

Minutes

Audit and Risk Assurance Committee

Friday 16 September 2019, 10:00-13:00
BTPA Offices, 5th Floor North, 74-80 Camden Street, London
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Present:

Mark Phillips, Chair
Kenna Kintrea
Graham Evans
Jeremy Mayhew
Andrew Pollins

In attendance:

BTP

Paul Crowther, Chief Constable (CC)
Adrian Hanstock, Deputy Chief Constable (DCC)
Richard Dronfield, Deputy Director – Decision Support (Financial
Planning)
Mel Morton, Head of Audit and Assurance
Charlene Jacobs, Audit & Assurance Lead

BTPA Executive

Hugh Ind, Chief Executive Officer (CEO)
Sarah McGarel, Chief Financial Officer (CFO)
Lynsey Marshall, Finance, Audit and Risk Manager

External

Aaron Condron, GIAA
Matt Kay, NAO
Richard Wood, NAO

Apologies: Craig Mackey

Introductions & Welcome

Agenda item 1

1. MP welcomed everyone to the meeting and introductions were made.
2. No additional conflicts of interest were declared.

Minutes of Meeting 06 March 2019

Agenda item 2

3. The minutes of the meeting which took place on 14 June 2019 were approved as an accurate record. The Chief Constable sought clarification that members received the document providing further information on matters within his assurance statement with the June minutes, and raised concern over to-and-fro with minutes. The BTPA CFO confirmed this was the case and that the BTPA Finance, Audit and Risk Manager had performed some additional assurance which tied in with the report received from BTP. The document would be circulated to all attendees after the meeting. Any comments on the CC's additional paper should be passed to the BTPA CFO for circulation.

Matters Arising

Agenda item 3

4. An update was given on the matters arising.
5. The following actions were discharged as complete: 2019 – 02, 04, 05, 09, 13, 15, 19, 20, 21
6. Item 9/2018: RD confirmed an offer has been made for a permanent Treasury Accountant pending vetting.
7. Item 12/2018: The DCC noted there are plans for penetration testing and looking at key cyber threats. This action is on track.
8. Item 13/2018: Office 365 is starting to be rolled out. The DCC cautioned that if colleagues are using non-PNN emails, they should be careful around content as there have been instances of other organisations' emails being breached.
9. Item 16/2018: The audit of reported efficiency savings is underway.
10. Item 19/2018: Ongoing. Initial advice obtained. A high level review has been done to understand the current population of transferees.
11. Item 29/2018: Agreed to combine EPSA actions (including 04/2019 and 05/2019) to only keep this action open. The pilot continues, with no further roll-out yet. The root cause of the issues identified will be addressed as part of the work going forward. There is a possibility that the delivery partner could support the formalisation of the contract management process but would need to understand procurement requirements.
12. Item 37/2018: GIAA were requested to do an analysis of the audit plan in terms of scoping and risk. The action remains open as GIAA must clarify the needs for this document and link in with BTP Audit & Assurance function to use risk to help choose what is prioritised in the audit plan.
13. Item 01/2019: Review of delegations is delayed since the CEO is negotiating with DfT to ensure the delegation letter from them is correct and relevant for BTPA. In future years, the updated DfT delegation letter will be rolled forward.
14. Item 05/2019: Following discussion of keeping this open as a standalone point, it was agreed that going back over all the old documentation may not be the best use of resources. As noted above, the root cause will be considered as part of improving the process going forward.
15. Item 07/2019: In progress. This is being done as part of BAU cyclical supplier review programme.

16. Item 08/2019: The IFRS 16 work is well progressed, with input from NAO. Meeting arranged with NAO and then will update at November ARAC.
17. Item 12/2019: Closed. There is a longer, forward-thinking plan for engagement. GIAA will continue to link in with MAR, ARIC work and assurance mapping.
18. Item 13/2019: FAB ToR included at item 3.1 for comment. It was created in response to the closure of the Gold Group, set up following the Frith report but closed when all actions were addressed. This has been set up to monitor finance actions and controls going forward. It is unclear from the ToR who it reports in to. The DCC confirmed it reports into ARIC and FEB. There are no formal minutes taken but actions tracked.

Action:

- Share an organogram of BTP and BTPA committees with members to allow for an understanding of the full governance structures.
19. Item 14/2019: The MAR is starting to be kept as a live document. While some questions aren't specific to BTP/A, it continues to be mapped across and the spirit of it applied.
 20. Item 16/2019: Closed. There is a stakeholder engagement plan in place, where the CC is working with the CEO and they are having regular meetings.
 21. Item 18/2019: In progress. The reconciliation is ongoing for the data to be used in the charging model. The DCC confirmed there are strong processes in place but still some work to do. The action will remain open since there are still some significant issues being identified by the BTPA.

Quarterly Strategic Risk Register Updates

Agenda item 4

Risk Dashboard

22. The Chair commended the risk work and how it gives a picture of overall risks from inherent to residual after mitigations.
23. JM queried the Legal, Political and Regulatory risk in terms of a previous risk of an infrastructure police force which seems very unlikely now. However, the BTP/A should still seek synergies and opportunities to link with other forces.
24. The Chair challenged whether the Legal, Political and Regulatory risk increasing is correct. JM replied there is the 20k officers issue from the new PM but that would more likely impact the operational policing risk.
25. MM explained the risk is rising since there are lots of unknown elements, e.g. Williams Review, where the outcome is still unknown.
26. There was a discussion around the Williams Review and its impact on this risk but the DCC reminded ARAC that this is just one element of the detailed work and thinking behind the risks. All agreed it was this committee's role to challenge strategic risk scoring and direction of travel.
27. The CFO stated that the future trend direction is looking at the next quarter.

28. KK stated she liked the clarity of the dashboard and the thinking behind the presentation but confidence in controls will change and it is important to show what has changed since last time and future thinking.
29. JM suggested there should be a look into opportunities as well as risks.
30. The DCC drew attention to the action plan in the paper which looks at current controls and future mitigations required.
31. The CC asked where risk appetite fits in and how this affects risks such as reputation. The Chair responded the risk appetite is agreed and can be used to inform decision-making.
32. The CFO referred to the risk universe for specific risks and confirmed the purpose of the risk section in this committee was to confirm how risks will be presented to ARAC going forward.
33. MM stated the documents are in draft format. Initial conversations with Chief Officers and the BTPA Executive were held to get these documents to this point. They still need to look at controls, future trends etc.
34. AP queried why the staff survey is included in legal, regulatory and political. MM confirmed culture is included in this strategic risk but there may be further enhancements to reallocate risks.
35. The Chair queried the major incident risk score and what mitigating actions are needed to reduce the risk. MM stated this risk will always be high due to the nature of this risk (very severe impact).
36. KK questioned the governance of the strategic risks. MM stated these details are still to be worked out but first round of quarterly meetings has been done this quarter. The Risk Manager once in place will take the meetings forward. KK cautioned to bring the risks up to strategic level and start peer reviews to manage the risks. The DCC stated risks will come to ARIC, which LM also attends for the BTPA. The CFO is a strategic risk owner and found value from the meeting with MM and LM to review the underlying detail to the strategic risks this quarter.

Fraud

Agenda item 5

Fraud Report

37. The Fraud paper was taken as read.
38. The CC requested the protective marking be altered since covert operations are included in the detail of fraud in the period.

Annual Assurance with Counter-Fraud Functional Standards

39. LM explained that BTP/A had been given an opportunity by DfT to update its annual assurance assessment against the Cabinet Office Counter-Fraud Functional standard. A total of four items were being updated, with evidence submitted and an outcome from DfT expected in late September.
40. In response to a question of why this was missed in the initial submission, e.g. Gifts & Hospitality review which has been implemented for a long time, LM surmised it was an error or the correct evidence was not submitted the first time.

Action:

- LM to change protective marking on the fraud report.

BTPA Quarterly Update

Agenda item 6

Report from the Authority Chief Finance Officer

41. The BTPA CFO gave a quarterly update.
42. The Chair asked when the external auditors are likely to be confirmed. The decision will be made within two weeks- BTPA will have an auditor by the end of September. There will be minimal impact on audit delivery. A feedback and lessons learned session has been completed with the results fed back to KPMG. There will be a follow-up at the kick-off meeting.
43. The largest debtors were presented, all of which are current debtors. The Chair sought clarification on cashflow and debtors and the gap between budget and actual. It was confirmed that all major purchase orders are in place now. It was noted that the gap between the budget and actual cashflow may be because the budget line has not been updated; once confirmed with BTP FD the latest forecast should be included in the graph. RD confirmed there will be a re-forecast at Q2.
44. The CC reiterated that we got into a serious cashflow position and asked how we can collectively better manage this. The committee agreed there needs to be robust stakeholder relationships, triggers and a clear escalation process.

Action:

- Update the budget cashflow to reflect the latest forecast income; otherwise TM to explain gap between budget v actual.
 - Document the process and triggers where the BTP should escalate debtor/cashflow issues to the BTPA
45. The ongoing dispute has gone very quiet, with no correspondence since August. It is difficult to progress on future arrangements with this issue unresolved. It was suggested to arrange some 'without prejudice' meetings between the two CEOs and Chairs.
 46. The TfL budget has been agreed for this financial year but the CEO noted the need to focus on next year over the next couple of months.
 47. The Chair recommended steps are taken urgently to get MTFP presented to authority in good time, without caveats similar to this year. He asked that BTP set out a timetable for the committee to get assurance that there are appropriate steps in place to meet the MTFP timeline.
 48. The CEO agreed that PSAs and EPSAs are confusing, with overlaps. He suggested a fresh start for the longer term but it can't be done in time for the next financial year.
 49. JM asked if there is a 'right' answer- there can either be a starting point of current resources where you seek to understand what they will achieve; or

you look at what you need to achieve and understand the resources required. There is not just one answer.

50. The Chair suggested looking location by location and having important conversations about what the actual cost of the service is, and how much extra it will cost. BTP/A should also revisit its relationship with the Metropolitan Police where BTP are also acting as first responders outside stations.
51. The Chair requested BTP and BTPA to jointly draft budget instructions for next year's MTFP.

Action:

- Draft budget instructions and timetable in advance of the MTFP.

52. JM asked about the Macleod Review in relation to pensions where people move from final salary to DB. The CC confirmed this is only for new joiners, so it shouldn't affect BTP. Transferees may have their pensions unwound.

Action:

- Sarah to confirm with XPS whether there is any possible liability to BTP/A in relation to the Macleod Review.

53. The actuarial valuation has been received and needs to be agreed with trustees. It is currently in a surplus but the Regulator may challenge assumptions and place us back into a liability.

54. The DCC confirmed the Gifts & Hospitality policy is not new, only being refreshed. He confirmed there is an estimated value of each submission required. The policy will be shared with ARAC.

Action:

- DCC to share the updated Gifts & Hospitality Policy with ARAC.

55. There were no exceptions noted following review of the BTP, BTPA and Members' gifts and hospitality registers.

56. The first Project Scotland committee will take place next month.

57. There was a risk referred from SPC over a £3m efficiency this year at risk due to it being non-recurring.

BTP Quarterly Update

Agenda item 7

Report from the Deputy Chief Constable

58. The Deputy Chief Constable gave a quarterly update.
59. GIAA recommendations – there are some outstanding items, some of which are outstanding due to vacancies and capacity restraints.
60. The HMIC disruption inspection is complete but the report not yet received.
61. There are a number of HMIC actions ongoing – e.g. benefits assessments, foreign nationals, engagement with Action Fraud ongoing around vulnerable people.

62. JM declared a conflict in Action Fraud, through City of London Police.
63. The benefits tracking methodology was discussed and the CEO reminded the committee that mobile devices had saved the equivalent of 65 FTE of staff time which is the type of good news story about benefits that should be shared more.
64. An IPCO review had two recommendations- one of which is for BTP to understand how it audits information checks completed.
65. An officer biometrics audit was completed but the report has not yet been received. Initial feedback is to understand the differences between English and Scottish law but biometrics are mainly only done in London.
66. The Chair asked for further information on the P11D issue. This is not systemic- it was one error. There is a possible remedy to keep these on the self-service portal along with payslips.

Action:

- BTP to review whether P11Ds can be accessed on iTrent Self-Service instead of manually posting to employees.
67. The CFO asked about the recent external health & safety audit and Central Health and Safety Committee. More detail to be brought to next committee.
 68. The Chair asked about Single Tender Actions (STA) and whether requirements are being raised early enough for a procurement process. The DCC had asked the Deputy Director – Commercial & Procurement if GPCs can be used instead for some of these transactions but this is not possible. A lot of these STAs are extensions, for example, when moving to other suppliers. None of the STAs required further explanation.
 69. There is due to be a commercial audit this year which could possibly look at single tender actions.

Internal Audit Progress Report

Agenda item 8

70. The Head of Internal Audit confirmed completion of two of the three remaining 2018/19 audit reports: GDPR and Annual Budget Setting.
71. He summarised both reports, in terms of the good practices seen and the areas of improvement. GDPR received substantial assurance, with only a minor improvement action, while Annual Budget Setting scored moderate assurance, having improved since the last audit. Of note, it was recommended that the full budget should be approved by the Authority as well as the MTFP.
72. RD added that the recommendation to do robust quarterly financial analysis had worked extremely well in Q1 and BTP were now going to include business reviews as well as finance reviews. As the recipient of this report on joining the organisation, RD found the recommendations to be good.
73. KK asked whether the Force agreed that the GDPR roll-out being treated like BAU rather than a project contributed to the success- the DCC agreed and

added that they already had good practices and controls in place and were in a good position before and after.

74. AC then gave an update on the 2019/20 plan. The audit of efficiencies was underway, with the terms of reference agreed and fieldwork ongoing.
75. HR controls, Finance controls and the 'blue folder' decision-making audits were being scoped. While general timing and logistics were drafted, the ToRs are not yet ready. MK reminded AC to use external audit work where possible to reduce duplication.
76. GIAA are slightly behind where they want to be in terms of the plan but noted high levels of engagement. AC highlighted there will need to be a further increase of engagement to complete the annual plan.
77. The CFO added that the HR controls audit had turned into a full payroll controls audit due to some of the issues identified. This is to audit the process and controls. There was a plan to also do vetting at the same time but it is understood that is on hold. She made a plea to support GIAA to undertake their reviews and cautioned that where audit timings are switched, other audits must be brought forward.
78. The DCC replied that vetting isn't the right timing as it is undergoing some improvements- a project manager has been hired to oversee seven significant strands of work.
79. The Chair encouraged BTP, BTPA and GIAA to discuss suitable timings to complete the audit plan.

Governance

Agenda item 9

80. The ARAC work plan was approved.
81. The Chair noted the Reserves Policy has been outstanding for a while now – he requested to see it at the November ARAC.
82. AP reiterated the main message from this ARAC is the need to work on the MTFP and have a timetable in place. This year feels trickier than last year to get things finalised. The Chair recommended the Authority meeting next week would welcome the plan to be set out.
83. The Chair invited comments about the effectiveness of the meeting.
84. The Chair explained the agenda has been modified to flow in line with the three lines of defence, from risk and internal processes to internal control and audit to external audit. JM commented that this is a valuable structure, particularly having Risk up front where non-executives can add most value.
85. AP was pleased the papers were issued on time and were easy to read- this is helpful for the meeting.
86. JM noted the meeting was very business-like. His concern however was that the slippages of management actions from audit are usually more of a concern to an audit committee- management need to be realistic in setting these and failing to meet the agreed timescales should be an exception. Members might be tougher on this – delivery should be the expectation.

87. AC added that more collaboration is needed on the management actions instead of setting aggressive dates.
88. JM added the risk dashboard paper was one of the best he has seen. AP agreed- very easy to read.

AOB

Agenda item 10

89. MK confirmed there were no queries on the final Audit Completion Report.
90. RD noted the BTP agreed at FEB to roll out e-expenses. The Chair should expect to receive a letter shortly to set out the new risks, process and controls in place.
91. The DCC alerted ARAC to a small fire on 6th floor of FHQ at 0630 that morning. It was brought under control quickly and they are working with fire investigators to confirm the source – thought to be filters that caught fire. Following discussion of business continuity at ARIC last week, they plan to do a review of the entire building.

Meeting ended 12.30pm