

[5 July 2023] Agenda Pack / Audit, Risk and Assurance Committee

MEETING
5 July 2023 10:00 BST

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Agenda

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Report to: Audit and Risk Assurance

Agenda #: 4

Date: 05 July 2023

Subject: BTPA Cover Paper: HMICFRS Inspection Plan 2023-2026 & Proposed Approach to Findings and Action Plans

Sponsor: BTPA Chief Executive

Author: Head of Strategy, Planning and Engagement

For: Review and endorsement

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1. Purpose of paper

- 1.1 To invite the Committee to review and endorse proposals with respect to a forward plan for inspections of BTP by His Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) from 2023-26.
- 1.2 To also invite the Committee to consider proposals for the onward referral of HMICFRS inspection findings and recommendations to the relevant BTPA committees for information and oversight.

2. Background

- 2.1 BTP is subject to regular inspection activity by HMICFRS; this Committee currently leads on both overseeing the development of forward inspection plans and on the review and ongoing monitoring of the inspection findings and BTP's action plans in response.

3. HMICFRS proposed inspection plan 2023-26

- 3.1 The paper from BTP attached to this item at Item 4.1 sets out both the process to develop a draft suite of inspection topics for the period 2023-26 and lists those topics in the table at section 2.5 in that paper. We confirm that there has been good engagement with the Authority Executive and HMICFRS in developing those proposals and that HMICFRS confirms that it can currently service that plan within BTPA's annual charge.
- 3.2 Subject to the views of the Committee on the above, next steps would be to share these recommendations with the Department for Transport for information and comment before the plan and timetable is finalised with HMICFRS.

4. Proposed approach to communication of inspections findings and action plans

4.1 Currently, ARAC leads on the oversight of all HMICFRS inspection activity including;

- The review of the inspection reports and their findings/recommendations
- BTP’s proposed actions in response to those reports and recommendations, and
- Progress with BTP’s response plans

Our Scottish Railways Policing Committee also receives a quarterly overview of the same with a special focus on any dimensions of particular relevance to delivery of railways policing services in Scotland.

4.2 Given the richness of the information in those reports, and its relevance to the wider oversight activities of BTPA’s full committee structure, we would recommend that, once ARAC has completed its initial review, it refers on reports (or parts of them) to the relevant committee(s) for information and more detailed oversight. Also, that it seeks committee inputs on their assessment of progress with the delivery of relevant response plans. This approach would both broaden awareness of the assessment by HMICFRS across the BTPA committee structure and strengthen the Authority’s evaluation of BTP’s response.

4.3 As an example, from the most recent round of HMICFRS inspection activity, ARAC might consider making the following onward referrals of elements of the three published/draft reports as follows;

		SPC	PDC	PCC	SEWG	SRPC (oversees all forcewide and D-Div inspection activity)
PEEL 1&2 (not yet published)	Engaging people and treating the public with fairness and respect		X		X (part)	X
	Preventing crime and ASB		X			X
	Protecting vulnerable people		X			X
	Building supporting and protecting the workforce			X		X
	Strategic planning, organisational and vfm	X				X
Vetting (not yet published)	Vetting staff and officers			X		X
	Protect data and info held		(?)	X		X
	Prevent corruption			X		X
SOC (published May 2023)	Prioritises SOC	X				X
	Resources and skills	X				X
	Tackling SOC and safeguarding communities		X			X

5. Recommendations

- 5.1 That the Committee review and, subject to any further comments, endorses the proposals in relation to an HMICFRS inspection plan for BTP from 2023 as set out at Appendix A.
- 5.2 If content, that Committee also recommends those proposals for onward communication to the DfT for review.
- 5.3 Finally, that the Committee considers recommendations that the reports from all recent and future inspections of BTP be considered for onward referral by ARAC to the relevant BTPA committees for information and ongoing oversight.

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Report to: Audit and Risk Assurance Committee
 Date: 22 June 2023 / 5 July 2023
 Subject: Committee Effectiveness Evaluation 2022/23
 Sponsor: Head of Governance and Compliance
 Author: Board Secretary
 For: Comment

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1. Purpose of paper

- 1.1 To comply with Committee's terms of reference to *perform an annual assessment of [the Committee's] performance, timed to input into the Governance Statement, summarising the work [the Committee] has done during the year in relation to its terms of reference and annual work plan.*

2. Background

- 2.1 This year, Committee Members, BTPA Chief Financial Officer, Deputy Chief Constable and Head of Internal Audit were invited to complete a hybrid questionnaire devised from the NAO Audit and Risk Assurance Committee Effectiveness Checklist (2017) and NAO Audit and Risk Committee Effectiveness Tool (May 2022). 5 responses were received from 7 questionnaires issued and represent a cross section of Committee/Authority Executive/Force.
- 2.2 Positive feedback from the first half of the questionnaire included,
- Risk professionals within the Force and Authority are seen as highly engaged and effective
 - the results of the committee's work on risk was brought to the attention of the Full Authority.
 - Members received good support from both the Force and the Executive.
- 2.3 Key feedback regarding room for improvement from the first half of the questionnaire can be summarised as follows:
- Principle 1 – Membership, Independence, Objectivity and Understanding
 - 2.3.1 There could be more engagement with DfT audit function in the work of the committee.
 - 2.3.2 Issues considered by the committee were complex and deserved more time.

- 2.3.3 A finance representative from the Force could either receive papers/attend meetings.
- 2.3.4 Members could receive more effective induction to assist them in performing their roles on ARAC.
- Principle 2 – Skills
 - 2.3.5 The blend of Member skills and experience on the committee could be better understood.
 - 2.3.6 It was felt the committee lacked digital, commercial and finance skills.
 - 2.3.7 As at Principle 1, committee induction could be improved.
 - Principles 3 & 4 – Role and Scope of the Committee
 - 2.3.8 Member lead responsibility for whistleblowing was unclear
 - 2.3.9 Member understanding of the Force’s control environment could be improved.
 - 2.3.10 It was unclear whether the committee provided sufficient attention to financial management and reporting issues.
 - 2.3.11 It was unclear to what extent the committee reviewed the Cabinet Office’s Counter-Fraud Standards.
 - 2.3.12 Cybersecurity deserved more scrutiny by the committee.
 - 2.3.13 It was unclear how any external audit recommendations in particular were reported into the BTPA committee structure.
 - 2.3.14 Committee terms of reference should be cross-referenced against HMT ARAC Handbook.
 - 2.3.15 Member challenge of Executive, Force, internal and external audit could be more rigorous.
 - Principle 5 – Communication and Reporting
 - 2.3.16 It was queried whether the committee should offer an annual report to the Full Authority.
 - 2.3.17 ARAC Chair bilaterals could be broadened beyond BTPA CFO and Head of Internal Audit.
 - 2.3.18 A view should be taken on whether the committee proactively communicated its work beyond BTP/A (i.e. to DfT audit lead(s)).

- 2.4 The second half of the questionnaire asked respondents to grade activity of the committee according as 1 (room for improvement) 2 (meeting standard) and 3 (excelling).
- The following areas received a high average score for ‘meeting standard’ i.e. a score of 2.4 or higher:
 - 2.4.1 The committee was satisfied that management takes an enterprise-wide view of the organisation’s risks
 - 2.4.2 There is a clear understanding of the role of the Full Authority in relation to managing risk.
 - 2.4.3 The committee understands and challenges the risk management framework
 - 2.4.4 The committee promotes the importance of a positive risk culture within the organisation
 - 2.4.5 The committee challenges management on its approach to evaluating risks, including effectiveness of scenario planning and stress testing.
 - None of the measures presented received an overall average grade of 1 (room for improvement) albeit some feedback from individual respondents suggested there was room for improvement in the following areas.
 - 2.4.6 The committee needs to better understand the Force’s business strategy, operating environment and associated risks.
 - 2.4.7 The committee could improve how it discusses with the Full Authority how its policies, attitude to and appetite for risk are defined and communicated across BTP/A.
 - 2.4.8 The committee could improve its understanding of the Force to assess whether the risk register is an appropriate reflection of risks facing the Force.
 - 2.4.9 The committee could better understand how internal controls are developed, operated and monitored.
 - 2.4.10 The committee could seek more assurance on how risks are managed through controls.
 - 2.4.11 The committee could better review any root causes for failings or weaknesses in internal controls and monitor any action plans arising.
- 2.5 This report also provides the following appendices (as per the annual assessment format adopted in June 2022):
- Appendix 1 (summary of 2022/23 Committee activity against its terms of reference)

- Appendix 2 (summary of Committee activity against its 2022/23 workplan)

3. Next Steps

- 3.1 BTPA Executive will, in consultation with the Force, evaluate the issues raised and develop a Committee Effectiveness Action Plan for submission to the September 2023 meeting.
- 3.2 Members are invited to share their observations on the points raised to further inform the development of the action plan.
- 3.3 NB that some of the issues raised are already being addressed by the BTPA Executive e.g. improved induction, given its relevance to the impending addition of up to seven new Members of the Full Authority later in 2023. Moreover the terms of reference refresh elsewhere on the agenda incorporates feedback on HMT ARAC Handbook comparison (para 2.3.14).

4. Recommendations

- 4.1 Members are asked to,
 - Note the outputs from the ARAC committee effectiveness exercise 2022/23.
 - Share further observations in light of the areas for improvement identified during the recent committee effectiveness exercise.
 - Note the appendices regarding committee activity 22/23.

Appendix 1

Audit and Risk Assurance Committee – Delivery against Terms of Reference 2022/23

Terms of Reference	Commentary 2022/23 [June 2023]
The Audit and Risk Assurance Committee will present a summary of key points to the Authority after each meeting and minutes for noting.	Digests provided to all Members of Full Authority on Board Intelligence following each meeting; and draft minutes of ARAC provided to subsequent meeting of Full Authority for information.
The Audit and Risk Assurance Committee will perform an annual assessment of their performance, timed to input into the Governance Statement, summarising the work it has done during the year in relation to its Terms of Reference and Annual Work Plan.	As per this paper.
The Audit and Risk Assurance Committee will advise the Authority and Accounting Officer on:	
the strategic processes for risk, control and governance and the Governance Statement;	Strategic risk a standing item at each ARAC, and Governance Statement is included within Annual Report that is submitted to Full Authority for approval.
the accounting policies, the accounts, and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;	Committee reviews Annual Report and Accounts prior to submission to Full Authority; informal Member briefing sessions (walkthroughs) are scheduled to brief whole Membership on draft Annual Report; Committee has extraordinary meeting in July to finalise Annual Report. Committee has External Audit as standing item on agenda.
production and approval of the Management Assurance Return (MAR)	MAR dealt with at March 2023 meeting.
the planned activity, results of both internal and external audit and HMICFRS;	Internal audit reports were uploaded to dedicated shelf on <i>Board Intelligence</i> throughout 22/23; internal and external audit are standing items on committee agendas; HMICFRS inspection plan due for approval by Committee June 2023.
adequacy of management's response to issues identified by audit activity, including external audit's management letter;	Internal audit reports were uploaded to dedicated shelf on <i>Board Intelligence</i> throughout 2022/23; internal and external audit are standing items on committee agendas.

assurances relating to the corporate governance requirements for the organisation;	<i>Corporate Governance</i> is a key theme of every Internal Audit and is assessed each year in the Governance Statement of the ARA. ARAC may provide oversight and scrutiny of corporate governance by discussing themes emerging from these two workstreams and seeking further assurance if necessary. Further, the Board Effectiveness Review assesses corporate governance and is in the workplan each year.
anti-fraud, bribery and corruption and whistleblowing processes and arrangements for investigations	Committee receives a summary of instances of fraud, bribery and corruption each quarter as well as a summary of confidential reports made in this area.
monitor and assess compliance with and performance against statutory duties	A very wide area and is included in almost every piece of assurance work done. There is no 'list' of requirements but rather each business area must be responsible for their own statutory duties. Having consulted other forces on this same matter, the consensus is that statutory duties should be included in each area of the assurance map (provided from November 2021) and, when assurance work occurs, this should be an area under review.
Assurances related to financial reporting, including understanding significant changes to accounting policies	Occurs through routine reporting to Committee and enhanced by attendance and input from external auditors.
Assurances over data, systems and information	Deferred November 2022
The Audit and Risk Assurance Committee may:	
Approve the annual external audit plan	Statutory External Auditor appointment endorsed at November 2022 meeting.
Approve the internal audit plan	GIAA Internal Audit Plan 2023/24 approved at March 2023 meeting.
Approve the HMICFRS Inspection plan	HMICFRS Inspection Plan due for approval at June 2023 meeting.
Endorse the strategic risk register, risk appetite and other risk documents for approval at the Full Authority	Endorsed a revised strategic risk register that was approved by Full Authority in December 2022. Risk appetite due for review at Member workshop on 11 July 2023.

Milestones	
Annual report and Accounts, including the Governance Statement and audit opinions, to the June meeting	Annual Report due for review at June 2023 meeting, approval in principle by Full Authority on 28 June 2023 and final sign-off by ARAC on 5 July 2023.
Management Assurance Statement to the March meeting	Management Assurance Return approved at March 2023 meeting.
Annual health and safety assurance statement to the June meeting	Responsibility transferred to People and Culture Committee (June 2022) – to be removed as part of Code of Governance refresh 2023.
Annual endorsement of strategic risks and risk appetite statement to the Authority	As above – revised strategic risk register submitted to Full Authority December 2022, and risk appetite due for review at Member workshop in July 2023.
Data assurance statement	Deferred at November 2022 meeting.
At least one strategic risk deep dive	ARAC completed its three risk deep dives by June 2022. A refreshed strategic risk deep dive approach was approved by ARAC at its March 2023 meeting (i.e. one risk each quarter, determined by four highest risks).
The Head of Internal Audit and the representative from the external audit will have free and confidential access to the Chair of the Audit and Risk Committee.	N/A
The Audit and Risk Assurance Committee will meet at least 4 times a year. The Chair of the Committee may convene additional meetings, as they deem necessary.	As at 13 June 2023, ARAC has met three times (September 2022, November 2022, March 2023) and is due to meet on 22 June 2023 and 5 July 2023 (5 times).
The Authority or Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.	N/A
The membership of this Committee will be five members of the Authority. Executive Team and Force colleagues will join as agreed with the Chair.	Membership is currently four Members. Up to seven new Members of the Full Authority are expected to be appointed from September 2023.

Appendix 2 - Delivery of Audit and Risk Assurance Committee Workplan 2022/23 (approved March 2022)

Items marked green were delivered / items marked yellow saw some variation. NB the table does not include standing items such as CFO Report, DCC Report, Counter-Fraud Update, GIAA Internal Audit Reports (all planned 22/23 GIAA audit reports were delivered).

Meetings	Items	Comment
September 2022	<ul style="list-style-type: none"> Strategic Risk Deep Dive – Cyber Security (delivered June 2022) Half year review of 22-23 GIAA plan (GIAA Progress Report) HMIC PEEL inspection results (Phase 2) (as part of DCC Report) Assurance Framework (Map) 	Delivered at earlier June 2022 meeting instead.
November 2022	<ul style="list-style-type: none"> Reserves Policy Anti-fraud and whistleblowing policies/processes review Statutory appointment of the Comptroller and Auditor General as External Auditor endorsed External Audit Plan Annual statement on data assurance 	Items marked yellow were deferred at the November 2022 meeting due to having been considered in recent past. To be included in workplan 23/24.
March 2023	<ul style="list-style-type: none"> Strategic Risk Deep Dive – Contract Management Work plan for 2023/24 Management Assurance Return (MAR) Functional Standards Review (if separate to the MAR) GIAA Plan 2023/24 HMICFRS 2023/24 Preliminary External Audit findings from interim work HMIC PEEL inspection results (Phase 3) 	<p>Contract Management risk was de-escalated in September 2022 and a deep dive was no longer necessary.</p> <p>Reference to Functional Standards factored into MAR reporting.</p> <p>HMICFRS 23/24 due at June 2023 meeting</p> <p>HMICFRS PEEL Inspection Results Phase 3 deferred to June 2023 meeting.</p>
Other responsibilities to be programmed or for the future	<ul style="list-style-type: none"> Risk documents review – appetite and universe – May 2022 – full Authority 	<p>Revised Strategic Risk Register was approved, on ARACs recommendation, by Full Authority in December 2022.</p> <p>A Member risk workshop has been scheduled for July 2023.</p>