

Report to: Police Authority
Agenda: 5
Date: 16 June 2016
Subject: Audit & Risk Assurance Committee
Sponsor: Andrew Pollins on behalf of 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 08 June 2016.
- 1.2. The Committee will review the strategic risks of the Authority and British Transport Police (“BTP”) at the next Committee meeting in September 2016.

2. BTP Fund Annual Accounts 2015/16

- 2.1. The Accounts for the period to 31 March 2016 was submitted to the Audit and Risk Assurance Committee for review. Audit Committee members were unanimous in agreeing to recommend the accounts to the Authority.
- 2.2. A cover paper has been attached under item 9 that explains the key features and focus points to consider alongside reviewing the accounts.
- 2.3. Underlying financial performance for 2015/16 indicated by these accounts is reported in more detail in the Finance Committee report.
- 2.4. Once the content has been finalised it will be sent to designers to produce a more stylised format which will be similar to the 2016/17 [Policing Plan](#) publication.
- 2.5. NAO and KPMG provided the ISA 260 Audit Report. They reported that as a result finance action plan work the outcome has been a good quality draft of the accounts presented for audit and a smooth year end audit process. Two

non-material accounting adjustments have resulted from the audit work and a small number of recommendations for control improvements have been made. These recommendations will be included within the re-focused finance action plan.

- 2.6. The Audit Committee recognise the risk raised by the auditors of the dependence on short term contractors within the finance function. Both the Audit Committee and Finance Committee members have asked that this risk be responded to as a matter of urgency.

3. Authority Quarterly Update

3.1. Forensic investigation

The work undertaken from Frith Street Consulting has now been completed and a final report was reviewed by the Audit and Risk Assurance Committee. This report is attached in Appendix A.

Subject to the outcome of the first data analysis of supplier and staff records following BTP/BTPA's sign-up to the National Fraud Initiative, Frith Street can provide reasonable assurance that it is unlikely any finance officials have been involved the processing of fraudulent payments or the suppression of records since April 2012.

The BTP Interim Head of Finance and Procurement presented a report on the work undertaken regarding NFI and similar in-house analysis. Results from the data submitted to NFI have been received. Analysis will commence in due course and presentation of results will be brought to the January Audit Committee.

3.2. Finance Action Plan

Since we are nearing completion of the year-end focus the attention of the Finance Action Plan sessions has been shifted back to the original plan submitted to the DfT. The goals and actions have been added to where new issues have been identified. These have been redistributed into three headings of short, medium and long term to ensure sufficient focus is given to both issues requiring immediate attention as well as those long term actions which require more consideration and discussion. A Finance Action Plan session to review the updated plan in detail is to be held after the Authority meeting on 16 June 2016.

3.3. DfT 12 month Management Assurance Return

Audit Committee members were provided a copy of the twelve month MAR submission outside of Committee on 11 May 2016 for feedback and commentary.

All responses (yes,no,n/a) remained the same as the nine month return on the basis that if a shortcoming has been present at any time during the year the response remains a “no”. This is despite the significant progress made to rectify the identified shortcomings. No new issues had been identified since the nine month return.

The final submission was made on 13 May 2016.

3.4. Direct debit issue

The Audit Committee was given a brief summary of the recent direct debit issues. Further detail will be included in the Finance Committee report.

3.5. Police Service Agreements

A summary of communications with PSA holders was provided to Audit Committee members. This detail is provided in the Finance Committee report.

4. **Internal Audit – Progress Update**

4.1. Annual report and opinion 2015/16

On the basis of the evidence obtained during 2015/16 an overall ‘Limited’ assurance rating has been provided. This indicates that there are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective. It was acknowledged however that a significant amount of work has already been undertaken by the Authority and Force to address the issues identified.

4.2. Follow-up reviews of Contract Management and Payroll

The results from both reviews concluded that good progress has been made to respond to recommendations made from the original internal audit reviews. Further work is required to respond to the longer term recommendations.

4.3. DfT nine month Management Assurance Return review

A final report was presented concluding on a “limited” opinion. The review found that whilst the final nine month submission made was an accurate reflection of the internal control framework, the process of review and critique of responses must be improved.

4.4. 2016/17 Internal Audit Plan

The plan is now limited to critical activities 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). To achieve this requires a baseline plan that is approx. £12k over budget (against a budget of £100k) and approval was provided from the Committee for the increase.

5. Insurance Report

- 5.1. The Committee received a report summarising the annual insurance programme, outline actions to be taken regarding the October 2016 renewal and an overview of BTP/A's financial risk exposure relating to Public and Employers' Liability claims.
- 5.2. It was reported that from the data presented to the Committee that the level of claims remains low and premiums have decreased year on year.

6. HMIC Update

- 6.1. BTP has not been subject to any inspection activity during 2015/16.
- 6.2. The following inspection activity proposals were identified for BTP inclusion during 2016/17:
 - PEEL: Efficiency, Legitimacy, and Leadership (tranche one) is proposed to take place during Q3/Q4 this financial year.
 - Thematic Inspection: Counter Terrorism - HMIC will inspect BTP as part of this thematic inspection as BTP is an integral part of the Counter-Terrorism Prevent Strategy for the UK. BTP's involvement in this inspection will not be considered for cost recovery and will not result in a BTP specific product/report.

7. Recommendations

- 7.1. The report to be noted.
- 7.2. With the concurrence of the Finance Committee, the Authority is recommended to approve the signing of the accounts by the Accounting Officer and their submission to the NAO and Parliament.