

Report to: Police Authority

Agenda #: 8.1

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Subject: Audit and Risk Assurance Committee

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For: Noting

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1. Purpose of paper

- 1.1 This paper provides a summary of the key decision points and reporting from the Audit and Risk Assurance Committee which took place on 6 March 2019.

2. Committee highlights

- 2.1 Mark Phillips presented a paper noting his appointment as a Member of the Transport for London Board from 21 January 2019 to September 2020. This TfL statutory body has no contractual relationship with the British Transport Police Authority.
- 2.2 The BTP FD noted that following the appointment of the Treasury Accountant, the Treasury Policy will be developed over the coming months and will be finalised by July 2019.
- 2.3 The BTP FD presented a graphical analysis of single source justifications (SSJ). There has been a change in the procurement policy which increased the minimum spend requiring three tenders to £10k. As a result of this, there was a decline in SSJs, however the average value of approved SSJs increased from £10k in period 8 to £31k in period 10. Members asked the Force to review the £10k minimum and to start to provide detailed SSJ information on a quarterly basis.
- 2.4 The BTPA Chief Financial Officer provided a quarterly update. Key highlights included:
 - The Pensions Regulator had selected the 2018 Officer Scheme valuation process as part of their review procedures.

- XPS had completed their modelling regarding the BTP Force Superannuation Fund (the Officer Scheme) to enable the Authority to quantify the potential impact of the GMP equalisation, calculated as increasing IAS19 liabilities by £3.2m.
- BTPA and BTP had met with HM Treasury to discuss the ongoing issue relating to the exclusion from the bilateral agreement of people who move from the Home Office police pension's scheme into the BTP officer CARE scheme. The BTPA CEO sent a letter to HM Treasury to summarise the discussion points and actions and is awaiting a response. The Chair of ARAC has asked the Deputy Chief Constable to work on a "plan B" in-case the dispute cannot be satisfactorily resolved.
- During the last ARAC meeting, a paper was presented seeking approval for an identified £2.2m under-recovery to be collected. Members had queried if it was still possible to charge TOCs which no longer operated, and this was taken as a follow up action. Following investigation this has been confirmed as possible. It was also decided that it would be a more straight forward process for the £2.2m to be recovered through the 2018/19 wash-up charge, and that the cashflow impact from this option could be managed. To close out this item, Members approved the £2.2m to be collected via the 2018/19 wash-up.
- There are ongoing discussions with TfL and HS1 relating to their charges.

2.5 The BTPA CEO noted that the Terms of Reference for a BTPA sub-committee which should provide enhanced accountability for the delivery of railway policing in Scotland are close to being finalised. It was agreed that the draft ToR would be shared with Members for their review and comment.

2.6 The BTPA Chief Financial Officer presented a paper on the approach ARAC would take to the management of risk going forward. In principle it was agreed ARAC would have oversight and approval of BTP's ARIC audit plan and that a further meeting would be arranged between the ARAC Chair, the BTPA CFO and the DCC to work through the details.

2.7 The Deputy Chief Constable provided a quarterly update. Key highlights included:

- Three areas had unsatisfactory assurance following work undertaken by ARIC; encryption and storage of digital media, technology department and professional

standards risk register. Work is underway in each of these areas to improve their ratings.

- The Strategic Risk Register is still in use and has recently been reviewed to ensure the force is managing those risks that present the greatest threat to BTP. Since the last ARAC two departmental risks have been escalated to the joint strategic risk register; failure/loss of a key strategic supplier to the force and failure to manage the effective transfer of police staff pension.
- An explanation of the two network outages which occurred in January was provided. A Gold Command structure was activated and maintained throughout the outages, ensuring any operational impact to the Force was carefully and holistically monitored and mitigated.
- It was noted that HMICFRS future inspection activity included the disruption inspection, the counter terrorism inspection, senior police leadership selection and development inspection and county lines inspections.
- A progress update on the current position of the Department for Transport Management Assurance Return (MAR) was provided. Both GIAA and BTPA were due to give their feedback to BTP following review of the MAR. It was noted that this year that there would not be a member sponsor allocated to the MAR; BTP would retain ownership and internally review again after responding to GIAA and BTPA feedback.

2.8 The Government Internal Audit Agency (GIAA) Head of Internal Audit updated ARAC on reviews which have now been completed. These included:

- The Authority Governance Internal Audit Report which achieved a moderate opinion
- The Review of Business Cases Process Design Internal Audit Report which achieved a moderate opinion
- The Cashflow forecasting Report which achieved a moderate opinion
- The Review of IT Governance Internal Audit Report which has achieved a moderate opinion

In all cases GIAA have provided recommendations and management have responded with a set of actions and timelines.

2.9 The Government Internal Audit Agency (GIAA) Head of Internal Audit gave an update on on-going work:

- GDPR compliance review - scope has been agreed and an on-site visit in Cardiff has occurred to conduct the review.
- Transformation project - work being led by specialists has commenced which will provide an independent perspective on the governance, controls and risk management in place to deliver the programme and efficiency savings. It will also encompass a deep-dive on a specific project to assess how key elements of the framework are being applied in practice.
- Annual budget setting - GIAA has reviewed the MTFP process as part of this review, however has agreed with management that the budget process will be re-visited in April as a retrospective review of effectiveness. This will still form part of the 18/19 annual audit opinion to be reported at the June ARAC.
- Management Assurance Return process - fieldwork is now complete and a report is being drafted.
- Follow-up of 17/18 recommendations (draft report); fieldwork is complete and a draft management letter has been issued to the Force.

2.10 The Government Internal Audit Agency (GIAA) Head of Internal Audit presented the proposed 2019/20 Internal Audit plan and the approach followed to arrive at it. The proposed fee is £117,500.

- It was agreed by members to replace the proposed Stakeholder Engagement internal audit with an audit of Commercial Capability and Contract Management.

2.11 The proposed areas for review are; Transformation programme and efficiency savings, Business case review, Cyber security and IT governance follow up, Key financial controls, Charging model, Decision making and approval process, Commercial capability and contract management and HR key control review, recruitment and on-boarding.

2.12 KPMG's Audit Partner gave a verbal update on the progress of 2019/20 interim audit stating that nothing of note had been found and the interim audit was progressing well.

3. Recommendations

3.1 The Authority is asked to note the above ARAC summary.