

# Minutes

## Audit Committee meeting

**Date:** Tuesday 26<sup>th</sup> January 2010

**Location:** Ground floor conference room  
 Whittles House  
 London

**Time:** 1430-1600 hrs

### Present

#### Committee Members

Dr Derek Langslow CBE	DL	Chairman
David Burton	DB	
Bill Samuel	BS	
Barbara Saunders OBE	BSa	

#### Executive In Attendance

Anthony Smith	AS	Chief Executive and Accounting Officer
Jon Carter	JCa	Head of Corporate Services
Nigel Holden	NH	Director of Resources
Joel Braniff	JB	Corporate Services Officer

#### Other

Amy Manning	AM	Audit Manager National Audit Office
Darren Hall	DH	Internal Audit Manager DfT Audit and Risk Assurance

#### Apologies

Ashwin Kumar	AK	Rail Passenger Director
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## 1. Welcome and Apologies

The Chairman opened the meeting and **noted** apologies from Ashwin Kumar.

## 2. Minutes of the meeting held on 18 October 2009

The committee **approved** the minutes of the previous meeting and **authorised** the Chairman to sign them.

## 3. Action Matrix

The Committee **noted** the Action Matrix and discussed the following items:

No.	Meeting	Issue	Action	Responsibility	Due Date	Status
AC 055	22/04/08	IIP	Implementation plan required	AS	Q4 09-10	<b>On going. Preparatory work undertaken, see note below.</b>
AC 073	22/01/09	Business Continuity Plan	Next version to be circulated during March 2010	SH	Feb 10	<b>Work progressing, revised to April 2010, see note below.</b>
AC 075	21/04/09	Information Risk	Report to AC required on completion of data handling audit findings (in addition to standing information risk updates)	JCa	April 10	<b>JCa reported that a further information risk update audit would be undertaken in Q4. This would deal with the outstanding action.</b>

**AC 055** – JCa reported to the committee that preparatory work for the IIP has been undertaken. The Staff Opinion survey will be undertaken in February following initial focus groups held on 21<sup>st</sup> January. The committee was concerned that this action kept being deferred, and stressed the need for action to be taken soon. AS restated his commitment to the project.

**AC 073** - JCa confirmed that a Business Continuity rehearsal session held on 26<sup>th</sup> January 2010 involving MT and other business critical posts had been a success and that a further update on the plan will be provided in due course.

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## 4. Q3 Finance Report

NH reported that spending on rail should be within budget at the end of the year. There is currently a bigger variance on bus spending as recruitment has been affected by delays to legislation. NH anticipated that bus expenditure may be slightly under by the end of the year. AS suggested that some funds could be spent on the official launch of our bus work if legislation to confirm our new remit is passed earlier than anticipated.

BSa noted that in paragraph 2 of the Finance Report (agenda item 3), bus passenger 'representation' must be regarded as preparatory work, as we are still yet to have been formally granted the role to represent bus passengers in England. The committee **agreed** to this, and urged everyone to ensure we avoid using 'representation' ahead of time. The question of transferring surplus money from the bus budget to the rail budget was raised tentatively, but the committee agreed that this would be very unwise.

DL commended on the improved management of the rail budget as expenditure had been distributed more evenly throughout the year. AS commented that the research budget, in particular, was fully committed. He also advised that the budget allocation for bus work was ring-fenced and this would remain the case for the foreseeable future.

It was also confirmed that all budget holder declarations had been received. The committee **agreed** that the financial report for quarter 3 was satisfactory and any potential budget surplus at year-end could generally be attributed to circumstances outside Passenger Focus's control.

## 5. 2010-11 Budget preview

NH presented a preview of the 2010-11 budget to the committee. He noted that some work is still to be completed, notably the allocation of project budgets to specific business plan activities. Costs are generally anticipated to remain in line with this financial year, apart from those involving outside contractors which may vary. The Committee noted that an anticipated cost of living provision of 2.5% was likely to be optimistic, and that possibly up to half of this provision may be released to other business activities. BSa also noted that a watching brief should be kept on inflationary pressures.

AS reported that there is currently no indication of any savings targets that will have to be met and that we will still be allocating one third of our expenditure on research. DB raised a concern regarding the recruitment of seven additional staff, yet reducing expenditure on research by £100,000. He was also interested in what would happen to project / change staff once restructuring had been completed. NH noted that additional recruitment will be covered by the bus budget and there will also be higher expenditure on rent once the London office relocates. AS accepted however that we would have to be careful in how this is presented.

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## Action

AC 076	Headcount	Table required showing current, changed and new headcount once restructuring complete	AS	April 2010
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## 6. NAO Audit Strategy

The Draft Audit Strategy from the NAO was presented to the committee by AM. The scope of the audit and responsibilities for the preparation of accounts remains the same. A risk based approach is used and several key audit risks for Passenger Focus have been highlighted; the segregation of duties, the expansion of Passenger Focus's remit, transition to International Financial Reporting Standards for the public sector and errors relating to accruals/prepayments. BSa also noted the risk concerning the budgets and expenses of Passenger Link Managers and enquired as to how well this is managed. NH confirmed that the necessary controls are in place as all expenses and expenditure are signed off by the Rail and Bus Passenger Directors, as well as being reviewed by the resources team. The committee agreed however that increasing numbers of remote workers presents an increased risk to Passenger Focus and the controls in place would therefore need to be reviewed.

## Action

AC 077	Enterprise risk	A review of the enterprise provisions of the corporate risk register should be conducted before the next review by the audit committee	AS / JCa	April 2010
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In respect of fraud, the committee agreed that the risk was low and that the control processes (fraud policy and response plan) have not been shown to be ineffective. JCa confirmed that these would be reviewed as part of a more detailed evaluation of underlying commitments given in the annual Statement on Internal Control (SIC).

The interim audit work was complete, and no major issues had been identified. The remaining work had now been scheduled and was likely to be completed in time for the C&AG to deliver his verdict well in advance of the summer recess, with a National Audit final Management Letter to be issued by the end of July 2010.

The Committee wished AM well for her forthcoming maternity leave, and noted that Janet Angus would shortly be advising on a replacement audit manager having reviewed client portfolios among her team.

The Committee **endorsed** the audit strategy and the fee of £23,000.

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## 7. Information Risk Report

JCa presented his information risk report. He noted that Passenger Focus had received four Freedom of Information Act requests during Quarter 3. In general, information risk is low for Passenger Focus (given the absence of any datasets of personal-protect information in the projects it runs) but JCa reassured the committee that the information risk strategy is managed through quarterly meetings of the Information Strategy Group, information risk assessments and privacy impact assessments.

JCa also presented a report regarding a review of our handling of a passenger complaint from Mr. Joe Gilbert, and the subsequent handling of his Freedom of Information Act 2000 request. An internal review of the case was demanded by Mr. Gilbert under section 45 of the Act. JCa noted that several issues were identified through the review and asked the Audit Committee to endorse the recommendations for action. It was agreed that we must aim to deliver a high standard of customer service to guard against risk to our reputation. BSa confirmed that the Passenger Advice Task Force would be reviewing our complaints procedures again when it meets in June/July 2010. DL recommended that a process is implemented to alert people of priority issues in order to avoid important matters being overlooked. DB noted that Mr. Gilbert had received a good initial reply from ScotRail in response to his complaint and recommended that we decide how to bring an end to the case to avoid further correspondence.

The Committee **noted** the internal review, **endorsed** the recommendations, and **commended** JCa for the thoroughness of his approach.

## 8. London Accommodation Update

AS confirmed that after a lengthy search, it has been decided that the property at One Drummond Gate, SW1V, is the preferred option for our London Office relocation. This property was deemed most suitable having taken into account rent, location, condition of the property and disabled access. There is also enough space to allow for a possible expansion if we were to undertake air passenger representation. The Department for Transport have indicated their agreement in principal to this location but we still require permission from the Office of Government Commerce before we can proceed. The committee **noted** the progress and **endorsed** the case made for One Drummond Gate.

## 9. Restructuring – post consultation report

AS presented the committee with a report regarding the planned restructuring to allow the organisation to take forward bus passenger representation. He confirmed that no material changes for staff terms and conditions would arise from the restructuring and was confident that the new structure would be welcomed by the board. Consultations between the Passenger Directors and Passenger Link Managers are due to be completed by the end of January to determine the distribution of the link team between bus and rail. Recruitment will then take place so we can be as fully staffed as possible in time for the launch of our bus remit.

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The committee noted the risks concerning potential post-election budget cuts. BS also noted that the work on efficiency savings was not yet complete. AS commented that savings in the region of 5% could be accommodated without too much difficulty, but budget cuts of 20-25% would undoubtedly mean a review of headcount; no such measures were however on the horizon, and we would deal with such issues as they arose. The Committee advised that Passenger Focus should be cautious with any forward commitments it makes, and **noted** the report.

## 10. Adoption of International Financial Reporting Standard Trigger point 4

The committee **noted** the restatement of P&L values reported by the National Audit Office, and the opinion provided by the Office. Any necessary restatement of values for the current year would be incorporated in year-end accounts.

## 11. Internal Audit Rolling Action Plan

**IA 046** - JCa reported that progress had been made on the actions arising from the effectiveness of research audit. It was **agreed** however that both audit findings would remain on the log as the current head of research has only been in post for a few months and would need more time to fully deliver the agreed actions.

**IA 055** – NH confirmed that a checklist for pension’s procedures is being used and its effectiveness would be reviewed in April 2010.

**IA 058-59** – In response to the audit findings regarding Customer Complaint procedures and Internal Assurance Quality Monitoring, BSa reported that the work of the Passenger Advice Task Force during 2009 had been completed satisfactorily. An update is required from the Rail Passenger Director to confirm the current status of the actions.

### Action

AC 078	Outstanding issues from audit of customer complaint procedures	Written statement by Rail Passenger Director required to discharge this action point	AK	February 2010
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## 12. Internal Audit Plan 2009-10 update

DH provided an update regarding the Internal Audit Plan for 2009-10:

- The audit of the National Passenger Survey as an Official Statistic is complete and the final report had been published this week.

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- The effectiveness of research audit has been adjusted to focus on the implementation of actions as a result of the new framework agreement
- The audit of information risk is due to be completed in February
- Discussions have been held with NAO to ensure there is no duplication of audit activity

## 13. Draft Internal Audit Plan 2010-11

DH outlined the draft internal audit plan for 2010-11. He stated that the change management represented the most significant risk to the organisation during this period. A review of the transition would be carried out towards the end of quarter 2 once the new structure had been embedded. DB questioned whether 15 days would be too long to spend on the audit. AS felt it was important to monitor the continuation of rail passenger representation as well as the implementation of bus work during the change period. The committee also discussed whether Q2 would be too early to carry out the audit. DH noted however that it shouldn't be a fully retrospective audit and would therefore be important not to leave it unduly late. There are also audits planned for external communications, research activities and financial systems. The committee questioned whether a full 52 days would be required to deliver the plan and suggested that this could be reduced to around 45 days. DH will provide an updated plan at the next Audit Committee Meeting in April.

### Action

AC 079	Internal Audit programme 2010-11	Review draft plan to reduce number of audit days to around 45	DH	April 2010
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## 14. Any Other Business

The Chief Executive made a request for the Committee to go into private session. The Committee **agreed**. A discussion took place. No papers were available or distributed.

**The meeting ended at 16.07 hrs.**

Signed as a true and accurate record of the meeting:

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Dr Derek Langslow CBE  
Chairman, Audit Committee

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Date