

**Report to:** Police Authority  
**Agenda:** 9  
**Date:** 22 March 2016  
**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”) held on 26 January (a verbal update was provided at previous 28 January 2016 Authority meeting) and on 03 March 2016.
- 1.2. The Committee also reviewed the strategic risks of the Authority and British Transport Police (“BTP”) which are both attached appendices A and B respectively to this report.

## 2. Governance Review

- 2.1. The Governance Review has been presented to the Authority governance panel, DfT and to the BTPA Audit and Risk Assurance Committee. All bodies have had an opportunity to comment and provide feedback before the presentation made to the Authority on 22 March. A written report to be accompanied by the evidence supporting it is to be circulated prior to the meeting.
- 2.2. From the recommendations provided by RSM there are clear areas of improvement required; for example surrounding the identification and management of strategic risks, management of information reported to Committees at the Authority and BTP and the clarification of governance boundaries.
- 2.3. A request was made at the March Audit Committee to RSM that further detail be provided in the report on the recommendation to expand the skills set of the Authority.

- 2.4. Should the Authority be content with the findings of the report and subject to guidance on the priorities, an action plan will be prepared and monitored that captures the recommendations of the report (and other concerns raised) regarding the governance of BTP and BTPA. It is suggested that a working group with membership from the Authority, the Executive, the DfT and BTP is formed to do this.

### **3. Authority Quarterly Update**

#### **Forensic investigation**

- 3.1. As communicated at the January meeting, 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 nearing completion of this work, a final report will be brought to the June Audit Committee. From the work completed so far, Peter Tickner has reported it is unlikely any finance officials have been involved in the processing of fraudulent payments or the suppression of records since April 2012.

#### **PSA Charges**

- 3.2. The wash up charges for 2014/5 have now been finalised. The 2016/7 charges have been calculated on the same basis. The PSA charge letters which include both the wash up charges and 2016/7 charges been issued to the industry.
- 3.3. The Committee members scrutinised, suggested final responses for, and consequently, approved the management assurance 9 month submission to the DfT. The 12 month submission is due on 17 April. Any progress made on areas since the 9 month return will be included in this update.

#### **Governance Statement**

- 3.4. The Committee agreed that the following topics should be included in the Governance Statement for the 15/16 year end accounts:

- Finance review and investigation
- Management Information
- Strategic risk register – BTPA
- Strategic risk register – BTP red rated risks that have remained red for the full financial year:

Health & Safety

## Funding for Airwave replacement

### Transformation

PSN-P compliance (red rated at the beginning of the year, moved to green rated at year end)

- Spending Review 2015
- ISP and Mobile – as emerging technology and cutting edge developments

The Authority Finance Director and the Interim Authority Finance Director have commenced preparation of the draft Governance Statement.

## 4. BTP Quarterly Updates

4.1. The Committee received a report on developments across Corporate Resources, with the main focus being as follows:-

4.2. Internal Audit update – an update against all audit recommendations was provided.

4.2.1. All actions for 2014/5 audits have now been completed.

4.2.2. Action plans have been put in place in response to the two ‘Red’ rated 2015/6 internal audit papers on Payroll and Contract Management. These actions are included within the Finance Action Plan; progress is therefore being reviewed on a weekly basis.

4.3. A draft year end timetable was presented to the Audit Committee in March. The key dates are noted below.

Key Dates	Tasks/actions
Thursday 31 March	E-FIN Period 13 closes (Period 14 remains open for adjustment journals)
Monday 18 April	Final date for posting ALL transactions to the General Ledger & date for submission of period results to DfT
Wednesday 27 April	Draft Statement of Accounts ready for review
Friday 6 May	Papers available for KPMG review
Wednesday 11 May	Deadline for submission to DfT of year-end figures for consolidation
Wednesday 1 June	Papers available for circulation to members of the Audit and Risk Committee
Wednesday 8 June	Audit and Risk Committee meeting
Wednesday 22 June	Laying of Accounts in Parliament.

## 5. Authority & BTP Risk Report

- 5.1. The Committee was provided with an update on the current risk registers (see items 10.1 and 10.2 - these include updates noted at the Committee).
- 5.2. As a result of the findings of the Governance Review the Committee has acknowledged that both risk registers will require reconsideration to focus on relevance of risks to the strategic objectives and ensuring sufficient consideration of external facing risks. It is proposed that a workshop with representation from the Authority and Force be held to consider the strategic risks facing the organisation.

## 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 Crime Data Integrity & Police Integrity and Corruption.

### **2016/17 Inspection Plan**

- 6.2. HMIC published a draft inspection programme on 5 February 2016. The likely focus of activity for the year ahead is the all-force Police Effectiveness Efficiency and Legitimacy (PEEL) programme. This will be supplemented by other in-year thematic inspections. The thematic inspections initially proposed include crime recording and counter terrorism as well as an assessment of the effectiveness of the justice system at identifying and managing vulnerability and risk associated with victims of stalking and harassment.
- 6.3. HMIC has recently indicated that BTP's full inclusion in the PEEL programme without the thematic inspections is likely to cost £100k (net) - this is £40k higher than the provision included in the 2016/7 budget.
- 6.4. HMIC is not able to break down the costs of individual activities within the PEEL programme at this time but will work with the Authority to estimate how much activity could be purchased within the £60k limit.
- 6.5. The 'Effectiveness' element of PEEL may include activities that are not undertaken by the BTP.
- 6.6. The Committee therefore provided direction to engage in a bespoke PEEL programme (rather than the full programme) as well as selected thematic activities.

## 7. Internal Audit – Progress Update

### **Contract Management and Payroll Internal Audit papers**

- 7.1. The final versions including management responses were approved by the Audit Committee in January.
- 7.2. Committee members were presented with an update on progress made against recommendations, at the March Committee. Internal Audit will be reviewing the actions taken to respond to the recommendations prior to year end. Progress or improvements verified by internal audit as existent have been requested by the Committee to be included in the Internal Audit Year End Opinion.

### **Management Assurance Return**

- 7.3. Internal Audit have performed a review of the 9 month MAR submission in order to assess the evidence to verify for a sample of responses. Commentary was challenged to ensure the responses reflected events for the whole year and changes made to address findings before submission.

### **2016/7 Audit Plan**

- 7.4. A draft internal audit plan for 2016/7 was submitted to the Committee for review. The budget allocated by the Authority for services allows for a plan of approximately 180 to 200 days. A list of potential audit areas and the allocated number of days was presented. Members gave feedback on their priority areas for the coming year. Implementation of the finance action plan time was asked to be increased considering the extent of the work required. The review of major programmes was also noted as a priority area.
- 7.5. GIAA will submit an updated plan as a result of the feedback including further detail of time and resourcing expertise allocation for Committee approval before the next Committee.

## 8. External Audit

- 8.1. KPMG have recently spent two weeks at FHQ performing planning and interim procedures in advance of the year end audit. Much of the work performed was to understand the financial processes in place.
- 8.2. As a result of these procedures KPMG have decided to take a fully substantive rather than a controls reliance audit approach for the current year end. Receipt of a deliverables list from KPMG to allow sufficient time for BTP to compile samples was highlighted to KPMG and NAO as critical.
- 8.3. The Committee was keen to ensure NAO would be rigorously overseeing KPMG and the delivery of the audit to time.

## 9. Finance Review

- 9.1. Finance Action Plan – The Audit and Risk Committee continues to receive an update on progress made on the finance action plan submitted to the DfT via a high level dashboard.
- 9.2. A reprioritization of the original plan has been agreed by the Committee to focus on year-end priorities. The purpose of this reprioritization is to support an unqualified opinion; to allow the opportunity for BTP to evidence action being taken in response to recommendations from internal audit reviews and to be able to show in the Governance Statement that we are dealing vigorously with problems identified.
- 9.3. Weekly meetings continue to be held, with Andrew Pollins as BTPA Assurance lead and the Chief Executive as Accounting Officer, to monitor progress of this re-focused plan. Particular areas of focus are achieving “clean” balance sheet reconciliations, resolving the backlog present surrounding registering and payment of invoices, the existence of aged accruals and the recording and verification of fixed assets.
- 9.4. The current key issues are sustaining continuity in key roles in the finance department and the accounts payable backlog. Completion of detailed actions to respond to these issues is therefore the key focus of the weekly meetings.

## 10. Information Security – Departmental “Health Check”

- 10.1. The draft 2015/6 “Health Check” relating to BTPA Compliance with HM Government’s Security Policy Framework was approved, having been scrutinized, by the Audit and Risk Assurance Committee to be submitted by the Chief Executive to the Department for Transport. The submission from the BTP will be separately considered by the Committee later in the year and submitted to the Home Office.

## 11. Recommendations

- 11.1. The report to be noted.