

Report to: Police Authority
Agenda #: 8.1
Date: 26 September 2019
Subject: Audit and Risk Assurance Committee
Summary Report
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For: Noting and Approval

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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 16 September 2019.

2. Committee highlights

- 2.1 The Authority's Chief Finance Officer (CFO) presented an update on the matters arising, of which many were closed.
- 2.2 The strategic risk dashboard, universe and supporting documents were presented for feedback from the Committee.
- 2.3 A discussion took place around the Legal, Regulatory and Political strategic risk to query the direction of travel of this risk and what was driving it. The Williams Review, the Prime Minister's plans for 20k additional officers and the opportunity to leverage synergies with other forces were some of the drivers noted for this risk.
- 2.4 For each risk, there are summaries of controls in place to mitigate the risk and future actions required. It is the monitoring and effectiveness of these which will drive what is reported on the strategic dashboard.
- 2.5 Governance of the strategic risks is a work in progress but the quarterly meetings with operational and strategic risk owners will continue going forward. A risk manager has been recruited by BTP and is currently undergoing vetting.
- 2.6 A paper on fraud was presented, outlining the suspected and investigated frauds in the period. These are very low level. The Committee was briefed on the Cabinet Office counter-fraud

functional standard assurance report which has been updated to demonstrate BTPA/BTP's compliance in four additional areas. Evidence was submitted and the Authority will be informed if the changes are accepted by the end of September.

- 2.7 The Authority's CFO provided a quarterly update. The final external audit completion report was provided to the committee. The National Audit Office (NAO) Director confirmed that auditors will be appointed by the end of September, possibly with continuity from last year. There will be minimum impact on delivery and a kick-off meeting will be arranged shortly. A feedback and lessons learnt session has already taken place with the Authority and BTP - these discussions will be taken into account going forward.
- 2.8 The largest debtors were presented to the Committee - it was noted these are all current. All major purchase orders are in place now. It was noted that there had been a serious cashflow issue earlier this year and the Chief Constable asked how the Authority/BTP can collectively better manage this. The Committee agreed there is a need for robust stakeholder relationships and a clear escalation process with triggers clearly defined.
- 2.9 The ongoing party in dispute has not communicated with BTP/A since August. It is difficult to progress on future arrangements with this issue unresolved. It was suggested the CEO and Chair reach out to set up meetings with their respective counterparts.
- 2.10 With respect to the preparation of the MTFP and budget for 2020/21, the Committee discussed the Resource Allocation Model (RAM) work which is underway. The CFO raised a number of issues which highlighted a risk around the readiness of the results from this work such that it can support the MTFP which is due to be presented for approval at the December Authority meeting. The Chief Constable confirmed that he believed that there is sufficient information available in order to support in particular the development of the TfL budget. There was a lengthy discussion over some of the challenges which BTP/the Authority continue to address in developing this particular budget.
- 2.11 The CEO noted the need to focus on next year's budget over the next couple of months, both internally and with TfL. The CEO agreed with the Chief Constable that in the longer term, all contracts should be reviewed and a 'fresh start' applied, but this would not be completed in time for next year. The Chair requested a timetable and set of instructions for the preparation of the MTFP to be jointly created by the Authority's CFO and the BTP FD to be presented to the Authority.

- 2.12 The first draft of the 2018 actuarial valuation of the officer scheme has been received and various discussions have been held between the respective actuaries and the Valuation Working Party over the appropriateness of the assumptions used. Once finalised, there remains a real risk that The Pensions Regulator may challenge the assumptions within the valuation.
- 2.13 The BTP Gifts & Hospitality policy is being refreshed and will be presented to ARAC.
- 2.14 There were no exceptions noted following the review of the BTP, Authority and Members' gifts and hospitality registers.
- 2.15 The first Project Scotland committee will take place in October.
- 2.16 There was a risk referred from Strategy and Planning Committee in respect of the full delivery of the £9m efficiency target for 2019/20.
- 2.17 The DCC presented his quarterly update.
- 2.18 A number of GIAA and HMIC audit actions remain open but work is progressing to complete these.
- 2.19 The benefits tracking methodology was discussed and the CEO reminded ARAC 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.
- 2.20 An Investigatory Powers Commission Office (IPCO) assessment and a Biometrics audit had been undertaken in the period; the reports are outstanding.
- 2.21 The DCC reported that a human error setting up a mail merge caused some staff to receive the wrong P11D. Approximately 40 people were impacted. This has been reported to the Information Commissioners Office (ICO). It was confirmed that this was not a systemic issue. Members suggested a possible remedy being to issue these on the self-service portal along with payslips.
- 2.22 The CFO asked about the recent external Health & Safety audit and Central Health and Safety committee. More detail will be provided to the next committee.
- 2.23 The Chair asked about single tender actions (STA) and whether those arose due to not enough time given to meet requirements of a procurement process. It was agreed that GIAA would consider a test to address this question within the scope of the audit of Commercial Services due to take place later in the year.
- 2.24 The Head of Internal Audit confirmed completion of two of the three remaining 2018/19 audit reports: GDPR and Annual Budget Setting. 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 the full budget should be approved by the Authority as well as the MTFP.

- 2.25 Richard Dronfield, Deputy Director Decision Support, added that the recommendation to do robust quarterly financial analysis had worked extremely well in Q1 and they were now going to include business reviews as well as finance reviews.
- 2.26 Aaron Condron from Head of Internal Audit for BTP from the Government Internal Audit Agency provided an update on the 2019/20 internal audit plan. The audit of efficiencies was underway, with the terms of reference agreed and fieldwork ongoing. HR controls, Finance controls and the 'blue folder' decision-making audits were being scoped.
- 2.27 GIAA are slightly behind where they want to be in terms of the plan but noted high levels of engagement. Aaron Condron highlighted there will need to be a further increase of engagement to complete the annual plan.
- 2.28 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; not to fix the issues. There was a plan to also audit vetting at the same time but it is understood that is on hold. The CFO made a plea to support GIAA to undertake their reviews and cautioned that where audit timings are switched, other audits must be brought forward.
- 2.29 The Chair encouraged BTP, the Authority and GIAA to discuss suitable timings to complete the audit plan.
- 2.30 The Committee approved the ARAC workplan for 2019-20.
- 2.31 Richard Dronfield noted the BTP agreed at the Force Executive Board 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.

3. Recommendations

- 3.1 The Authority is asked to note the above ARAC summary.
- 3.2 The Authority is asked to approve the ARAC workplan for 2019/20 (see Appendix A).

Appendix A: ARAC Work plan 2019/20

Audit and Risk Assurance Workplan

Meetings	Items	Output
Standing Items	<ul style="list-style-type: none"> • Welcome, introductions and conflict declaration • Minutes of previous meeting • Matters arising/actions outstanding • Risk Register • Fraud report • BTPA Quarterly Update • BTP Quarterly Update • Internal audit update & reports • Summary of the key risks, messages and internal/external communications points emerging from the meeting • Reflection on effectiveness of meeting 	<ul style="list-style-type: none"> • Minutes • Summary for Authority meeting
September 2019	<ul style="list-style-type: none"> • Work plan for 2019/20 • Final Audit Completion Report for 18/19 external audit 	<ul style="list-style-type: none"> • Approval of work plan
November 2019	<ul style="list-style-type: none"> • Reserves Policy • Anti-fraud and whistleblowing policies/processes review • Formal appointment of external auditors • External Audit Plan 	<ul style="list-style-type: none"> • Approval of updated reserves policy • Approval of updated fraud and whistle-blowing policies • Approval of external auditor
March 2020	<ul style="list-style-type: none"> • Health and Safety Statement • Management Assurance Return (MAR) • GIAA Plan 2020/21 	<ul style="list-style-type: none"> • Approval of MAR submission • Approval of Internal Audit Plan
June 2020	<ul style="list-style-type: none"> • Annual Report and Statement of Accounts • Chief Constable's Assurance letter as AAO • Code of Governance amendments and Board Effectiveness Evaluation • Internal Audit Annual Report and opinion • External Audit Report and opinion • Report on committee effectiveness self-assessment 	<ul style="list-style-type: none"> • Approval of Annual Report and Accounts • Approval of any Code of Governance amendments • Remedial actions for effectiveness from self-assessment
Other responsibilities to be programmed or for the future	<ul style="list-style-type: none"> • Risk documents review – appetite and universe – September 2020? • HMIC Reports and input to Plan 	