

Audit, Risk Assurance and Remuneration Committee: Minutes

B 01.3 Mar 19 BM

Date: 15 January 2019
 Location: Meeting room 2, Fleetbank House, London, EC4Y 8JX
 Time: 1330 – 1600

Attended

| | | |
|---------------------|------|---------------------------------|
| Isabel Liu | IL | Chair |
| Arthur Leathley | AL | Board member |
| Anthony Smith | AS | Chief Executive |
| Jon Carter | JC | Head of board and governance |
| Shelly Van der Nest | SVDN | CEO Team Coordinator |
| Nigel Holden | NH | Corporate Services Director |
| Louise Coward | LC | Acting Head of Insight |
| Andrew Paterson | AP | Head of Internal Auditor (GIAA) |
| Aaron Condron | AC | Senior Internal Auditor (GIAA) |
| Stephanie Krogmann | SK | Engagement Manager (NAO) |
| Apologies | | |
| Kate Denham | KD | Board member |
| Richard Wood | RW | Engagement Director (NAO) |

| Item | Subject | Action reference (if any) |
|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| A | Standing items | |
| 1 | <p>Chair's opening remarks:</p> <ul style="list-style-type: none"> The chair welcomed everyone to the meeting. <p>Declaration of interests and apologies:</p> <ul style="list-style-type: none"> Apologies received from Kate Denham and Richard Wood; no declarations of interest. | |
| 2 | <p>Minutes from previous meeting: 16 October 2018</p> <ul style="list-style-type: none"> The minutes for the previous meeting was confirmed and the Chair was authorised to sign them. | |
| 3 | <p>Action matrix</p> <ul style="list-style-type: none"> Discussed and updated accordingly. 1819-252: (BIT one-year review) Ongoing (Note IL attending the BIT in March 2019) 1819-257: (streamlining annual report and accounts)Ongoing – NH confirmed there is limited scope, but they are working with Hannah to try and streamline the report. The first draft of the streamlined governance statement is available. 1819-267: (work planning / 1000ft) Ongoing – this will be discussed at the strategic planning workshop at the end of January. 1819-274: (GDPR DPO) Ongoing – we are considering outsourcing the role | |

- **1819-275:** (going paperless) Ongoing – a proposal is currently in draft form and will be presented to the board after the paperless trial in February
- **1819-280:** (minutes format) Complete. Delete.
- **1819-281:** (FBH Lifts) Ongoing – AS / IL to discuss

B Finance and statutory reporting

1 Year-to-date finance report (NH)

- The Committee **noted** the finance report
- The report highlighted that some unallocated money is to be spent before the 31st March 2019, which MT is working on.
- **Noted** (again) there is £135k outstanding from Network Rail for route supervisory boards. Guy Dangerfield is proactively liaising to try and get the matter sorted out.

2 Governance statement V1: (NH)

- The first draft of the statement was **noted**. The second draft will be considered at the April meeting before the finalisation of our annual accounts at the end of May.
- There is limited scope to reduce the scale of the statement, so this draft is based on previous years.
- The NAO is broadly content with the report, having checked against MPM

3 NAO audit planning report 2018/19 (SK)

The proposed scope of work for the upcoming end year audit was **noted**. Key issues included:

- the actions for the audit committee (those charged with governance) were discussed and **noted**
- Audit risks were discussed and agreed; significant risks comprised management override of controls, fraud in revenue recognition, and IFRS 15 implementation.
- It was noted that if Transport Focus Wales Limited began to trade, further work would be required and 'group accounts' prepared.
- Overall account materiality had been set at 2% (£160,000) and the error reporting threshold at £3,000
- The Committee **agreed** the scope of work and the fee of £26,000.
- NAO asked to be informed of any further potential risk of fraud.

C Business performance management and internal audit

1 Project management report (NH)

The Committee discussed the project management report, **noting** in particular:

- the red status for project 05R (rail priorities and trust)
 - there have been serious delays to publication but this is now expected in February 2019.
- the amber status on certain projects reflecting their high profile and various problems with progress
- the number of projects currently at end-project review point; a further 'push' was needed to bring this down. The new graph showing such projects by project manager would be helpful in this respect
- the new chart plotting anticipated 'final report' and 'publication' dates, which the Committee **welcomed** in particular

2 Business plan: progress and indicative budget (AS)

- The Committee **noted** that a draft workplan, budget and business development plan will be discussed with the board at the next members event in February
- DfT, RDG, HE and CPT will subsequently be consulted
- The identification of additional funding streams is ongoing

3 Internal audit progress report (AP)

The Committee **noted** that the plan for this year was four audits:

- RPOS was complete. The GDPR audit fieldwork is complete and the draft report is imminent. The core controls audit fieldwork is underway. The final audit (cyber security) is scheduled for late March with the help of the DDAT (digital data assurance team)

4 Internal audit reports (JC)

- There was nothing to discuss under this item.
- JC will circulate the GDPR report to the committee when available

5 Rolling Internal Audit action log (JC)

- **Noted** good progress but a number of items needing completion remain; these will be kept on the register until fully completed.
- JC noted that in future we need to be more realistic when agreeing deadlines, and see these in the context of other workstreams. The Committee **agreed**.

AC 1819-283
JC / Jan 19

Audit, Risk Assurance and Remuneration Committee: Minutes

6 Draft Internal Audit plan 2019-20 (AP)

The Committee **agreed** to the plan with four audits as follows:

- Resourcing
- Risk management
- Core controls (subject to be confirmed)
- Transport Focus Wales
- The Committee **noted** that the tailored review is about to report, which will include recommendations for action
- The Committee **noted** that GIAA fees will increased from £21k to £23k. It was explained that the 'subsidy' from HMT has been withdrawn.

7 Annual DfT Management Assurance return Q1-3 (JC)

- The Committee **noted** that DfT had decided to base the MA on the first 9 months of the year only.
- The return will be circulated to the committee when available and a meeting set up to discuss before submission

AC 1819-284
JC / Mar 19

8 ICT hosting & helpdesk project: cost update (NH)

The Board had asked ARARC to look further into cost overruns within this project. The Committee **noted**:

- the set-up costs for Cloud migration were higher than anticipated. This was largely because we underestimated the support hours required, and greater out-of-hours use was needed from our retained external consultant. The additional links to 'triangulate' between offices were also slightly more expensive than planned.
- the actual running costs for the cloud based system will be less than we anticipated. Overall, we will save money on the lifetime costs..
- on-site servers have been upgraded (providing additional capacity and resilience)
- the migration of the complaints to the new CRM system has gone smoothly with very little disruption to the business.
- once we go live on the Resolver platform cases currently held on CRM will be closed

The Committee **noted** the detailed project cost report and that lessons would be learned from the experience of what was an immensely complex project.

D Risk

1 Strategic risks (AS)

- The Committee **noted** the updated strategic risks and opportunities register.

2 Q3 Information risk report (JC)

- The Committee **noted** the report based on the Q3 meeting of the Information Strategy Group
- Freedom of information Act and Subject Access Requests this quarter were **noted**. JC advised that individual rights had been broadened under GDPR and future reports would take this into account.
- GDPR workshops are scheduled to take place in February.
- The information risk handbook has been updated; JC thanked IL for her commentary. It will be published again once the remaining sections are complete

3 Team risks: Insight (LC)

The Committee welcomed Louise Coward and **noted** Insight team risks as follows:

- resourcing - Insight is a very busy team with a full workload. It could not function effectively without access to freelancers
- sound controls were in place to ensure the independence and credibility of our research
- keeping our research looking fresh and up to date is very important; apart from keeping what we currently do under review, it is necessary to be innovative in other areas. The on-line panel is a good example; it is relatively low cost and comprises approximately 11,000 people. It is now multi-modal.

4 Annual fraud & bribery risk assessment (JC)

- The Committee **noted** the annual risk assessment on which the management team had been consulted.

5 Annual review: fraud policy (NH)

- The Committee **noted** the fraud policy which had been updated 15 months ago.

E Governance and scrutiny

1 Annual review: agenda cycle (JC)

- The annual business cycle was reviewed and **agreed**, noting:

Audit, Risk Assurance and Remuneration Committee: Minutes

- Fraud and expenses policy reviews will revert to October.
- A full GDPR compliance review will take place each April
- Exceptionally, the annual management assurance return this year is likely to be discussed in March.

2 Annual review: conduct (JC)

- The Committee **noted** the 2018 version of the Membership Code, which was the basis upon which three new board members was recruited. No changes were required.

3 Annual review: expenses policy (NH)

- The Committee **noted** the current version of the expenses policy. A (relatively) recent audit had been undertaken and the policy was HMRC compliant; no changes were required.
- It was however noted that the upper limit on the rate for London hotels sometimes proved problematic.

F Staffing and remuneration

1 Staff forum update (NH)

- NH reported on the most recent meeting of the staff forum. Issues discussed included:
 - Rail Ombudsman
 - Staff attitude survey
 - Wellbeing
 - FBH housekeeping
 - Communal toilets;
 - Quiet spaces for people to work.
 - The moving of the London office, in particular the move to hub working (possibly out of London) and greater flexible working.

2 Absence and diversity report (NH)

- The Committee **noted** the report which had been updated to the end of December 2018.
- Long term sickness has improved with returns to work, with one further case being managed
- Diversity is still an issue and remains on the Management team's agenda

3 Staff development update (LM)

The Committee welcomed Linda McCord who provided an update on staff development. Highlights **noted** included:

- An analysis of the learning and development issues from the staff attitude survey, and training and development time and cost recorded by team
- The 'lunch and learn' programme, which was being very well received
- The work shadowing and mentoring programme – this has limited take-up but where used appears to be effective. Caution was required in establishing the ground rules for coaching / mentoring – sessions should *flow from* 1-2-1 discussions with line managers and must not replace the type of discussion that should take place in that respect.
- The staff development newsletter has also been very received

4/5 **PRP scheme approval / pay remit update**

- NH reported that in the absence of any guidance on overall pay remit from HMT for the coming year, Transport Focus is nevertheless required to run a compliant scheme for performance related pay.
- The scheme for 2019-20 is to all intents and purposes the same as for the current year, with a total bonus 'pot' of 0.7% of payroll or £20,000. A similar governance regime would operate.
- The Committee **approved** the performance related pay scheme for 2019-20
- The Committee would be advised when further details of the 2019-20 pay remit were available

5 **Any other business**

- The Committee expressed its thanks to Andrew Paterson, outgoing Head of Internal Audit, for his support to both Transport Focus and the Committee over the years, and wished him good luck with his new appointment in the Orkney's.
- The Committee also welcomed Aaron Condron as his successor.

6 **Staffing 2019-20 (private session)**

The Committee received and discussed details of the change programme to start shortly. This was based on the following challenges:

- reduced funding from the Department for Transport following the Spending Review 2015 and increasing pressure on departmental budgets as a result of lower rail passenger revenues limiting our options to secure additional funding from the Department

Audit, Risk Assurance and Remuneration Committee: Minutes

- changes in the nature and volume of our work following the launch of the Rail Passenger Ombudsman.

In order to deliver the above, management had proposed the following changes:

- Review the support activities needed in the London office with a view to reducing the number of support posts in London from two to one
- Redefine the posts dealing with rail passenger issues, including reviewing the number of posts needed, which will affect colleagues in the Passenger contact team. This will mean removing the three Senior passenger advisor and one Contact team co-ordinator posts and creating two new and different roles to respond to issues raised by passengers and help the Transport user teams with complaint handling insight and analysis, projects and events.

The Committee was **satisfied** with the business case underpinning the need for change, **noted** the potential consequential impacts, and **endorsed** the proposal accordingly.

The meeting concluded at 1600 hrs.

Signed as an accurate record of the meeting

Isabel Liu
Chair

Date

Next scheduled meeting: Tuesday 16 April 2019