

Minutes

Audit and Risk Assurance Committee

Monday 15 June 2020, 14.30 – 17.30
via Teams

Present:

Mark Phillips, Chair
Kenna Kintrea
Graham Evans
Andrew Pollins
Craig Mackey

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In attendance:

BTP

Paul Crowther CBE, Chief Constable (CC)
Adrian Hanstock, Deputy Chief Constable (DCC)
Tracey Martin, Finance Director
Mel Morton, Head of Audit and Assurance
Harriet Andrews, Deputy Director, Financial Control

BTPA Executive

Hugh Ind, Chief Executive Officer (CEO)
Sarah McGarel, Chief Financial Officer (CFO)
Samantha Elvy, Head of Strategy, Planning and Engagement
Lynsey Marshall, Finance, Audit and Risk Manager

External

Ronak Kakad, GIAA
Aaron Condron, GIAA
Matt Kay, NAO
Jessica Illingworth, NAO
Jon Brown, KPMG
Komal Taragi, KPMG

Introductions & Welcome

Agenda item 1

1. The Chair welcomed everyone to the meeting and introductions were made.
2. There were no new interests declared in addition to those published on the BTPA website in relation to the business of the meeting.

Minutes of Meeting 11 March 2020

Agenda item 2

3. The minutes of the meeting which took place on 11 March 2020 were approved as an accurate record.

Matters Arising

Agenda item 3

4. An update was given on the matters arising.
5. The following actions were discharged as complete: 2019 – 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 56 and 57.
6. Items 2018: 9,12 are closed, having been refined and updated during the March ARAC and now sitting with actions 2019: 44, 45.
7. Item 29/2019: The DCC confirmed that the new Professional Standards Policy, incorporating Gifts & Hospitality, is still being reviewed to ensure it is interactive and user-friendly.
8. Item 44/2019: The Director of Finance and Commercial (TM) offered to discuss the Treasury Policy further at September ARAC, inviting along the advisors who have performed the work. It was confirmed that there would be no formal consultation or sign off of the policy with DfT before the September ARAC.

Action:

Include time to discuss the Treasury policy with the advisors at September's ARAC.

9. Item 45/2019: Papers taken as read. The DCC added a lot of work has been done in this area. ARAC members agreed to invite the BTP Chief Information Officer (CIO) to September's ARAC to present on Cyber Security.

Action:

Include time to discuss Cyber Security with the CIO at September's ARAC.

10. Item 46/2019: Paper taken as read. TM added there is a Uniform Board to monitor stock. The amount has been written off in the accounts. Across 19/20 the amount of uniform purchased and the amount issued matched, showing there are no ongoing issues. TM

confirmed mitigating controls are across all inventory held, not just stock. As new Chair of the Finance Assurance Board (FAB), TM confirmed stock is overseen within that board.

11. Item 54/2019: Paper taken as read. The DCC added that the strategy was updated following the small fire at FHQ. They will have a refresh of all fire safety controls across the Force, which will be monitored at the Central Health & Safety Committee.

Quarterly Strategic Risk Register Updates

Agenda item 4

Risk Dashboard

12. Papers taken as read.
13. There are updates covering Covid-19. Significant changes in the period are: Political, Legal & Regulatory, Health & Safety risk and an increased financial risk due to DfT Emergency Measures, which are likely to be extended.
14. A comprehensive discussion was held by all attendees, covering the timetable and plans for embedding risk, the frequency of risk meetings, key risk indicators (KRIs) and how local risks feed up into the Strategic Risk Register.
15. Key observations noted:
 - BTP/A collectively to track mitigations to actively reduce high risks, with papers presented to reflect mitigations and ongoing risk. The resulting action plan to reduce risk should come to ARAC.
 - An Assurance Map will assist ARAC to understand the action plans
 - The need to include a Pandemic risk, considering possible eventualities
 - Risk should be taken to the full Authority, including the SRR and Risk Appetite
 - GIAA may be able to provide more support on Risk
 - BTPA are engaging with the DfT and monitoring the Financial Sustainability risk, which may increase in the longer term.

- BTP/A need to consider their desired position in the funding debate based on current progress/potential impact of the Williams Review. This is on the Authority meeting agenda

Action: Strategic Risk to be tabled at September Authority meeting including complete strategic risk register and appetite. Pandemic risk to be included.

16. The Chair and members commended the work done on risk.

Fraud

Agenda item 5

Fraud Report

17. The Fraud paper was taken as read.
18. LM explained that fraud work continues to be embedded and more information will be provided to ARAC as it progresses. Members were invited to advise if there was any other information they wanted to see.
19. A member asked about the spike in whistle-blowing in Q4. LM responded there was an internal marketing campaign in November (Q3). The DCC added that ethical workshops were rolled out. Many of the issues reported are around conduct, e.g. overtime abuse, instead of asset or monetary loss. There is a strong emphasis of reporting throughout the Force.

BTPA Quarterly Update

Agenda item 6

Report from the Authority Chief Finance Officer

20. Paper taken as read. The CFO highlighted key points as follows:
21. Debtors – the overdue payment hasn't been received- BTPA will follow up.
22. PSA update – BTPA are looking to understand the indicative 19/20 charges as early as possible.
23. Pensions – There has been a delay to the planned implementation date of the new staff scheme owing to the need for more time for the consultation phase.

- 24. Pension valuation – BTPA are awaiting a date to discuss the actuarial valuation of the officer scheme with the DfT.
- 25. G&H – Since papers were issued, BTPA received an updated G&H register where larger, force-wide items have been appropriately acknowledged and added on the register.
- 26. MAR – In Q4 there was a breach of an SSJ related to an urgent purchase of PPE. This was retrospectively approved. This hasn't changed the MAR ratings following a review at Q4.
- 27. A member asked about the pension life assurance offer and the CFO confirmed this has been taken into account as part of the overall offering, the total cost of which is being considered as part of the consultation with the Trustee. A member asked why the actuarial procurement is in two parts. The CFO replied the spend limit on the current contract was exceeded, as previously notified to ARAC, and now BTPA need to go through two processes to ensure there is a current contract with spend in place; then further work to do to expand the OJEU spend limit.
- 28. The Chair asked about the exposure faced by not submitting a valuation to the Pensions Regulator –and how BTPA are comfortable. The CEO explained there have been many discussions with DfT, who agree with our decision. The CFO confirmed advice was sought from professional advisors on this.
- 29. No exceptions noted from the EPSA monitoring tracker- some further evidence is required on one small EPSA. EPSA monitoring will be updated based on a risk-based approach.

BTP Quarterly Update

Agenda item 7

- 30. Papers taken as read.
- 31. The DCC highlighted that, despite the unusual working arrangements, various audits have still been taking place.
- 32. The most critical inspection report was the HMICFRS Disruption Report. Emphasis is on working more broadly with industry to understand strategic objectives and direction. Areas to be strengthened include showing decision-making processes and working with other forces. BTP/A will jointly set out outcomes. A number of audit reports have been received with challenge panels still going ahead. BTP did an unannounced custody inspection to look at HMICFRS audit areas, PACE, use of force and privacy. Some

progress made, e.g. signage put in, but broader estates work needed to assist in the re-design of some aspects. There is a detailed estates delivery plan to drive those through.

33. It was noted that BTP audit areas that might not ordinarily get attention, e.g. cash and vehicle seizures. Minor matters can result in financial and reputational issues.

34. BTP wrote to HMRC to formally challenge the notification of a tax liability; acknowledgement received but no response received. HA confirmed there is a contingent liability for the amount which BTP are disputing.

Action: Provide the Chair with the detailed report and tax specialist advice on the HMRC issue.

35. Following a question from a member, the DCC provided clarity on older HMICFRS reviews where remedial actions haven't been implemented and how the assurance programme monitors these as part of a regular inspection regime. Monthly ARIC meetings review actions. Custody has moved on since the last report in 2014; custody suites have closed down, so some findings were not as relevant.

36. Following a question from a member about pre-empting inspection findings on a regular basis, the DCC responded that BTP were already acute to some of the issues but findings are very detailed and minute. A seconded officer went to do HMICFRS inspections to understand what they inspect.

37. Through Covid-19, many officers and staff are working as usual. There has been a shift in demand but also different challenges. Crimes and other incidents are still occurring, particularly involving vulnerable people. Covid remains a critical incident. As the network opens, BTP is meeting changing demands and have surged capacity to provide better visibility and reassurance. Despite difficulties in supply chains, staff were given PPE. There is a low abstraction rate. The IT capability was accelerated; this will create a different future, look and feel of the estate.

38. As shops open, the network gets busier and there is mandatory wearing of masks, BTP have influenced the development of legislation to understand what that means and their responsibilities to enforce.

39. The CC added, as COVID has unfolded, additional PPE was provided for dealing with fatalities, with no impact on handback and impact

times. This highlights the need to take the best care of our people; coupled with quick handback.

40. The DCC explained the ESN project, which is being re-drawn and reset. Airwave will be available until the end of 2024. The CEO was grateful to see the costs and suggested BTP/A jointly obtains a more crystallised view of costs since this is the second biggest risk to financial stability. Members recommended linking with other Authorities and considering communication to funders.

Action: BTP CEO to commission a paper to understand project phasing, likely costs and considerations.

41. Single Tender Actions – The Chair commented on pipeline being a work in progress and is generally pleased with the work done in this area.

42. Management of key suppliers – this was one of the areas that arose from the Board development day. It was agreed that there may be value to compare the summary to relevant points in the contract management audit.

43. TM added some of this is addressed in the contract management audit. BTP are looking to set up an internal commercial board to strengthen contract management and engage more strategically with key suppliers. Members welcomed more information at future meetings.

Action: BTP to report back on their commercial board and how that is being used to engage more strategically with key suppliers.

44. A member questioned if BTP/A will take advantage of Central Government commercial professionalisation learning opportunities. BTP Commercial staff are CIPS certified but there is a need to consider broader contract managers.

45. The Covid-19 resource deployment paper was taken as read. The Chair noted that County Lines funding is understood; Covid-19 funding mostly understood. Members are seeking to pre-empt questions from core funders.

46. The CEO welcomed this paper to show the impact of Covid-19 on ring-fenced funding but noted this doesn't show the impact on the main BTP/A funding. While BTP Internal Communications are starting to highlight the new ways of working to share with TOCS, he questioned how much further we need to understand core costs to consistently, with one voice, tell funders what we have done and why the costs haven't changed.

47. The CC responded that most of BTP's costs are staff costs. Staff have been delivering on a new type of demand – visibility, enforcing Covid-19 regulations, crime and supporting industry in calls of a different nature. Crimes and incidents will still be allocated to the areas where they are.
48. The Chair, CEO and all ARAC members discussed the need for a narrative to describe the above. Funders have furloughed staff; some organisations that currently fund BTP/A may not re-emerge. Members are seeking a device where everyone can explain the same message consistently, to communicate early with funders. 2020/21 charges won't be issued for over a year so it is important for BTP/A to be able to explain these to funders.
49. The CFO added that work to understand the impact on the model is separate.
50. TM noted that 80% of costs are pay and therefore will be fixed; non-pay additional costs and savings will net off. Covid-19s costs are being shared with BTPA but a financial narrative can start to be pulled together.

Action: TM to create a financial narrative around Covid-19 to document the ongoing costs, additional costs and cost savings relative to the 20/21 budget.

SM to lead from the Executive on collating existing commentary around BTP activity into one summary to be used to tell the story to funders.

Internal Audit Progress Report

Agenda item 8

51. Papers taken as read.
52. AC presented the key points: the 19/20 plan has been finalised and 7/8 reports issued. All final reports have been sent to members.
53. The Charging Model audit highlighted findings around data quality and the lack of a framework covering the whole process.
54. The Contract management audit noted some good practices but findings around governance, oversight and risk management. A number of the actions are being put in place already as part of commercial transformation.

55. The Blue Folder audit is in final draft. The review was completed and a final draft issued but extra comments were added afterwards. Therefore the action plan is still being negotiated.
56. AC presented the Annual opinion which sets out a limited assurance opinion. This has fallen from moderate in the last two years; following two limited opinions prior. The Annual Opinion is based primarily on the balance of opinions; half were limited (in key areas), half moderate. The report sets out the rationale and key themes GIAA look at- governance, risk and internal control. It was a transformational year, with restructuring impacting the control environment and business-as-usual. Next year BTP/A should focus on controls during a time of change- to build and embed risk management throughout the organisation. Governance needs better joint working between BTP/A.
57. Following a question from the Chair, RK, the DfT Group Head of Internal Audit (HoIA), explained how GIAA assemble the annual opinion and form a view. Across the DfT, each HoIA provides an opinion; then a view is taken of where the overall DfT opinion sits. BTP/A feeds into the overall opinion. The opinion is a judgement call, looking at the overall outcomes of the audits and self-assessment in the MAR. RK confirmed his agreement with AC that the BTP/A opinion is an accurate reflection.
58. The CC noted that the Chief Officer Group (COG) is disappointed in the approach. The DCC's Paper 7.1a touches on a number of issues. On the Blue folders audit, the CC noted that he felt the auditors have completely misunderstood the issue and purpose of the blue folders. The process is about the CC's delegation. It is felt that GIAA haven't listened to feedback on that and the CC outlined that to have effective internal audit, it has to be valued; there is a need to bring management with you on the audit process. Looking at the balance of the annual opinion, being 50:50, this was taken as limited despite BTP having identified issues and inviting an audit on payroll. If the impact of bringing forward issues is taken as negative, it loses value from the process. The CC emphasised that he wants the process to be fair and that he considers all should be concerned about how this is moved forward.
59. A member welcomed the two 'limited' reports which clearly identify opportunities for improvement and shouldn't be considered negative. The member noted concerns that there is some disparity between the MAR and the audits.

- 60.AC explained that the Payroll audit was commissioned by the Director of People & Culture (RE). GIAA approached this as a response to management but looked at overall payroll controls. Some of the issues found went beyond the initial concerns. GIAA acknowledge this area was identified by management but that the usual rigour and discipline was applied. AC noted that RE's feedback was very positive.
61. AC continued to explain that the two moderate opinions were in quite discrete areas of the business; the other areas were more material.
62. GIAA understand Blue Folders are the CC's mechanism for making business decisions but the potential risk is when they are used in lieu of normal governance arrangements. Some of the findings are to enhance the framework, e.g. when folders go to BTPA to review; references to conditional decisions with no tracking process.
- 63.AC advised reviews were pushed back by management due to transformation projects. GIAA are very familiar with the MAR process, which is very robustly done.
- 64.A discussion was had around the lack of material loss. TM noted neither loss of kit nor monetary loss in the financial statements due to the weaknesses of the controls. AC responded that BTP/A should seek to prevent issues, e.g. from possible reputational loss through misplaced assets. TM considers GIAA to be very transactional in their approach.
- 65.The CFO noted the limited opinion feeds into the DfT. Risk management is pervasive throughout the internal audit work and BTP/A had previously reported risk management as an area for improvement on the MAR. This is a strength in terms of management reporting the issue in advance. Audits are an opportunity. BTP/A will set out in the Annual Report the context, being a transformational year, and areas that were self-identified for scrutiny. The focus will be on creating constructive actions to address the recommendations made. To enhance the work going forward, BTP/A have revised the MOU and SLAs to improve working together with GIAA going forward. BTP and BTPA need to work together more to address the recommendations.
- 66.The Chair summarised that the debate shows the opinions varying between limited or moderate; debating the annual opinion won't enhance understanding. BTP/A should look at how better and more efficient assurance is obtained, ensure the right balance of controls is

in the organisation. Internal control recommendations are an opportunity to enhance the business going forward and assist focus on making sure the right controls are in place. BTP/A should be mature about how this is approached to make sure we have the right levels of assurance.

67. The CC highlighted that HMICFRS commends BTP's approach to audit and inspection. BTP don't agree with some of the GIAA recommendations. The annual opinion matters to BTP given the level of effort invested into governance. BTP would welcome a discussion on how things can change for the year going forward.

ACTION: The CEO, CFO, CC and FD to meet to discuss internal audit concerns.

68. AC added that in the MOU/SLAs attached, additional SLAs were proposed by BTP/A to enhance the service.

External Audit

Agenda item 9

69. KPMG presented the Audit Completion Report and the current status. The audit is substantially complete, except: pension assets work, median pay and final sample testing. The audit was done remotely.
70. Pensions are the largest values. Asset testing is delayed for 'level 3' investments (private equity) due to Covid-19. Liabilities testing is complete. The CPI assumption was slightly outside KPMG's expected range (slightly optimistic).
71. There is nothing to report on income and management override of controls. IFRS16 requires a slight adjustment to gross up the lease liability.
72. Members thanked TM, HA and team for a good audit outcome. There are less adjustments than in previous years. Colleagues have risen to the challenges of remote working. Members thanked KPMG and NAO for a good result.
73. MK added the NAO will submit findings of pension asset testing in writing.
74. The Annual Report & Accounts papers were taken as read. Final adjustments will be made for IFRS16.
75. ARAC agreed to endorse the draft ARA for the Authority; though final draft requested to be circulated to members for approval. Any changes will be tracked to enable members to easily reconcile between versions.

76. The CC asked if his observations have still to be incorporated. The CFO confirmed the changes hadn't yet been made but changes will be tracked and circulated before final sign-off.

Governance

Agenda Item 10

77. Key points from the meeting are: endorsement of the accounts; moving forward with internal audit.
78. A member reflected on meeting effectiveness: The private meeting with KPMG would have benefitted from a separate Teams meeting. There were a lot of people in the meeting. The action to make materials user-friendly has been successful, even if the volume of material was a lot. For governance – in the future BTPA to consider a separate meeting for the accounts since members would prefer more time on it. There was a good contribution from members and good chairing. Overall, it was an effective meeting.

AOB

Agenda item 11

79. There were no AOB items.

Meeting ended 17.32pm.