

# Minutes

## Audit and Risk Assurance Committee

Wednesday 6 March 2018, 10:00

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)  
Shrin Honap (SH)

### In attendance:

Adrian Hanstock (AH)  
Tracey Martin (TM)  
Ian Pigden Bennett (IPB)  
Sarah McGarel (SM)  
Tony Collingwood (TC)  
Jon Brown (JB) - KPMG  
Aaron Condron (AC) – GIAA  
Matt Kay (MK) – NAO: [via dial-in]  
Mel Morton (MM)

### Apologies:

None

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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.

### Declaration of Interest

- i. MP declared he had been appointed as a Member of the Transport for London Board from January 21 2019 to September 6 2020. This TfL statutory body has no

contractual relationship with the British Transport Police Authority.

### **Minutes of Meeting 28 November 2018**

- i. The minutes of the meeting which took place on 28 November 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 – 9, 11, 14, 15.
- iii. Action 1: TM updated that work is continuing on the minimum cash holding policy alongside a treasury management strategy with the aim to have all complete by end of July 2019.
- iv. Action 2: SM noted that Scotland was still a live issue and should continue to be viewed as a risk.
- v. Action 3: AC noted this was on-going with meetings held and initial documents have been requested.
- vi. Action 4: This is to commence, a draft TOR has been developed following discussions with BTP & BTPA.
- vii. Action 5: Was initially marked as complete but members have requested further information.

#### **Action:**

- a. AH to provide further information on BTP IT score and comparators.
- viii. Action 6: In-progress, members noted that the December deadline seemed a long way away.

#### **Action:**

- a. SW to attend next ARAC to give a progress update.
- ix. Action 7: In progress and working to a July deadline.
- x. Action 8: Commenced but will be monitored over the next few months to ensure process is embedded.
- xi. Action 9: Complete.
- xii. Action 10: To be commenced, likely to start in April 2019.
- xiii. Action 11: Complete.

#### **Action:**

- a. A table of single tender actions (STA) to be provided to every ARAC listing out all STAs and reasons why not tendered.
- b. BTP were asked to revisit their scheme of delegations.
- xiv. Action 12: In progress.

#### **Action:**

- a. MP, AH, SM & MM to meet to discuss way forward.
- xv. Action 13: Marked as complete but MP has asked BTP to come up with a plan B if cannot be resolved satisfactory.

**Action:**

- a. AH to devise a plan B..
- xvi. Action 14: Complete.
- xvii. Action 15: Complete and was discussed as part of BTPA CFOs paper.
- xviii. Action 16: On-going item description needs refining and it was noted that the charging model was part of the 19/20 internal audit plan.

**Action:**

- a. SM & JB to discuss role KPMG can play in auditing the charging model.

**Efficiencies Update Paper**

MP asked members for questions.

SH wanted to see evidence of efficiencies in the cash-flow and P&L. TM noted the efficiency programme is spend to save so would be difficult to see in cash-flow and P&L.

TM fully confident £9m efficiencies will be delivered in 19/20, although £4.2m is still to be identified.

TM noted that the process around capturing efficiencies has been improved so should be less painful going forward.

**Action:**

- b. Prepare a report on run rate (recurring) savings versus one off savings.
- c. Invite Delivery Partners to next ARAC for private session with members to discuss initial impressions.
- d. Strategy and Planning papers to be circulated to ARAC members.
- e. BTP to create a benefits register.

**BTPA Quarterly Update Report**

- i. SM provided an update to Members noting:
- ii. The next set of quarterly indicative charges was circulated to the PSA holders and the feedback remains positive.
- iii. A TOC, who had engaged a third party to review their costs, had challenged the armed police charge. The TOC have been informed BTP can and will deploy armed officers in their area if required to do so.
- iv. Discussions continue with a PSA holder regarding the budget, with the customer wanting budget reductions.
- v. TfL have confirmed their intention to cancel the Surface EPSA. BTPA and BTP working together to understand the impact of this.
- vi. SM gave an update on pensions noting that work is about to start on the actuarial valuation of the Officers Scheme. The Pension Regulator has confirmed this valuation process will be part of their pilot one-to-one review process.
- vii. SM noted that the impact of the GMP equalisation on the Officer scheme has been calculated by XPS and the impact on IAS19 liabilities is £3.2m.

- viii. Work is continuing on introduction of the new police staff pension scheme and will be introduced in 2019/20.
- ix. The BTPA Chief Finance Officer noted that following on from the last ARAC meeting where members queried if it was still possible to charge TOCs which no longer operated, further enquiry found that the TOCs can still be charged for an under recovery.

**Approval:**

- a. Members approved collecting the outstanding amount through the 2018/19 wash-up.
- x. There were no exceptions to note in either BTP or BTPA Gifts and Hospitality register.
- xi. The BTP CEO provided an update on Scotland. A final draft of TOR was in the process of being agreed with SPA and once agreed, it will then be possible to move forward with a Scottish sub-committee. DC asked if TORs are appropriate due to number of meetings and numbers of members involved.

**Action:**

- a. Share TORs with members.
- xii. Members noted the report.
- xiii. SM noted that a member's only strategic risk workshop is happening on the 19 March to outline the strategic risks and define risk tolerance and appetite for the organisation.
- xiv. SM gave an update on the 'Approach to ARAC going forward' paper discussing the three lines of defence approach to managing risk and how to move forward to better align all the work on risk which happens across BTP and BPTA to give ARAC an improved oversight. MP noted that he wants ARAC to approve ARIC plan.

**Action:**

- a. MP/SM to meet with DCC to agree plan to take forward and report back at next ARAC.

**BTP Quarterly Report**

- i. The DCC (AH) provided an update to Members noting that of the 46 GIAA recommendations made in 2017/18, 11 remain with 4 of these having exceeded their original deadlines. These relate to the Risk Management and Management Account & Forecast Audits. It was noted that only one completed report for 18/19 had been received by the force which was Cash-Flow management.
- ii. The DCC noted that ARIC meetings for November, December and January had noted three areas of unsatisfactory performance; encryption of digital media, technology risk register and professional standards risk register. Action plans are in place to ensure improvements are made within these areas.
- iii. The DCC noted that two items had 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 pensions.
- iv. DC queried how often risk registers are being reviewed on a regular basis as it was highlighted that the IT risk register had not been updated for a few months.

**Action:**

- a. A paper on how risk is managed and escalated in BTP and assurance that risks are being actively managed.

**Not Approved:**

- b. The request for a member to lead risk management to assist in driving through the necessary changes was declined.
- v. The DCC led a discussion on the recent network outages, highlighting the causes. .
- vi. 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, 77 have now been completed. Of the 17 actions agreed from the 2017/18 inspections 10 have been completed.
- ii. Members noted the report.

**MAR report**

- vii. The DCC talked through the MAR process to date, explaining the review group process that included GIAA and BTPA. GIAA and BTPA were due to report back their findings by the end of the week which would then be responded to by BTP.

**Action:**

- a. BTP to re-review the MAR following GIAA and BTPA review before final submission and sign off by the BTPA CEO.

**Update from GIAA Audit Manager**

- i. AC gave an update on the four completed internal audit reports;
- ii. Authority Governance received a moderate opinion with the changes to the committee structures being seen as broadly positive. It was noted that particular attention is needed to improve the secretariat function, review of the Performance and Delivery Committee and to re-state and communicate processes and responsibilities throughout.

**Action:**

- a. BTPA governance report to be presented to Authority.
- b. IPB to lead responses to the BTPA governance report.
- iii. Review of Business Cases process design received a moderate opinion with improvements to the template and related guidance. However, planning requires focus in order to build confidence in the timetabling, prioritisation and approval of cases through to full Authority and external parties.
- iv. Cash-flow forecasting received a moderate opinion and it was found there was good level of guidance, policy and process in place to deliver a defined methodology. It was recommended the review process is formalised and the robustness increased and an assessment of variances versus forecast is presented.
- v. Review of IT Governance received a moderate opinion and had identified significant improvements in the overall design of the control framework, closer working with

service users and a focus on utilising value from existing IT investment. However, it was noted that several elements of the governance framework are still evolving such as BTP 2021 portfolio controls, the setting of the BTP risk appetite and evaluation of aggregate IT risks and the logging of decisions made across the agreed IT project parameters to enable prioritisation of work.

- vi. AC presented the draft internal audit plan for 19/20 which had identified 8 areas to be audited. Members discussed the appropriateness of this and it was decided to replace the proposed stakeholder engagement audit with commercial capability and contract management.

**Action:**

- a. Develop annex 1 report to allow for easily identifiable risks as they develop throughout the year.
- b. Replace item 7 Stakeholder engagement process with commercial capability and contract management.

**Interim Audit Update**

- i. JB reported that the Interim Audit has not found any issues that KMPG would want to report to ARAC.

**Any Other Business**

- i. DC stressed need for ARAC to review the strategic risk register

**Action:**

- a. Risks associated with Brexit to be presented to the next Authority meeting.
- b. Review last 3 years of internal audit to ensure no major risk areas have been omitted.

Meeting ended 13:00 pm.