

Minutes Audit and Risk Assurance Committee

Friday 14 June 2019, 10:00-13:00
BTPA Offices, 5th Floor North, 74-80 Camden Street,
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Present:

Mark Phillips, Deputy Chair
Graham Evans
Shrin Honap
Kenna Kintrea
Craig Mackey
Andrew Pollins
Martin Richards

In attendance:

BTP

Paul Crowther, Chief Constable
Adrian Hanstock, Deputy Chief Constable
Tracey Martin, Director of Finance & Commercial Services
Sarah Winmill, Chief Information Officer
Harriet Andrews, Deputy Director - Financial Control
Mel Morton, Head of Audit and Assurance

BTPA Executive

Hugh Ind, Chief Executive
Ian Pigden-Bennett, Interim Chief Executive
Sarah McGarel, Chief Financial Officer
Lynsey Marshall, Finance, Audit and Risk Manager
Dean Salvador, BTPA Charging Manager

External

Aaron Condron, GIAA
Jonathan Brown, KPMG
Vicky Wilkinson, KPMG
Matt Kay, NAO
Richard Wood, NAO

Apologies: Dyan Crowther

Introductions & Welcome

Agenda item 1

1. MP welcomed everyone to the meeting and introductions were made.

2. No additional conflicts of interest were declared.

Minutes of Meeting 06 March 2019

Agenda item 2

3. The minutes of the meeting which took place on 06 March 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 - 10, 11, 14, 18, 22, 23, 24, 25, 26, 27, 28, 32, 34, 35, 36, 38, 40, 41 and 2017 - 42 & 57.
6. Item 42/2017: SM confirmed that work was complete on the joint strategic risk register for Scotland.
7. Item 9/2018: SM noted that work is continuing on the minimum cash holding policy alongside a treasury management strategy. An update will be provided at the September ARAC.
 - AP queried if a Treasury specialist had been recruited. TM responded that a full time post was not required.
8. Item 11/2018: SM updated that the IT security scoring and comparators results are complete.
9. Item 12/2018: SM updated that development of a Cyber security response plan is ongoing- the BTP Chief Information Officer (CIO) will present to ARAC.
10. Item 13/2018: Membership access to BTP email will be resolved within Microsoft 365 rollout in Q3 2019.
11. Item 14/2018: Closeout meetings regarding Government Internal Audit Agency (GIAA) audit reports are ongoing, with LM now in attendance.
12. Item 16/2018: A review of reported efficiency savings is included within the Internal Audit plan for 2019/20.
13. Item 19/2018: The development of a plan B, in the absence of a bilateral agreement for pensions, is ongoing for proposal to full Authority.
14. Item 22/2018: The accuracy of the charging model has been reviewed within the annual external audit but will be revisited with GIAA audit plan for 2019-20.

15. Item 23/2018: The efficiency savings review of run rate versus one off savings is complete and available to members.
16. Item 24/2018: The delivery partner has been providing updates direct to members as appropriate with further work to manage committee interconnectivity to follow.
17. Item 26/2018: The cashable and non-cashable benefits framework has been developed and is being implemented.

Action:

- TM to circulate benefits framework document.

18. Item 29/2018: An Enhanced Police Service Agreement (EPSA) contract management pilot has been established with selected stakeholder partners to positively engage. There should be a review of cradle to grave management, control optimisation and formalisation by the PSA sub-committee. A breakdown of all current EPSAs was provided to members.

Action:

- SM/HI to establish formal approach to EPSA meetings going forward.
- HI to engage with PSA working group to establish root cause of current issue and review process from cradle to grave.

19. Item 30/2018: The legal dispute provision within the 2018/19 financial accounts is to be clarified subject to ongoing discussions.

Action:

- SM to draft paper formalising the rationale for the provision.

20. Item 31/2018: Terms of Reference (TOR) for the Scottish sub-committee have been circulated for comment.
21. Item 37/2018: GIAA will present the annex 1 report in the September meeting.
22. Item 39/2018: Overview of prior period internal audits to be used to support ongoing assurance mapping for delivery in September meeting.
23. Item 42/2018: Procurement delegations and framework review ongoing.

Update received from BTP CIO on Information Technology and Cyber Security strategy

24. The BTP Chief Information Officer (CIO) presented to the Committee on the major systems, cyber security risks and the work undertaken to obtain assurance over the systems.

Action:

- SW to consider retrospective review of high risk historic 3rd party suppliers.

Update received from BTP on Brexit risk

25. The Deputy Chief Constable (DCC) provided an update on risks associated with Brexit. There is a Brexit preparation group following the Gold/silver/bronze planning process. Some key risks and mitigations were discussed: public order, operations, resource, crime and logistics. BTP is regularly engaged with government and other forces.

BTP Fund Annual Report and Accounts 2018/19

Agenda item 4

External Audit Report from KPMG / NAO

26. The external auditors presented their Audit Completion Report to the Committee, with a caveat that there are a few outstanding items to be tested. A final provision is awaiting confirmation and will be communicated to the Audit Committee.
27. Overall, it was a clean audit with four control recommendations. Recommendations raised in the 17/18 audit were confirmed by the auditors as closed. KPMG confirmed they were comfortable, despite the control recommendation on revenue, that BTP had complied with IFRS 15.
28. JB noted that there are no matters to be brought to members' attention.
29. One member enquired as to the work being done in preparation for changes in the accounting standard for leases (IFRS 16). The BTP Deputy Director of Financial Control confirmed that work had begun on analysing the impact of this change and was being done in consultation with the Department for Transport (DfT).

Action:

- Deputy Director, Financial Control, to work with BTPA in a joint review of IFRS 16 impact.

- BTP Finance and NAO to review opening position and affirm accounting policy on IFRS 16.

Report from BTP Director of Finance & Commercial Services

30. The BTP Director of Finance and Commercial Services (FD) presented a paper summarising the 2018/19 financial statements, which highlighted key items in an analysis of the Statement of Comprehensive Income and Statement of Financial Position. Papers taken as read.

Paper on rationale for no pension provision

31. The CFO had presented a paper outlining that there was no requirement for a provision for the ongoing pensions matter. Papers taken as read.

Annual Accounts and Financial Statements

32. The BTPA Chief Financial Officer presented the draft 2018/19 annual report and accounts. Comments have been received from the ARAC Chair as well as the Authority Chair, and a walkthrough for all other Members is scheduled to take place before the Authority meeting.
33. There were requests for the annual report text to include more commentary on force activity on counter terrorism, governance, risk and the supporting control environment.
34. The Audit Committee recommended approval of the financial statements to the Authority.
35. The Chair thanked the BTP FD, BTP Deputy Director of Financial Control, BTPA CFO and the wider BTP/A Finance teams.

Action:

- SM to seek input from BTP on continuous improvement and counter terrorism activities relevant to the annual report.
- Members to provide comments on the Annual statements to SM.

Approved: Members recommended the accounts for approval at the Authority.

Internal Audit Progress Report

Agenda item 5

Annual Opinion 2018/19 from GIAA Audit Manager

36. GIAA have advised an overall opinion of moderate assurance of the internal control framework, consistent with last year and an improvement on the limited rating in the previous two years.
37. Throughout 2018/19 there were no audits with limited ratings.
38. There is nothing required to be reported in the Governance Statement. There were, however, a number of recommended improvements identified from the audits performed in the year. To maintain a moderate rating going forward, BTPA and BTP must collaborate to achieve these improvements.
39. The Committee expressed a desire to aim for substantial assurance in 2019/20 but noted that it must be balanced with the financial cost achieving this. The CFO noted there is a huge opportunity to use the transformation initiatives to improve key controls and manage risks.

40. Action:

- ARAC to consider where additional GIAA engagement could be beneficial.

Quarterly Update report from GIAA Audit Manager

41. The GIAA Senior Audit Manager also presented the final reports and management letters for audits of the Finance Action Plan, Management Assurance Return Process and the 2017/18 follow-up.
42. Two items are still outstanding from the 2017/18 risk management review but it was noted that these are continuing to receive focus and will be discussed in this meeting.
43. He explained the follow-up process which will confirm closure of recommended actions raised in 2018/19 and any outstanding actions from before.
44. Paper noted and taken as read.

Action:

- TM to share terms of reference for the financial assurance forum.

- Management Assurance Return (M.A.R) to be maintained as a live document in light of ongoing development of the control environment and interim timing of GIAA's review.

Draft Internal Audit Plan Update

45. The 2019/20 Internal Audit Plan was approved at the March Audit Committee. Since then, one audit of "Stakeholder management" has changed to "Commercial capability and contract management". The committee approved the change to the internal audit plan.

BTPA Quarterly Update

Agenda item 6

Report from the Authority Chief Finance Officer

46. The BTPA CFO gave a quarterly update. On Police Service Agreement (PSA) holder updates, the process for calculating actual charges in 2018/19 is underway. Quarter four indicative charges are being calculated and will be communicated to PSA holders following internal review.
47. An actuarial valuation of the officer pension scheme is ongoing.
48. There were no exceptions noted following review of the BTP, BTPA and Members' gifts and hospitality registers.
49. The Interim CEO provided an update on Scotland. Terms of Reference and a Memorandum of Understanding with the Scottish Police Authority is nearing finalisation. The Cabinet Secretary and Scottish Justice committee will receive notification of how the BTPA sub-committee will operate and how the forces will work together.
50. The CFO updated the Committee on changes made to the Management Assurance Return (MAR) to DfT, to align it with the current status informed by internal and external audit reports and the governance report that will be published in the Annual Accounts. An opportunity is seen to use the MAR as a live document, to inform continuous improvement.
51. Risks discussed at the Strategy and Planning Committee which were deemed relevant for Audit Committee were shared: Stakeholder management, estates and a facilities management tender
52. The CFO updated members on the DfT's focus on fraud, bribery and corruption. The Cabinet Office published counter-fraud standards, with which all departments and arms-length bodies must comply with by March 2020. An action plan has been shared by the DfT. It was noted that fraud should be a standing item at ARAC going forward.

Letter of Assurance from the Chief Constable

53. An introduction to the Chief Constable's Letter of Assurance (LoA) was given. The LoA is used by the CFO to write the Governance Statement in the Annual Accounts.
54. The CFO noted that the document was very comprehensive but suggested that the Committee seek further information on a number of points from the Chief Constable to inform the Governance Statement:
 - Financial Monitoring and Control Systems
 - Strategic Risk Management
 - Police service agreements and enhanced agreements
 - Crime data integrity
 - Processing TOC prosecutions
 - Professional Standards - fraud.
55. The Chief Constable provided a verbal update on each and agreed to furnish the BTPA CFO with written information.
56. Other points raised in the LoA, but not germane to the Governance Statement itself, will be addressed at a later point and discussed with the Force.

Action:

- In response to the LoA discussion, BTP to provide detail of the measures mitigating the processing risk of ToC Prosecutions.
- AH to support review of crime data provided as part of BTPA charging activities to bolster understanding of assurance provided over data in Niche and Controlworks

BTP Quarterly Update

Agenda item 7

Report from the Deputy Chief Constable

57. The Deputy Chief Constable gave a quarterly update which built upon and reiterated the improvements mentioned by the internal and external auditors. It included a progress update to demonstrate that a number of the audit recommendations have been completed.

Single Tender Actions

58. The BTP FD provided a listing of Single Tender Actions. Many of these were due to last-minute requests or where there are single suppliers of a service. No exceptions were noted. The Chair notes the good work in addressing this item.

Action:

- TM to establish a contract review body encompassing due diligence reviews.
- Ongoing reporting to be provided to the committee on single tender actions.

HMICFRS update

59. The Deputy Chief Constable gave an update on the Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) Inspection status. Two reports are awaiting publication. HMICFRS have been on site doing a disruption inspection and they are validating actions taken following the PEEL (police efficiency, effectiveness and legitimacy) Improvement Plan. Regarding the paper issued by HMICFRS, there is continued focus on improvements via root cause analysis and the embedding of key deliverables. 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 12 have been completed.

Risk Management Presentation

Agenda item 8

Update to BTP/A Strategic Risk Register and Risk Appetite

60. The CFO introduced a new strategic risk register and risk appetite which was produced following a GIAA recommendation in 2017/18. This is a combined document for BTP and BTPA.
61. The BTP Audit & Assurance Manager requested ARAC to note all documents and to approve the risk register, risk appetite and plan for next steps.
62. Assurance mapping will be done in conjunction with the work to embed risk management across the organisation.
63. The Chief Constable noted that the strategic risk register titles didn't immediately reference risks relating to delivering core policing functions.
64. The members approved these and recommended them to be sent for endorsement at the full Authority meeting.

Approved: Members recommended the approval of the strategic risk register and risk appetite at the Authority.

Action:

- LM and MM to consider inclusion of policing operations in the strategic risk register.

Fraud Risk Assessment and Management

65.A fraud risk register is being reviewed in line with the DfT requirements on fraud.

Any Other Business

Agenda item 9

66.The Chair thanked Martin Richards and Dyan Crowther for their contribution to ARAC over the last few years.

67.The Chair thanked Ian Pigden-Bennett for his contribution to BTPA as interim CEO.

Meeting ended 13:00 pm.