

# Minutes

Feb 15 BM D 3.1

## Audit & Risk Assurance Committee

**Date:** Thursday 15 January 2015

**Location:** Fleetbank House, London

**Start time:** 11.00 hrs

### Present

#### Committee Members

Marian Lauder MBE  
Isabel Liu  
Paul Rowen

ML Chairman  
IL  
PR

#### Executive in attendance

Anthony Smith  
Nigel Holden  
Jon Carter  
Martin Clarke  
Vivienne Carter  
Ian Wright  
Sara Nelson  
Michelle Calvert

AS Chief Executive & Accounting Officer  
NH Resources Director  
JC Head of Business Services  
MC Business Services Executive  
VC Change Manager  
IW Head of Research  
SN Head of Communications  
MCa Business Services Officer

#### Guests

Dhruve Shah  
Andrew Paterson

DSh Audit Principal  
National Audit Office  
AP Head of Internal Audit, DfT (GIAA)

### Part A

#### 1 Chairmans opening remarks

The Chairman welcomed everyone to the meeting. Apologies for absence had been received from SM and DS.

## 2 Minutes

The minutes of the meeting of the committee held on 16 October 2014 were **approved**. ML noted on page 5, item 15 – Self Assessment part 2 – time might be found after the Members Event that day to discuss this.

## 3 Action matrix

The committee **noted** the updated action matrix. In particular:

AC139 (IT firewall) – this is now to be deferred until later in the year

AC148 (equalities training) - currently delayed but should be started soon

AC153 (ORR data) – this is still delayed pending agreement with ORR

AC163 (information risk training) – staff have been notified and we are now over 50% complete, but we have learnt that without the CSL feedback forms filled in the training is not classed as ‘complete’.

AC165 (staff turnover) – this is to be ‘complete, delete’

AC164 (whistleblowing policy) – new due date of April 15

## Part B

### 1 Q3 Finance report to end December 2014

NH talked through the report, and concluded that the budget is generally on track, although there is a slight risk of underspend on the roads budget, as the demands on it are less clear. The associated recruitment plans and costs need realigning to the original planning assumptions. With reference to the franchising budget – questions were raised whether all the costs were allocated – NH noted that the ‘main account’ had absorbed a large part of the costs of this this year due to the integration of the project with other workstreams. AS noted that rail and bus budgets now have no contingency; all are fully committed and so it is time to press on and deliver - we have an impressive list of products in the production line.

### 2 Governance Statement V1

ML noted that this document follows a similar format to previous years, a tried and tested model. JC mentioned the document has generally been looked at in January and helps to ensure the annual report and accounts won’t make any claim we cannot adequately prove. ML noted the number of Board Members in the document needs editing.

<b>AC166</b>	15/01/15	Governance statement	Update board members details	<b>SM</b>
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## 3 NAO audit planning report

DSh talked the committee through the report, which was similar to previous years but with an adjusted timetable, NAO now being able to start the audit in April instead of June. DSh also noted that only four audit days and not five were anticipated and that he would investigate what scope there was to reduce the fee. Although no statement of risks was provided within the report, the spending associated with the new roads remit was noted by NH as novel but hardly risky. The committee noted that contrary to the planning assumption in respect of internal audit, the core controls audit would be ready in time for NAO to take account of it.

AC167	15/01/15	NAO fee	Determine scope to reduce fee	DSh
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## Part C

### 1 Project Management report

MC introduced his report, noting that as ever it was still work in progress, and the issue of trying to identify accurate project end dates was still ongoing. The production of the document had not been helped by staff absences and work load increasing – e.g. Smart Ticketing is currently highly under pressure. ML recognised the pressure and though the issues may not specifically lie with the report, it is clearly an important control which must be kept up to date. AS commented that most items are complete apart from some technicalities. ML agreed that a full update was impossible in December 2014 due to not having a full Management Team meeting. However the committee agreed that the document is showing its worth both in terms of the volume of work and also the financial flow. Though time was in short supply, ML restated the committee's concern that project reviews were completed on time.

### 2 Business planning report: progress and indicative budget

This matter would be discussed in detail at the Members Event later that day and will also be discussed at the Management Team Away Day. AS commented that the workplan is currently a draft behind where it should be due to the pressures over the Christmas period. JC spoke of how the management team look to the board for input especially when considering strategy and priorities. The committee **agreed** the board should be encouraged to be active in contributing to the final draft of document.

### 3 14/01 Resourcing and succession planning audit

AP commented on the new format of the report, which was in new GIAA style. This audit had been given a moderate rating (second from the top), given that there were several issues for management to deal with.

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In respect of the Chair, the committee **agreed** with the importance of having a contingency plan for when the chair may be absent for a prolonged period or, as in recent months, in circumstances of transition. ML wondered how having a standing Deputy Chair could help to ease the situation going forward, although this was something that Jeff Halliwell would need to consider in due course. JC noted that, whilst the DfT should be consulted, the solution was one which Passenger Focus should itself propose. The recruitment of the new Chairman seemed to have had little energy behind the process and latterly was a very difficult time for the Passenger Focus team.. PR noted that the target date for Key Issue 1 may not be realistic and that the end of year would be more appropriate. The committee **agreed**. The committee also **agreed** with the key issue 1 and 2 recommendations.. AS observed how that through the course of the change process we might be able to mitigate risk in team succession planning arrangements.

<b>AC168</b>	15/01/15	Internal audit recommendations	Add to log	<b>JC</b>
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## 3.1 Internal audit progress report

AP confirmed that two audits were now complete; core controls is in draft form and will be ready for the next ARAC meeting. Equality and diversity will be completed this quarter; however, this does leave 4 audit days available to use. ML asked whether another audit could be allocated to these spare days or they could be either be carried forward to next year or surrendered. It was agreed this would be raised at the next MT meeting.

<b>AC169</b>	15/01/15	'spare' internal audit days	Determine scope to use days this year	<b>AS</b>
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## 4 Rolling IA action log

The committee **noted** the largely 'complete, delete' log. Item 13/01-4 (BCP) was also determined 'complete, delete', although a follow-up review is planned.

Evacuation rehearsals were problematic as these are often out of hours, although ML and AS both pointed out that these arrangements have already been tested in real life scenarios and these should be taken into account. ML suggested this evidence was produced for the follow up review.

## 5 Draft IA plan 2015-16

AP observed that this is the same risk-based process as last year; the draft plan is created and shared with MT and ARAC for review. Annex B showed the table of risks and then the IA plan is based on those ratings. JC commented that the new road user remit is the largest risk and challenge, coupled with the change process, however change affects everything and roads is only a part of its scope. The committee agreed a preliminary timetable as follows:

Roads and change – Q4

Core controls – Q3

External comms – Q1

Research – Q2

AP noted that there are no follow-ups this year and so we could see if there is scope to carry the SGG data audit into next year.

## 6 Annual DfT Management Assurance statement

JC noted that no paperwork had been issued so far and that it may be necessary to discuss this outside of a committee meeting when it arrives.

## Part D

### 1 Strategic risks

SRX-001 (continuing to be useful) continues as we look at new research methods. SRX-005 (roads / change) is reliant on the Infrastructure Bill coming about as planned - AS noted that it is because of this that it is difficult to know what should be listed as a mitigating measure and what not. PR added that SRX-002 (stakeholder engagement) will also be affected by the roads remit and change programme. AS agreed that a lot more work is being done which *could* be put into the summary, but a more detailed set of actions was available by team. In conclusion JC stated that the risk profile is always changing and the risk register is constantly being updated. ML noted that it is essential to have evidence that high level risks are being managed.

### 2 Q3 Information Risk Report

JC reported that it had been a busy quarter with several requests. In particular, the Penalty Fares scheme took up much time due to one applicant requiring a Section 45 internal review. The difficulties with CRM should have been resolved in the summer, however we are experiencing contractual issues and discussions are now taking place with a different provider. A degree of concern was **noted** over this issue by the committee. JC will keep the committee updated. ML commended JC on the thoroughness of the report and in particular the internal review.

## 3 Team risks: research team

IW talked the committee through the 3 risks noted:

PRX-RSH 05 – a number of measures have been put in place to ensure transparency and credibility; we also have a strong relationship with the DfT in terms of updating them on what we're doing. This risk was marked down from quarter 2 as experience suggests this is no longer quite the major issue it was.

PRX-RSH 06 – resourcing - this has been around for some time – the research team is not only preparing for the new road user remit but is also managing the retender processes for the NRPS and BPS. These are complicated and will now involve consultation with stakeholders. Workload across the research team has gone up in the past year and therefore the risks have gone up too. Extra resources are in place, though some staff are interim, and there is one long term illness in the team. ML noted that there is no contingency left in the budget to provide additional support.

PRX-RSG 07 – this has also been ongoing for some time and it is clear some of our work needs updating; this work has recently been stepped up and has led to a lot of activity within the team. There is still a lot more to do, especially around NRPS, however what we learn from one survey, we can apply to another. These risks are also being looked at by the SGG. ML was clear that the research remains useful to government and fundamental for the stakeholders.

## 4 Team risks: communications team

SN talked the committee through the risks:

PRX-COM01 – media - this risk has been raised due to the new remit; changing the brand inevitably affects the level of risk.

PRX-COM04 – internal communications - remains low risk. Staff appear content with the channels and content of internal communications which the team works hard to deliver. Change communication is regularly surveyed through the changeometer.

PRX-COM02 - marketing - brand guidelines in place, but the logo is set to change though the same colours are to be kept. The rebrand is likely to cost less than £300.

PRX-COM 03 – public affairs - Hazel has been retained to lead on this until the Autumn and will use her experience and contacts to develop a programme for the short term and the future.

PRX-COM06 –resourcing - there is still more work to be done, as the team continues to improve planning and skills. Spokespeople are also being trained. AS concluded that the interim staff arrangement will be a priority for the change team to resolve.

## 5 Team risks: change team

ML welcomed VC to her first ARAC meeting. The change team risk register is a newly devised but fairly mature document, reviewed regularly each month. ML wondered why residual impact values were not included – it would be useful to see the impact of the mitigating measures. VC agreed that it could be included if the committee felt it would be helpful.

RC6 – disrupting current work and consequent impact on current stakeholders - raised the issue of possibly focusing too much on change – feedback from stakeholders and also the views of staff suggest we should keep this under careful review. VC noted that the October Away day change sessions had raised the worry of the ‘new puppy’ taking over ‘old dog’.

RC9 –the issue of Board Members not being fully engaged with the change process - with this comes the risk that any decisions made could be blocked by the Board at the last minute. It was agreed that a deeper discussion focusing on change for the Board was necessary - AS noted that the February members event would be ideal in terms of timing. ML asked AS to ensure that change was on the agenda for this meeting.

## 6 Review of risk strategy

ML believed this was a useful opportunity to look at the current strategy and see that it continued to be fit for purpose. JC explained that this had not been looked at in detail for a number of years, though it has been updated periodically. IL believed the content appeared generally fine as it has been largely fully implemented. ML added that, besides changing names and titles, the roads remit should not have a serious impact on the strategy. AS believed that the risk strategy should be largely instinctive - it should not drive what we do but rather remind us what we need to check. It should be kept up to date; he would continue to urge all staff to understand how risks can be managed within their teams in respect of delivering work plan commitments.

## Part E

### 1 Annual review: conduct

JC had updated the Membership Codes on the assumption that the infrastructure bill goes through before parliament is dissolved. It was to be agreed with the DfT once the Board had endorsed it. IL mentioned that we must be aware of rebranding issues in the document. The committee had no substantive concerns with the updated versions.

### 2 Annual review: terms of reference

The committee **agreed** that its terms of reference remained essentially fit for purpose. Section 3.1 (suggesting a three year internal audit plan) would be removed.

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## 3 Annual review: agenda cycle

ML noted that the assurance framework appears adequate for the size and scope of the organisation, and the ARAC annual cycle shows most issues are covered. It is important to be clear about what we have done and when we need to look at things again. The committee **agreed** to plan for the year ahead based on the annual cycle.

## Any other business

The committee went into private session for approximately ten minutes..

There being no other business the meeting closed at 13.10 hrs.

Signed as an accurate record of the meeting

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Marian Lauder MBE FCMI, Chairman

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Date