

Audit & Risk Assurance Committee

Mar 16 BM C 1.1

Date: Wednesday, 13 January 2013

Location: Fleetbank House, London

Start time: 11:00

Present

Committee Members

Marian Lauder MBE
Isabel Liu

ML Chairman
IL Board Member

Executive in attendance

Nigel Holden
David Sidebottom
Jon Carter
Michelle Calvert
Manuela Widmer

NH Resource Director
DS Passenger Director
JC Head of Business Services
MCa Business Services Executive
MW Business Services Officer

Guests

Paula Jones
Tim Davies
Andrew Paterson

PJ Audit Principal, NAO
TD Auditor, NAO
AP Head of Internal Audit, DfT (GIAA)

Apologies

Paul Rowen
Helen Jackson
Anthony Smith

PR Board Member
HJ Engagement Director, NAO
AS Chief Executive & Accounting Officer

Part A: standing items

1 Chair's opening remarks

ML welcomed everyone to the meeting and noted the apologies received. She welcomed Andrew Paterson who phoned in.

2 Minutes

The minutes of the meeting of the committee held on Thursday 15 October 2015 were **agreed** and the committee **authorised** the Chair to sign them

3 **Action matrix**

The action matrix was reviewed and **updated**. See attached. ML reported that she, IL and PR had conferred on the matter of the performance of the committee (AC 1516-181) and were satisfied that it compared favourably with ARACs in other organisations. The review had identified a number of concerns, specifically relating to alternative funding. The committee were pleased to note that the budget situation as it related to the spending review 2015, with particular regard to the impact on local authorities, had been included in the strategic risk register (AC 1516-188).

Part B: finance and statutory reporting

1 **Q3 finance report to end December 2015**

NH talked through the key points of the report. Most budgets were on track. The SE Quadrant emotional tracking project remains problematic, as we remain committed to a certain amount of work, and the DfT is reluctant to provide any more money. There is, however, *probably* enough – by using some £39,000 from the franchising budget, to keep the project going until 31 March. The board would be asked to endorse the finance arrangements at its next meeting.

The roads budget was heading for an underspend of around £170,000. It was suggested that such an underspend attracts a reputational risk; NH was clear that a 12% underspend in a transitional year which included six weeks of purdah was not unreasonable.

IL wondered about the smart ticketing budget, also currently underspent. NH reminded the committee that the money could only be spent by agreement with DfT and whilst it might think it would spend it all, this was quite unlikely. Spending on these kind of projects was in any event always somewhat backloaded towards the end of the year.

It was noted that the lack of depreciation costs had been an oversight.

The finance report was **noted**.

2 **Governance Statement V1**

The governance paper was **noted** as work in progress. NAO had no concerns on its structure or contents. It would be carried forward to the first draft of the annual report and accounts.

3 **NAO Audit planning report**

PJ presented the audit planning report and draft letter of understanding. No substantial changes have been made last year other the change of name from Passenger Focus to Transport Focus.

One change in the letter related to handling data (including personal data) which had been set out in section 6.2 and annex 1.

In the report, the committee **noted** in particular the timetable (page 5) which was considered achievable; the significant financial statement risk of management control override (page 8) and the adoption of FReM 2015-16 / IFRS 13 changes (pages 9/10) which were unlikely to have an impact on Transport Focus.

NH commented that revenues still almost wholly comprised grant-in-aid from the DfT but this was likely to change over the coming years, and we need to keep this under review from an accounting and audit perspective, particularly if a separate trading entity was established in the process.

The committee noted that fees of £21,000 were the same as the previous year. AP confirmed that the core controls audit (for which scoping was almost complete) would this year focus on pensions.

AC192	13/01/16	Letter of Understanding	Final version to be prepared for AS signature	PJ	Feb 16
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Part C: Business performance management and internal audit

1 Project Management report

MCa presented the record of projects as at the end of December 2015. She explained that this shows updates from project managers with whom she would now consult regularly, often monthly.

She further explained the need to extricate ourselves from the googledoc trial which, though it had offered many suggestions for improved workflow, remained unsupported and therefore not a viable option going forward. The question now is what would replace the trial. A small project team had been created to look at options including but not limited to off-the-shelf project management software (bespoke development of the sharepoint system had been previously ruled out on grounds of cost and complexity) although it was likely to conclude that existing IT tools (in particular MS Office and Sharepoint) could be put to better use and deliver a solution for what amounted to a relatively simple solution.

The project report for current projects would be recreated for the next meeting of the committee and a new format report would be developed based on the new framework.

AC193	13/01/16	Project report	Recreate for next meeting	MCa	Mar 16
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2 **Business planning 2016-17: update**

MCa reported that business planning had been delayed due to waiting for the results of the spending review, but a first draft was now on connect and will be discussed at the board meeting tomorrow. It will also form the basis for discussions at the Management Team Away Day. We were still on track for formal board approval in March 2016. The process included consultations with certain key stakeholders.

3 **Internal Audit Progress Report**

AP presented the Internal Audit Progress Report. The terms of reference for the core controls pension audit should be ready within a few days. The committee **noted** the report.

4 **Internal audit reports:**

4.1 **TF1502 External Communications**

The key risk identified is lack of feedback regarding the effectiveness of communication over various channels. [SN joined the meeting later and confirmed that the agreed action had already been implemented. This medium-level action would not therefore be added to the rolling log.] The committee did not disagree with the overall **substantial** assurance rating.

4.2 **TF1501 Research Methods Audit**

The report raised concerns in respect of social media and privacy guidance, procurement and competition, and the publication of data sharing agreements.

The committee were **not convinced** that 'twitter scraping' and other social media research techniques could be a data protection issue and did **not** wholly agree with the overall moderate assurance rating. This medium-level action would however be added to the rolling log.

5 **Rolling IA action log**

The rolling internal audit action log was discussed and **updated**.

6 **IA plan 2016-17: outline planning**

Based on the risk assessments available, AP suggested that both governance of project management and information risk should feature on the internal audit plan for 2016-17. Overall organisational governance had been tested exhaustively recently and could not be regarded as a priority. The data sharing risk with ORR should remain a part of the plan.

AP would draft the plan which is to be circulated for board members to comment on.

7 Annual DfT Management Assurance statement

JC was able to access the database some two weeks ago. It will, as always, take some time and effort to complete and will require the committee to comment before it can be sent to the DfT. There is no first draft yet but it will be circulated out of meeting.

AC194	13/01/16	MA return	Circulate for comment before submission to DfT	JC	Mar 16
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Part D

1 Strategic risks

DS introduced the strategic risk and opportunities register. He made the following observations:

SRX-001 (continuing to be useful) – we continue to reflect on Scotland and Wales and the consumer landscape. Usefulness to industry post Northern/TransPeninne still strong as seen in recent announcements.

SRX-003 (succession planning) - final draft ready but needs a refresh as situation keeps changing, as it will continue to do during the change programme.

SRX-007 (SR2015) - it was agreed the text needed further refinement to include the impact of reduced funding on local authorities. It was further agreed that this risk should be exposed to the board at the March meeting.

2 Q3 Information risk report

JC advised that the wrong inbox issue as previously reported has been resolved, and that the data sharing issue for tracker surveys and user panels had been risk assessed. The committee noted the report.

3 Team risks: Insight Team

IW joined the meeting to deal with the insight team risk register.

PRX-RSH05 (independence and credibility of research): Controls are in place and are ongoing in view of working more with a greater variety of external suppliers. The preferred supplier list is refreshed every three years but reviewed every year.

PRX-RSH06 (resourcing and uncertainty): ongoing risk – many staff on fixed term

contracts - an issue that needs to be addressed after the spending review. A pool of freelancers was being developed for non-core / commercial work.

4 **Team risks: comms team**

SN joined the meeting. The risk register is broadly the same as last time

PRX-COM01 – (media: visibility): initial risk is to change to 16 while the residual risk should be 12

PRX-COM02 – (marketing: brand and writing style): review showed the transition from PF to TF went well; only in minor local publications is PF still used instead of TF.

PRX-COM03 – (public affairs: influencing): role of HP is currently funded but no strategy attached to it. This is a plan for next year.

5 **Team Risks: change team**

VC joined the meeting. The change team risk register is kept up to date and reviewed at each meeting.

PRX-RC08: the TUPE question may still arise but the situation remains unclear. The situation is being closely monitored.

PRX-RC09: board members level of engagement with the change process is essential. All members attending this meeting responded positively, recognising there is a pause in the momentum of change as we await the final outcome of the spending review.

Part E

1 **Annual review: Conduct**

JC presented the updated code of conduct to which IL and Philip Mendelsohn had contributed. Three pages had been replaced by a table which made financial and business interests much easier to understand. The next step is to share the document with DfT and then seek board endorsement.

ML noted that paragraph 5.2 should refer to paragraph 7 and not paragraph 20.

2 **Annual review: terms of reference**

The committee **agreed** the ToR need not be changed.

3 Annual review: agenda cycle

The update to the agenda cycle including a review of road user team risks at the April meeting was **agreed**.

4 Alternative funding: update

JC's paper will be discussed in detail at the afternoon members event

5 Triennial review action matrix

Most actions attributable to Transport Focus were on track.

Any Other Business:

JC advised that a draft SI for the name change from Passengers' Council to Transport Focus is now in front of the joint committee on statutory instruments and will then be debated by both Houses of Parliament. This is expected to happen between now and March.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chair

Date