

Minutes

Audit and Risk Assurance Committee

Monday 18 November 2019, 10:00-13:00
BTP Headquarters, Room G3, 25 Camden Road, London
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Present:

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

In attendance:

BTP

Adrian Hanstock, Deputy Chief Constable (DCC)
Tracey Martin, Finance Director
Mel Morton, Head of Audit and Assurance
Paul McCauley, Risk Management Lead
Sarah Winmill, Chief Technology Officer
Rachael Etebar, Director of People & Culture

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 (dial in)
Jamshed Ansar (NAO)
Jon Brown, KPMG

Apologies: Craig Mackey

Introductions & Welcome

Agenda item 1

1. MP welcomed everyone to the meeting and introductions were made.
2. MP and AP declared an interest for item 3d.

Minutes of Meeting 16 September 2019

Agenda item 2

3. The minutes of the meeting which took place on 16 September 2019 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: 2018 – 16, 19, 37; 2019 – 1, 7, 8, 14, 18, 22, 23, 25, 26, 27, 28, 30, 32
6. Item 9/2018: TM presented an additional draft paper during the meeting, 'MTFP Reserves Summary' in response to a request by the Chair for more granular detail on the reserves. Pages 2 and 3 talk to potential calls on reserves but not on specific risks. There were three risks discussed at Strategy and Planning Committee (SPC)- Surface EPSA, pensions and attrition of officers.

Following discussion, it was agreed that the higher level reserves policy will have a working capital floor stated (£20m for 2019, adjusted for inflation). It was also agreed to add the criteria for using reserves.

The DCC suggested there is a look at historic use of reserves, noting where DfT have provided cover previously.

It was agreed to present the Reserves policy to the December Authority meeting, including its application, criteria and working capital floor with a caveat that this may change year on year. Members agreed to delegate approval of this policy to the Chair.

TM advised BTP have commissioned a treasury company to write a policy.

Action:

MM to check the risks on pages 2 and 3 of the 'MTFP Reserves Summary' are all included in the risk register.

Action:

TM to work with SM on the Reserves policy for the December Authority meeting, which should include the application of the policy, criteria for use of reserves and the working capital floor over the MTFP. The 'MTFP Reserves Summary' should be included alongside the MTFP paper when presented to the Authority.

7. Item 25/2019: Following member queries about the escalation process for cash-flow issues, a cash management policy was presented.
8. Item 27/2019: Item 3d. *[AP and MP left the room – section redacted.]*
9. Item 12/2018, 13/2018: SW explained that pnn email accounts are categorised 'official sensitive', leading to difficulties in providing access. Office 365 will be the solution but security accreditation is currently outstanding. The Senior Information Risk Officer (SIRO) is currently assessing the risk of using the Blackberry system.

10. The Chair thanked the CTO for her work over the last three years, particularly with ARAC, and wished her well in her future role.

Quarterly Strategic Risk Register Updates

Agenda item 4

Risk Dashboard

11. The DCC introduced Paul McCauley, the new Risk Management Lead.
12. The committee discussed the Political, Legal and Regulatory risk being static and MM confirmed post-2024 risks within Management of Change related to slippage of projects such as ESN and NNS.
13. The committee discussed embedding risk management with a more regular rhythm of compliance at ARIC, and a review of future trends, confidence ratings and risk appetite.

Fraud

Agenda item 5

Fraud Report

14. The Fraud paper was taken as read.
15. LM updated members that the Annual Assurance with Counter-Fraud Standards had been updated to 75% compliant, formerly 59%.
16. LM advised it is International Fraud Awareness Week (IFAW) and the DCC thanked LM for her work on IFAW activities. He noted it is useful to have an Authority lead on fraud since it allows for a degree of independence.
17. The Chair queried the new e-expenses process and asked that a risk assessment is performed to ensure there are mitigations in place.

GIAA are already engaged in this process and a Readiness Assessment will be done before it is launched.

BTPA Quarterly Update

Agenda item 6

Report from the Authority Chief Finance Officer

18. The BTPA CFO Quarterly Update was taken as read, with the dispute issue, 18/19 wash-up and 20/21 provisional calculations and pensions brought to the attention of the committee.
19. The CFO highlighted increased cash-flow due to underspend in the budget and capital spend. Next quarter the cash-flow budget will be based on the latest re-forecast.
20. The EPSA compliance tracker is now done quarterly to obtain assurance over EPSA delivery. Version 1 is attached at paper 6.1.

21. Members agreed there is room for improvement to aggregate interactions with the largest EPSA holder.

Members agreed on the need for more detail in the tracker, including performance and supplementary work done by the Force at divisional level.

SM spoke about the contract management pilots. Members agreed this should be formalised.

Action:

SM to revise the tracker in collaboration with the DCC to include more detail on operational outcomes and supplementary assurance done by BTP at divisional level.

22. SM confirmed points raised from Birmingham summit have led to work being done to look at the charging model and providing some stability. She explained the process of calculating charges.

Action:

TM/SM/DCC to present a report to the March ARAC to provide assurance over EPSA contracts, income and operational outcomes.

23. It was confirmed that risk referrals from PDC and SPC are covered in the strategic risk universe.

BTP Quarterly Update

Agenda item 7

24. The DCC gave a quarterly update, talking through progress on GIAA audit actions, HMIC inspections and other assurance activities.

25. Single tender actions for the quarter were presented.

26. The H&S culture audit results were presented with a number of recommendations for the BTP and the BTPA. The DCC summarised that operational agility is required– not just policy but dynamic assessment and empowered on-the-ground decisions. GE advised if the facilities management supplier changes, there is an opportunity to review health and safety with a new supplier.

27. BTP would expect to be re-audited in four years, with GIAA providing assurance in between.

28. BTP has taken legal advice from a tax specialist. The FD will assess the risk and whether a liability should be included in the 19/20 accounts. On the mailing error, there was no action from the Information Commissioner as it was deemed to be a human error. MK advised BTP to keep costs of tax advice to a minimum as per the 'Managing Public Money' framework.

Action:

TM/DCC to share the legal advice and assessment of liability with the BTPA CFO.

Internal Audit Progress Report

Agenda item 8

29. The Head of Internal Audit advised there has been some progress over the last few weeks on the plan. Four audits are in fieldwork – payroll core controls, blue folders, finance core controls (accruals and fixed assets) and the efficiencies review (now draft report). There have been discussions with owners on the remaining audits in the 2019/20 plan.
30. AC explained the efficiencies audit found good audit trails and a comprehensive framework for cashable benefits with evidence. 18/19 is year one of the programme so some underlying plans were less embedded. The report will be provided to the next committee.
31. Members discussed the commercial audit which is likely to be Single Tender Actions (STAs) and a review of Cabinet Office compliance controls. The scope is not agreed yet.

Contract management was discussed in terms of a new contracts pipeline, use of the Crown Commercial Service (CCS) and managing underperforming suppliers, e.g. facilities management provider.
32. AC confirmed he now has no concerns about accessing people he requires at present to progress the plan.
33. AC noted the plans for next year will shortly begin. Annex 1 will feed into that, as well as other assurance and second line controls.

External Audit

Agenda item 9

34. KPMG have been appointed by the NAO for the next four years.
35. The Planning document highlights audit risks. Key changes this year are IFRS 16, where BTP have done a lot of work already, and risk of fraud in revenue recognition in non-PSA contracts.
36. There will be little additional work to look at EPSAs but controls testing would be a value-add.
37. There are two levels of materiality – pensions c. £40m; other c. £6m.
38. TM confirmed resource gaps will not interrupt the audit as an interim financial accountant has been sourced.
39. IFRS 16 – Workings have been shared with KPMG, NAO and initial numbers submitted in P7 to DfT. BTP are still finalising accounting treatment with the DfT. This is an accounting adjustment- no impact to TOCs. It will need budgetary cover from DfT.
40. A stock provision in 19/20 was discussed. Members expressed concern about the extent of the write-off. ARAC approval will be sought before sent to Treasury. Uniform Board will manage uniform going forward based on lessons learnt. PDC should consider how this write-off is funded.

Action:

TM to produce a paper on the stock write-off, incorporating lessons learnt.

Governance

Agenda Item 10

41. There were no new risk items to record.
42. Feedback from members was that the meeting was well chaired and there was a good paper pack received well in advance.

AOB

Agenda item 11

43. There were no AOB items.

Meeting ended 12.40pm