

# Minutes

## Audit and Risk Assurance Committee

Wednesday 28 November 2018, 14:30

at BTPA, 5<sup>th</sup> Floor North, 74-80 Camden Street, London NW1 0EG

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Present:

Mark Phillips, Chair (MP)

Dyan Crowther (DC)

Andrew Pollins (AP)

Martin Richards (MR)

In attendance:

Adrian Hanstock (AH)

Tracey Martin (TM)

Sarah Winmill (SW)

Chris Wallace (CW)

Ian Pigden Bennett (IPB)

Sarah McGarel (SM)

Tony Collingwood (TC)

Ian Pennington (IP) - KPMG

Aaron Condron (AC) – GIAA

Matt Kay (MK) – NAO: [via dial-in]

Apologies:

Shrin Honap (SH)

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### Introductions & Welcome

- i. MP welcomed everyone to the meeting and introductions were made.
- ii. Noted conflicts of interest:
  - a. DC and HS1 & AP and TfL

### Minutes of Meeting 4 September 2018

- i. The minutes of the meeting which took place on 4 September 2018 were approved as an accurate record.

## Matters Arising

- i. An update was given on the matters arising.
- ii. The following actions were discharged as complete – 1, 3, 5, 6, 7, 8, 9 & 10.
- iii. Action 1: TM presented a paper titled “Review of Cashflow reporting thresholds”. The paper discusses what minimum cash thresholds BTP should be reporting against for 2018/19 and future years, particularly in light of recent discussions with DfT which has prompted BTP to re-visit its risk appetite for maintaining low cash balances in the medium to long term. The paper proposes to increase the “amber” and “red” risk thresholds, such that there is sufficient buffer in the event of a cash shortfall. The Committee approved the updated thresholds and it was agreed that the Treasury policy would subsequently be updated and brought back to ARAC for approval.

### **Action:**

- a. Update minimum cash holdings policy and submit to ARAC for approval.
  - b. Update the current Treasury policy in light of the new minimum cash holdings policy.
  - c. Provide an update on current investments held and investment strategy.
  - d. Add the point that falling below the red threshold cash holdings will require BTP to actively manage supplier payments.
- iv. Action 2: SM noted that it may be prudent to also include Scottish devolution in the review of the risk register in the later session:
    - a. Update: this would be looked at later in the meeting when discussing risk but due to its evolving nature it should stay a “live” matters arising.
  - v. Action 3: complete
  - vi. Action 4: this item was in progress.
    - a. Update: Expected to be included in the follow up review occurring in December 2018.
  - vii. Action 5: complete.
  - viii. Action 6: complete. DC asked for assurance that whilst the strategic risk was being re-worked and the risk appetite being formulated, that risk continued to be monitored. The Deputy Chief Constable (AH) confirmed it was.
  - ix. Action 7: The DCC (AH) has written to the ARAC chair to close the Finance Action Plan

### **Action:**

- a. GIAA have been asked to audit the Finance Action plan to provide assurance to its completion and plan how controls will be monitored going forward.
- x. Action 8: complete.
  - xi. Action 9: complete.
  - xii. Action 10: complete.

### **Cyber Security Report**

- i. The Cyber Security Report was provided as an update to Members. The paper provided an overview of the threats faced by BTP, the maturity of the cyber security program and the security protection in place. It was agreed that a request would be made for additional information such that some benchmarking could be performed.

#### **Action:**

- a. Obtain an IT Score for information security to compare with other police forces to allow for better benchmarking.
  - b. Develop a response plan to a cyber security attack with emphasis placed on communications.
  - c. Ensure all members can access their pnn email accounts.
- ii. Members noted the report.

### **Update from GIAA Audit Manager**

- i. AC attending his first BTPA ARAC meeting as Mags Saich has moved on and AC is now Head of Internal Audit.
- ii. AC gave an update on the business case review stating that fieldwork was complete and had been discussed with Management.
- iii. AC invited discussion on the finalised Finance Core Controls (Accounts Payable) report and the Management Letter on the Validation of Efficiency Savings. A member queried the length of time that lapsed before management provided a response; AC mentioned that GIAA worked to a 10 day timeframe for management responses. It was agreed that going forward in the close out meeting of an audit the timeframe would be agreed to provide management responses. A member queried if the high staff turnover mentioned in the Accounts Payable report causes operational difficulties; AH reported that it doesn't as evidenced by the low cash amount of unpaid invoices. A member asked about the confidence level surrounding the reported delivered efficiencies and it was confirmed a second review will be occurring to confirm the savings.
- iv. Due to the late circulation of the IT Governance report this would be discussed at the next ARAC meeting.
- v. IP mentioned that he had witnessed an increase in single tender actions across organisations he works with in recent months and it should be something we need to monitor.

#### **Action:**

- a. Hold "close out" meetings to agree the deadline for agreeing the report and management responses.
- b. Produce a report that tracks cost versus the efficiencies.
- c. Second review by GIAA of previously reported efficiency savings to ensure they have been delivered.
- d. Analyse trend of single tender actions over the previous 12 months.

- vi. Members noted the report.

**Final Audit of Core Financial Controls – Accounts Payable.**

- i. Overall the report had a moderate opinion recognising a number of improvements in core processes. The report contained two key findings
- ii. Members approved the report.

**Final Internal Audit Management Letter – BTPA Validation of efficiency savings.**

- i. BTP/A presented efficiencies delivered to the end of 2017/18 to DfT of £17.4m against the original target of £16m. Efficiencies have been defined as a permanent diminution in budget. GIAA undertook a review of the robustness of the data supporting the reported figures. GIAA was able to obtain evidence for a budget reduction in each area tested but this is caveated by not having performed a detailed review of the budget setting and decision making process for the two years under review to validate the basis on which the budgets had been built. It was noted that the 18/19 GIAA plan has provision for a follow up review.
- ii. Members noted the report.

**Final Review of IT Governance**

- i. Due to the late circulation of the report it was agreed to discuss this report at the next meeting.

**BTP Quarterly Report**

- i. The DCC provided an update to Members.
- ii. It was noted through work undertaken by the BTP's Audit, Risk, Inspection and Compliance (ARIC) Board that three areas under review had unsatisfactory assurance. Work is underway in each of these areas to improve their ratings. A member noted how it would be beneficial for greater co-ordination between both audit committees.
- iii. AH reported that of the 13 outstanding recommendations (from 46 identified) from the 2017/18 GIAA internal audit reports, 4 have exceeded their original deadlines relating to the Risk Management, Management Accounts and Forecasting. Work is underway in each of these areas.
- iv. AH provided an update on the Kerslake Review stating that the Force has continued active engagement with the Greater Manchester Resilience Forum (GMRF) Arena Lessons Task and Finish Group as well as the Arena Lessons Oversight Group.

**Action:**

- a. ARAC to approve ARIC audit plan.
- v. Members noted the report.

**HMICFRS update**

- i. The DCC referred to the paper issued for HMICFRS and stated that there is continued focus on improvements. It was noted that of the 84 actions agreed from the 2016/17 HMICFRS inspections, 69 have now been completed with 11 of the 15 strands marked as green which indicates good progress. Of the 17 actions agreed

from the 2017/18 inspections 2 have been completed with 4 of the 5 strands marked as green. Reviews are coming up on disruption and counter terrorism.

**Efficiencies update**

- i. TM presented a paper on the delivered efficiencies in 2018/19 with £2.5m achieved to date and a further £1.75m to be delivered in the remainder of 2018/19. For 2019/20, of the planned £9m efficiency target, £5.4m is starting to crystallise, with further work underway to develop the remaining £4.6m.

**BTPA Quarterly Update Report**

- i. SM provided an update to Members.
- ii. The first set of quarterly indicative charges were circulated to the PSA holders and the feedback has been positive with the next quarter to be issued in December.
- iii. Work is on-going on the queries raised.
- iv. There were no exceptions to note in either BTP or BTPA gifts and hospitality register.

**Audit Planning Report on the 2018-19 financial statements**

- v. KPMG's Audit Partner presented the 2018/19 audit planning report. The report had identified three areas of risk which will drive the audit approach; valuation of pension liability, presumed risk of management override of controls and presumed risk of fraud in revenue recognition. The report identified three areas of audit focus; efficiency programme and provisions, income recovery and debtors and regularity of expenditure. The audit fee for the year is £101,500 which is a decrease of £1,500 on the prior year.

**Action:**

- a. Audit to include a check that the charging model accurately reflects the approved budget.

**Any Other Business**

- i. None noted

Meeting ended 16:19 pm.