and the regular and vigorous level of scrutiny and oversight that are currently in place then we anticipate that significant improvements can be made to the control environment over the next 12 months.
- 3.5 In my opinion the internal controls weaknesses flagged in my annual report and outcomes of the Governance Review fall within the scope of issues that should be reported in the Governance Statement.

4. 2016/17 Internal Audit plan

- 4.1 At the March A&RAC we presented a long list of the proposed areas for inclusion in the 2016/17 Internal Audit plan together with the approach that had been followed to prepare the draft plan. Following feedback from the Committee and further discussions with the Authority we have worked to



reduce the long list to a more manageable level, for example providing assurance on actions taken against the Governance Review has been moved into 2017/18. The plan is now limited to critical activities that we have agreed need to be completed in 2016/17 (including an increased focus on the embedding of financial controls) and will enable a Head of Internal Audit Opinion to be given in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

- 4.2 To achieve this requires a baseline plan that is approx. £12k over budget (against a budget of £100k) and approval is sought from the A&RAC for this increase. We will continue to review priorities throughout the year and apply change control as appropriate through the A&RAC.
- 4.3 The plan is included at Annex A and includes summary details of the proposed scope of each review along with the proposed timing of work which has been agreed with the Authority and the Force.

5. Advisory work

- 5.1 Simon Downey, Director of Capabilities and Resources, BTP, has requested that Internal Audit undertake an additional piece of work within the payroll/HR functions. The objective of the review is to provide controls advice specifically:
 - How data analytics may be better implemented over BTP's Payroll/HR reporting and 2nd line of defence functions; and
 - The focus and extent of existing management checks carried out over Payroll/HR.
- 5.3 This work will not contribute to the level of assurance provided to BTPA in the Head of Internal Audit's Annual Report & Opinion. As this work falls outside of the 2016/17 audit plan the Force will be invoiced in full for this engagement.
- 5.4 At the time of drafting this report the terms of reference for this piece of work are being agreed with the Force. The output of this work will be a management letter setting out our findings and recommendations.

Mags Saich, GIAA
26 May 2016

2016/17 Internal Audit Plan

This plan is the output from analysis undertaken by GIAA in a number of areas, for example analysis of cross government risks and the strategic risk registers, as well as meeting with key Authority/ Force stakeholders. The audit plan below will be kept under constant review through the year to ensure we can respond to emerging risks and changing priorities.

| | Audit Title | Why? (risk context, rationale for inclusion) | What? (audit objective and proposed outline scope) | Indicative budget & proposed timing |
|---|---|---|--|-------------------------------------|
| 1 | Major programmes | The Transformation programme is a major programme for the Force and appears numerous times on the BTP/A strategic risk registers. Programme management is viewed as a cross government risk. | Evaluate the effectiveness of the organisation's framework to govern and manage its projects. Areas for focus include; <ul style="list-style-type: none"> • Benefits identification and management • Critical path analysis • Identification and management of interdependencies and key enablers • Stakeholder management | Q3 – 20 days |
| 2 | Implementation of the finance action plan | Significant risks identified in the core control environment in 2015/16. Implementation of the finance action plan will continue into 2016/17. | Evaluate the adequacy and effectiveness of the changes made to the control environment to address the weaknesses identified in the 2015/16 finance review. This will include the evaluation of control design, control implementation and embedding into business as usual (BAU). In 2016/17 our work will focus on 5 key cycles; <ul style="list-style-type: none"> • Accounts Payable • Fixed Assets • Accounts receivable • Cash & bank • Procurement | Q1-4 – 50 days |
| 3 | Information Management | Management of Police Information is a strategic risk to the organisation | Evaluate the framework of governance, risk management and control relating to Information Management (IM). | Q1 – 20 days |



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| | | <p>following weaknesses identified in Force processes to manage physical records.</p> | <p>Significant work has been completed in regard to IM to address legacy issues, reset governance and meet the IM implications of transformation.</p> <p>This audit will evaluate the effectiveness of the design, implementation and embedding into BAU of the key elements such as the new IM strategy, revised procedures, internal assurance reporting, and revised Force IM governance levels.</p> <p>It will also review progress made on the legacy issues associated with physical records, the Force Information System (FIS), the Police National Computer (PNC) and business information.</p> <p>Updates will be sought on progress made on preparing the information management processes to meet the range of new transformation information projects – for example the information solution to support ISP and a longer term Electronic Data Warehouse solution.</p> | |
| 4 | Health & Safety | <p>Audit postponed from 2015/16.</p> <p>Health & Safety has been identified as an area of risk following a report carried out by an external consultant in 2014 and subsequent internal reviews and currently sits on the Force strategic risk register.</p> | <p>Evaluate the framework of governance, risk management and control relating to Health & Safety.</p> <p>This audit will evaluate the effectiveness of the Health & Safety arrangements in the Force, for example the 2015/16 strategic plan, H&S policy & management systems, risk management and internal governance and assurance.</p> <p>In 2013 an external review of H&S led to the establishment of a Gold group to manage the recovery of service and take immediate action to mitigate risk within the high priority areas. A further externally conducted H&S gap analysis was performed in March 2015.</p> <p>This review will also ensure that all actions from the above reviews have been implemented.</p> | Q2 – 10 days |
| 5 | Business continuity management (BCM) | <p>Follow up to 2013/14 Internal Audit review (Amber/red opinion).</p> <p>On Force strategic risk register and a cross government risk.</p> | <p>In 2014 internal audit gave a partial opinion on BTP's BCM arrangements and we could only provide limited assurance that critical IT systems could be recovered to meet business need.</p> <p>We will follow up the recommendations made in this review to ensure robust and appropriate BCM controls are in place to drive an effective BCM system and supporting recovery strategies and capability across BTP which are aligned to best practice and appropriate to the needs of the</p> | Q2 – 15 days |

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| | | | organisation. This will incorporate areas such as governance, business alignment, strategies & plans, capability & testing, crisis management and IT disaster recovery. | |
| 6 | Authority Charging Model | <p>BTPA's income is dependent upon these charges and there has been an increase in level of challenge from ToC's.</p> <p>Modelling identified as a cross government risk and on Authority strategic risk register in relation to TOC challenge of charges.</p> <p>Last reviewed in 2013/14.</p> | <p>To evaluate the effectiveness of controls and governance processes in place over the charging model.</p> <p>This review will look at the assurance that management obtains over the quality of datasets, financial and non-financial, that form the key inputs to the charging model as well as assurance over the operation of the model itself and the charging methodology.</p> | Q3 – 15 days |
| 7 | Workforce planning | <p>Requested by management and identified as an area internal audit have not reviewed for a number of years.</p> <p>Force have recently completed their demand study which will impact on the processes and controls in this area.</p> | <p>Evaluate the framework of governance, risk management and control relating to workforce planning and resourcing. Areas of focus will include;</p> <ul style="list-style-type: none"> • The development of existing and projected resourcing requirements • The development and review of resourcing objectives, strategies and plans, including associated Management Information (MI) • The management of resourcing/ deployment risk and issues • The management of on-boarding and exiting of staff • The management of succession planning (for key staff) • Review of the outcomes of the demand study | Q4 – 20 days |
| 8 | Payroll & contract management follow up | Follow up to 2015/16 red rated reviews. | Although follow up was performed in March 2016 a number of longer term actions remain outstanding and actions already taken need to embed into business as usual. Further follow up requested by management in 2016/17. | Q3/4 – 10 days |
| Other activities | | | | |
| 9 | Audit Management | This time includes – programme planning and management, regular client governance meetings, attendance at Audit & Risk Committee and drafting our annual opinion. | | 20.5 |



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| 10 | Advice/ Consultancy | Reserved for ad hoc advice to BTPA as and when it arises during the year. | 4 |
| | | TOTAL DAYS | 184.5 |