

# Minutes

## Audit and Risk Assurance Committee

Wednesday 11 March 2020, 10:30-13:00  
BTP Headquarters, Room G3, 25 Camden Road, London NW1 9LN

The Forum  
5th Floor North  
74-80 Camden Street  
London NW1 0EG

Present:

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

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In attendance:

BTP  
Adrian Hanstock, Deputy Chief Constable (DCC)  
Tracey Martin, Finance Director  
Mel Morton, Head of Audit and Assurance  
Rachael Etebar, Director of People & Culture  
Sean O'Callaghan, Assistant Chief Constable (ACC)

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  
Jon Brown, KPMG  
Komal Taragi, KPMG

Apologies: Matt Kay, NAO

### 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.
3. The Chair invited ACC Sean O'Callaghan, Gold Commander for Coronavirus, to inform the Committee about BTP's response to the COVID-19 virus outbreak. BTP are following the national position and sit on the NPCC Contingency Board. For the

London-specific response, they attend the TfL / LU Major Incident Coordination Group. There is a Gold/Silver/Bronze response in place and a dedicated cell up and running.

4. Full resilience plans have been drafted. BTP plan to deliver core functions, ensuring service delivery 24/7 for critical functions. BTP are monitoring advice on working remotely.
5. One challenge affecting BTP as a national force is different advice between England, Wales and Scotland. Emergency legislation currently only applies in England. New legislation drafted will apply nationwide.

### **Minutes of Meeting 18 November 2019**

#### Agenda item 2

6. The minutes of the meeting which took place on 18 November 2019 were approved as an accurate record.

### **Matters Arising**

#### Agenda item 3

7. An update was given on the matters arising.
8. The following actions were discharged as complete: 2019 – 24, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43.
9. 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.
10. Item 9/2018: The Director of Finance and Commercial (TM) presented a briefing on the ongoing work on a Treasury policy. The proposed policy will be presented at June ARAC then shared with DfT.

#### Action:

TM to provide a draft Treasury Policy for review at June ARAC then, once approved, share with the DfT.

11. Item 12/2018: Cyber security – This is based on NCSC guidelines. The DCC noted that this is incomplete as it needs additional information on delivery, for example what happens if we have critical outage. It should link to business continuity and disaster recovery. GIAA will review cyber security in 20/21 and use the Response Plan as a starting point. Members requested a brief at the next ARAC to explain cyber security more broadly.

#### Action:

Paper to be presented to the June ARAC to explain the wider policy around cyber security and disaster recovery, with an executive summary and final draft of Cyber Security Response Plan.

12. Item 43/2019: Stock write-off – The committee approved the paper and the recommendation therein.
13. A member advised BTP to consider whether there is a question around supplier behaviour and taking advantage of a lack of knowledge of minimum order quantities.

### **Quarterly Strategic Risk Register Updates**

Agenda item 4

#### Risk Dashboard

14. Papers taken as read. Coronavirus is a new risk being added in Health & Safety and Business Continuity. The other high priority risk is around recruitment and retention.
15. Appendix A – The DCC explained the paper which sought to give confidence of understanding the specific risks sitting behind the overall risk of recruitment and retention. BTP will start looking at appetite and explain the work going on behind the risks.
16. The Head of Audit & Assurance (MM) stated there is a Force Risk Register (16 risks) behind the strategic risks then further risk registers. Appendix A is what will be presented and used within the Force.
17. The Chair requested to bring Risk back to Authority in summer for discussion – with appetite and target added to risk summary dashboard.
18. The next step would be to include bottom-up risks, e.g. from stations coming up into the strategic risks. Currently, this tends to be departmental. The monthly Governance surveys could feed into the risk register.
19. A member asked BTP to consider looking at the controls at the lower level risks. The DCC responded that operational KPIs filter up into central KPIs.
20. A member requested further information on ESN at the June ARAC. The DCC reassured the committee that operational continuity is in place.

#### Action:

MM to consider how existing reporting mechanisms, such as the monthly governance surveys from stations, can map into the risk registers and corresponding controls reviewed.

#### Action:

A Strategic Risk paper to be included in June Authority agenda for discussion of embedding risk management, including how bottom-up risks are included, risk appetite and target risk scores.

#### Action:

BTP to provide members with an update on ESN and the risks around this at the June ARAC.

### **Fraud**

Agenda item 5

Fraud Report

21. The Fraud paper was taken as read.
22. The BTPA Finance, Audit & Risk Manager (LM) updated members that the Government Counter-Fraud Landscape Report is available and BTP/A will shortly be drafting a 20/21 counter-fraud plan. Experience and learnings from risks in other organisations are being considered and addressed in the fraud risk assessment.
23. The DCC noted it is helpful to understand learnings around fraud and thanked LM for sharing examples.

**BTPA Quarterly Update**

Agenda item 6

Report from the Authority Chief Finance Officer

24. The BTPA CFO Quarterly Update was taken as read, with pensions brought to the attention of the committee. The valuation will not be submitted while discussions with The Pensions Regulator are ongoing. This is included in the strategic risk register.
25. The EPSA Compliance Tracker was presented as the quarterly monitoring control of all EPSA agreements. BTP/A have worked together on this and obtained assurance over completeness. There is more to do by Q4, and plans in place, as outlined in the cover paper. The RAG rating relates to the level of evidence and support received from the key contract contacts, rather than assurance over delivery – it highlights where more formality and standardisation is needed. KPMG will use the Q3 tracker for their audit.
26. The Chair enquired if there is an accountable person for each EPSA, as in a customer/supplier account relationship. The DCC confirmed a Senior User is identified for each.
27. The Chair enquired about the process if BTP were approached about a new EPSA. SM responded that this is an area that needs to be formalised and standardised. EPSAs are signed at the Authority but the details are agreed beforehand on the ground.
28. A member noted the monitoring tracker is a great step forward for reassurance over EPSAs.
29. The MAR was presented. SM talked through the process and significant changes. This year, BTP/A tailored the questions to the organisation so the ratings better reflect the overall assurance in each area. Health & Safety is limited this year due to the Maturity Audit findings and various issues experienced over the year. Consideration of Internal Audit findings was made in finalising the MAR ratings.
30. The Chair noted the MAR this year was better managed than in previous years.
31. A member asked about the fraud risk of vetting. The DCC noted that BTP over-vet, without looking at the risk per role. There is a need to re-vet on a cyclical basis. This risk is about the capacity and maturity of vetting where higher risk roles need more focus. Changes are underway to vetting.

32. The MAR was endorsed by the committee for approval and submission by Hugh Ind, CEO.
33. The 18/19 Audit Control Recommendations from the NAO are in-hand.
34. IFRS 16 – SM explained the first paper is a deep dive as to the approach and financial impact of adopting IFRS 16. TM and team leading on this, keeping in close contact with the DfT and KPMG / NAO. The financial impact presented is the maximum impact but BTP have since reached agreement with the external auditors on leases in and out of scope, therefore the numbers are expected to reduce.
35. The second paper explains the impact on the charging model. There were two proposals and a recommendation to charge funders on a cash basis. With good oversight, this is seen to be the better and least volatile option. Members support the recommended option.

### **BTP Quarterly Update**

#### Agenda item 7

36. The DCC's quarterly update was taken as read.
37. The DCC talked through the custody inspection. Custody has been reviewed at ARIC, leading to no further significant findings from their review.
38. The DCC spoke about the Disruption Inspection. The report isn't published yet as it needs to go through DfT.
39. HMRC – The Director of People & Culture (RE) explained to members that HMRC have responded on 6 March requesting BTP to provide further information. Known liability is £22k for NIC in 2017/18.
40. Single tender actions for the quarter were noted.
41. The Health & Safety Assurance Statement was taken as read. This was for the Authority Chair to have assurance that BTP/A have due care as an employer.
42. RE explained BTP reviewed policies following the FHQ fire. There will be a paper to April FEB on this and it will be shared with the Authority.
43. BTPA should refresh their knowledge of responsibilities as an employer. The HSE guide sets out Board Member Responsibilities. SM stated work is underway on this and the BTPA Head of Governance and Compliance will contact members.
44. The Health & Safety Maturity Action Plan is in place however actions need to be tightened to ensure measurable. A member recommended adjusting goals as BTP matures in this area. Progress will be reported to ARAC.
45. A member asked the Committee and BTP to consider whether a H&S update should be included in PDC.

#### Action:

RE to share the April FEB paper about Health & Safety policy review following the FHQ fire.

Action:

BTPA Head of Governance & Compliance to speak with PDC Chair to consider whether a H&S update should be included at PDC, as well as considering the best approach to Board Member training.

46. HMIC Planning – MM explained that since the paper was completed, HMIC are changing their approach to PEEL. This is open to consultation now. The change in approach looks at organisational assessments (governance structures, efficiency, PSD, workforce, operational assessment), service user assessments (victim perspective, procedural justice) plus golden threads around wellbeing, demand and resources.
47. The Chair asked BTP to consider and feed into preparations what assurance activities will be relaxed when Coronavirus is in full swing. MM noted HMIC have suspended all assurance exercises now. Accreditation and training may also be suspended. Officers will still be deemed as qualified even if re-assessments are deferred for six months.
48. The HMIC cost model has changed therefore the plan needs to be considered and cost impact understood.
49. The Chair reminded HI and SM of the need to decide what assurance plans can move.

**Internal Audit Progress Report**

Agenda item 8

50. The Head of Internal Audit (AC) provided an overview of delivery of 2019/20 work. Five of eight are in draft or final report. Two are well advanced in fieldwork.
51. Payroll was a limited assurance opinion. RE explained this audit was a very helpful and collaborative process.
52. A member asked how easy it is to whistle-blow at BTP/A.
53. The DCC explained that guidance is published and encourages people to speak up. It is encouraging that people do come forward and BTP is in a healthy position. There will be more emphasis in the new conduct regulations.
54. A member advised that the NHS is a good example of where things are improving. At the MoD, there is a poster campaign to encourage challenge and there is a clear route for whistle-blowing.
55. A member asked if there were any leavers overpaid. There were no instances found.
56. A member asked about confidence that process changes will lead to a cultural change towards compliance. RE responded that the H&S maturity audit also mentions gaps with managers. TM added they had already discussed the need for line management objectives for staff and how to share that more widely. RE added there is a real focus on operational delivery at BTP and leadership is an add-on. A cultural shift is needed. The Chief Constable has already commissioned RE with leadership development work.
57. The External Audit Partner (JB) stated KPMG discussed the impact on the external audit with GIAA, both the controls and the risk to the financial statements. It is very small amounts so when extrapolated, still immaterial. It won't have a large impact on

what the auditors do but will be considered when doing testing. Starters/ leavers testing was completed at interim without issue.

58. The Chair stated there are signals from different pieces of information that things aren't as they should be e.g. a 29% response to staff survey. The organisation is not engaged. The leadership point is fundamental. BTP/A shouldn't rely on whistle-blowing – internal processes and controls aren't working sufficiently and management are not identifying the issues first hand. The basics need to be done.
59. The Efficiencies Management Letter is at a final stage. Overall, the framework has improved for guidance, tracking and management assurance. However, when the guidance was applied, GIAA had to challenge management on how robust and sustainable some efficiencies were. Whilst satisfied the framework process had been worked through, GIAA now expect all efficiencies to have business cases going forward. Travel is another area which needs more attention and the exit of a building where additional costs are being incurred.
60. In year one, since a lot of the savings were areas where vacancies were taken but struggled to map to business case (e.g. Criminal Justice), BTP need to ensure they don't subsequently double count the efficiency achieved.
61. TM added the MTFP was costed based on service redesigns from 2021 – the new structure in the MTFP going forward should show the connection between efficiencies. BTP made a concerted effort to take posts out before the new structure was finalised, to bank those savings and ensure that money wasn't used elsewhere. Finance workforce and centralisation will help the effective monitoring of efficiencies.
62. The Chair asked if BTP are thinking about a three year period (strategy period) and how the costs will affect future years. TM stated the MTFP is over a 5 year basis. The payroll model looks at a 5 year plan on a post-by-post basis and incorporates changes e.g. pay rises. There is a broader conversation needed around financial strategy. A member advised it was discussed at S&P to have the space to think about future planning.
63. The DCC recommended to think about enterprise risks and SWOT analysis.
64. The Accruals audit was done following the KMPG audit last year which had raised some issues, including old accruals. Management were already aware that improvements are required.
65. AC presented the 20/21 Plan. To formulate, he reviewed risk and past work, and met with stakeholders.
66. The priorities for ARAC members with respect to the 20/21 GIAA reviews are: transformation, data and recruitment.

### **External Audit**

Agenda item 9

67. KPMG provided a verbal update. Planning is underway for the 2019/20 audit with no changes to the plan presented at November committee. This year, KPMG will audit the pension liability.

68. Interim audit is complete, despite slightly shorter fieldwork. Sampling is complete to P10. JB noted they are in a good place and ahead of where they were last year.
69. Key areas are: HS1; IFRS 16, which is well progressed and work continues; pensions; EPSA. These are all expected to be completed during March. KPMG are prepared for Coronavirus: staff can work remotely and they have looked at the priority of audits. Due to the DfT timetable, BTP is high priority.

Action:

BTPA CFO to speak with DfT sponsorship team to understand what happens if there are delays due to Coronavirus with the year-end audit and annual accounts process.

**Governance**

Agenda Item 10

70. Key points from the meeting are: Coronavirus and its impact.
71. Reflection on effectiveness: A member noted the quality of papers but large volume, with some tricky to read. IFRS papers contained unnecessary detail but summary papers were very useful. A member praised the Chair and noted good timing.

Action:

BTPA to consider user-friendliness of papers and the amount of detail in papers for members.

**AOB**

Agenda item 11

72. There were no AOB items.

Meeting ended 12.46pm