

Minutes

Feb 13 BM 8.0

Audit Committee

Date: Wednesday 16 January 2013

Location: Salisbury Room
St Brides Foundation
St Brides Passage
Salisbury Court
London EC4

Start time: 14.00 hrs

Present

Committee Members

Bill Samuel	BS	Chairman
Barbara Saunders OBE	BSa	
Deryk Mead CBE	DM	

Executive in attendance

Anthony Smith	AS	Chief Executive & Accounting Officer
Nigel Holden	NH	Resources Director
David Sidebottom	DS	Passenger Team Director
Jon Carter	JC	Head of Business Services
Ian Wright	IW	Head of Research
Mike Hewitson	MH	Head of Passenger Issues

Guests

Nick Bateson	NB	Director, Transport National Audit Office
Helen Jackson	HJ	Audit Assignment Lead National Audit Office
Darren Hall	DH	Internal Audit Manager DfT Audit and Risk Assurance Head of Internal Audit, Passenger Focus
Belayet Hussein	BH	Internal Audit Manager DfT Audit and Risk Assurance Head of Internal Audit designate, Passenger Focus

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1 Chairmans opening remarks

The Chairman welcomed everyone to the meeting. There were no apologies for absence.

2 Minutes of previous meetings

Subject to clarifying the ongoing membership of the Committee until such time as new members were appointed and their allocation to subsidiary bodies determined, the committee **approved** the minutes of the meeting held on 10 October 2012 and **authorised** the Chairman to sign them.

There were no matters arising from the minutes.

3 Action Matrix

All actions were **noted** as 'complete, delete' or otherwise covered on the agenda.

4 Q3 finance report

NH presented the finance report for Q3 2012-13. It showed expenditure on target against budget having agreed with DfT to return £35K running costs and £180K transition costs being the in-year anticipated underspend. The careful management of the discretionary project budget was noted, with no important research project lacking funding. The committee observed however that the importance of research notwithstanding, other pressures existed within Passenger Focus, not least where we have statutory responsibilities, and resources should be seen to be distributed fairly. The smart ticketing expenditure to date of £56K was discussed with a request that expenditure on this programme be demonstrated by a separate line on the finance report each quarter. The Q3 finance report was **noted**.

AC 123	16/01/13	Smart ticketing programme	YTD expenditure to have separate line on finance report	April 2013	NH	
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5 Transition costs (restricted paper)

NH presented the transition costs report the committee had previously sought. He had provided data going back to 2010-11 as this year also included the Manchester office move which materially impacted on the transition funds available. Redundancy provision was largely contained within 2011-12 and was funded wholly from within the transition budget. NH agreed to revise certain formulas within the spreadsheet annex.

The committee determined that this report represented considerable success in terms of the stewardship of public funds and should be seen by the board at the end of the financial year. NH and JC agreed to work towards a version of the report that could be placed in the public domain.

AC 124	16/01/13	Transition costs annex	Update formulas	May 13	NH	
AC 125	16/01/13	Transition costs report	Revise for board meeting	May 13	NH	

6 Audit planning

NB set out the proposed approach to the annual statutory audit, introducing Helen Jackson who would lead this year's assignment. Other than satisfying itself on revenues and draw down of grant in aid, NAO would tackle what it saw as the risks for the audit as set out on page eight; these included end of year accruals and the leasehold provisions of the fixed assets register. The DfT consolidation (line of sight) process deadline was tight but was achievable.

AS felt that the ordering of the risks was unfortunate in that the London Travel Watch issue was top of the list when in fact it was merely a concept in progress and was not something that was currently being actively pursued. He also felt that the last risk which referred to 'the accuracy of Passenger Focus's estimation technique's was worded in such a way as to almost presume there was a problem with them. NB agreed to revise this section and reissue the report. Subject to these changes the committee expressed itself **satisfied** with the arrangements for and the cost of the forthcoming audit.

AC 126	16/01/13	Audit planning report	Make agreed amends to section 8 and reissue	Feb 13	NB	
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7 Internal Audit report: data sharing with third parties

DH reminded the committee that the scope of the audit had been broadened in light of the franchising process review to include data provided by Passenger Focus to third parties during a franchise competition. Of the medium level findings carried forward to the rolling log, the most important was a quality control process that would be implemented by the Passenger Team. The committee **noted** the report and the useful outcomes.

8 Internal Audit report: passenger contact team

BSa was concerned that notwithstanding the headline reassurance provided by the report, the scope of the audit was limited and could not of itself provide confidence that underlying business processes were sound and delivering as expected. The review of the key performance indicators was already on the horizon; the terms of reference may have been too limited.

AS agreed that KPI's should be reviewed without delay, but any review should not assume any further resources were to be made available.

The committee considered how terms of reference were developed for internal audit assignments, and whether more time spent on getting these right would produce more insightful reports. AS felt that the terms of reference needed to find a balance between the breadth and depth of the business area under review and that they would benefit from a short conference call with the various parties before he signed them off. [AS subsequently asked JC to ensure this happened for future internal audit assignments.] The committee **noted** the report.

AC 127	16/01/13	Internal audit ToR approval	Amend approvals process	Feb 12	JC	
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9 Internal Audit progress report

DH briefed the committee on year to date progress and the planning that had taken place to date for 2013-14. The final plan for next year would take account of the proposed workplan which was under active development and would go the board on 13 February. BS would meet JC and BH around this time to ensure workplan risks were fully recognised by the new internal audit plan. He confirmed that once again DfT ARA would liaise with NAO in respect of the audit of core controls to ensure no unnecessary duplication of work.

10 Rolling Internal Audit action log

The committee considered the outstanding action on the rolling log. It noted the very overdue actions in respect of 09/06 Data Handling follow-up review, and 10/03 External Communications, and received assurances from JC and AS respectively that the completion of these actions was imminent. The issues raised in respect of the Research Framework effectiveness audit were dealt with by agenda item 17 and could be considered complete when the Board endorsed the new Preferred Supplier List in February 2013. All other outstanding actions from other previous audits were considered **complete; delete**.

11 Senior Information Risk Owners report for Q3 2012-13

JC presented his information risk report for Q3 which the committee **noted** along with the Q3 information risk assessment conducted by Information Strategy Group on 8 January 2013. He drew the committees attention to the need to carefully review the data protection provisions of the proposed new call centre contract,

12 Corporate risks review

AS updated the committee on the review of corporate / strategic risks he had commissioned in preparation for generating the new year's work plan. He felt that Passenger Focus had struggled with organisation –wide risks over the years and had wanted to use this opportunity to gain some assurance that nothing of importance was being missed. The report was reassuring. Having spoken to a range of people within and without Passenger Focus, Alison White had concluded that the key risk facing the organisation was its continued existence in its current form. He was not sure he fully agreed with this conclusion as the existence of Passenger Focus was a matter for Parliament, although he was clear that its form could evolve over time to best meet the demands placed on it and any changing role. BSa agreed – the key priority was the delivery of the workplan and demonstrating usefulness and value for money. AS also explained that the report had identified certain lower level risks which were already identified in team risk registers but which would be carefully considered by management team, which would formally respond to the report to the committee at its next meeting.

13 Team risk: Passenger Issues Team

The committee **noted** and **agreed** with the current risk statements in the passenger issues team risk register, notwithstanding further arithmetic errors which JC undertook to

correct. The committee noted in particular the recently published Brown review of franchising and the impact this would have on the workload of the team.

14 Team risk: Research Team

The committee **noted** and **agreed** with the current risk statements in the research team risk register, noting in particular the progress made on risk PRX-RSH03 (procurement) and the need to reassess this risk in the light of the new Preferred Supplier List.

15 Team risk: Resources Team

The committee **noted** and **agreed** with the current risk statements in the resources team risk register. Risk PRX-RES04 was perhaps over stated and would be formally reviewed by management team in March 2013. It was noted that whilst some risks appeared to be misaligned with risk appetite for operational risks, the capacity to treat or terminate was often limited and some impact values simply had to be tolerated. It was felt however that the downward impact value trajectory was generally satisfactory.

16 Record of projects 2012-13

The committee **noted** the updated project record showing how project funds had been allocated and projects managed over the course of the year. Certain project reviews were noted as outstanding.

17 Research framework compliance update

The committee **noted** the progress on the new **preferred supplier list** which would go the board for approval in February 2013. IW explained that having made the decision to exclude NPS and BPS from the list – these would be subject to full scale OJEU tendering when the time came – the new arrangement would provide much greater flexibility as well as the opportunity to flex quality criteria from project to project. The response to the ITT had been excellent and he was satisfied the new arrangement would meet the concerns raised with the former framework contract. The committee **agreed**.

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18 Any other business

BS and the committee expressed its thanks and best wishes to Darren Hall who would be shortly relinquishing the role of internal audit manager for Passenger Focus to take up a new role within the DfT Group.

Signed as an accurate record of the meeting

Bill Samuel, Chairman

Date