

# Minutes

May 14 BM 10.1

## Audit and Risk Assurance Committee

**Date:** Thursday 10 April 2014

**Location:** Fleetbank House  
Salisbury Square  
London EC4

**Start time:** 14.00 hrs

### Present

#### Committee Members

Marian Lauder MBE FCMI  
Isabel Liu

ML Chairman  
IL

#### Executive in attendance

David Sidebottom

AS Acting chief executive & Accounting  
Officer

Nigel Holden

NH Resources director

Jon Carter

JC Head of business services

Martin Clarke

MC Business services executive

Mike Hewitson (item 11 only)

IW Head of passenger issues

#### Guests

Andrew Patterson

AP Internal Audit Manager  
DfT Audit and Risk Assurance /  
VOSA

#### Apologies

Paul Rowen

PR

Helen Jackson\*

HJ Assignment Manager, NAO

\* Having tried, unsuccessfully, to join the meeting by conference call, Helen subsequently provided comments on the committee's annual report to the board, which the Chairman had regard to in producing the final draft.

## 1 Chairmans opening remarks

The Chairman welcomed everyone to the meeting. Apologies were received from Paul Rowen.

## 2 Minutes of meeting held on 16 January 2014

The committee **approved** the minutes of the meeting held on 16 January 2014 and **authorised** the Chairman to sign them.

There were no matters arising from the minutes.

## 3 Action Matrix

The committee **noted** the following actions as '*complete delete*':

No	Meeting	Issue
AC 133	17/10/13	Internal audit plan: SGG data validation audit
AC 143	16/01/14	BC strategy
AC 144	16/01/14	Workplan
AC 145	16/01/14	IA plan 2014-15
AC 146	16/01/14	Document classification policy (on agenda)
AC 147	16/01/14	Publication scheme (on agenda)
AC 150	16/01/14	Project review and reporting

The committee **noted** the status of the following actions as *work in progress*

AC 139	17/10/13	IT firewall (consider in ICT retender)
AC 141	16/01/14	Pension interface (progress expected soon)
AC 142	16/01/14	Core controls audit (delayed, work about to start)
AC 148	16/01/14	Equalities training for board
AC 149	16/01/14	Project record
AC 151	16/01/14	Paperless meetings (defer to July 2014)

## Finance and statutory reporting

### 4 Q4 finance report

NH presented the finance report for the period to March 2014 which the committee **noted**. Net operating costs for the period were in line with budget and profile and at year end outturn was on target. There was clear evidence of good budget management by budget holders, both for operating costs and projects. ML commented that this was reassuring and congratulated the management team for their solid financial performance.

### 5 Annual report and accounts

#### 5.1 Format

The committee discussed and agreed the format of the annual report and accounts, noting much of it was in a prescribed template.

Given the delays to the final stage of the audit fieldwork, the committee agreed the following timetable for completion and adoption of the annual report and accounts:

May 2014 – the scheduled ARAC meeting will become an informal one but whatever progress has been made on the report can be reviewed

June 2014 – report in near final form to be discussed at members event

July 2014 – ARAC conference call to formally recommend adoption to board

July 2014 – out of meeting approval by board

September 2014 – formally adopted in public at board meeting

#### 5.2 Governance statement

The committee noted the governance statement as work in progress and would be updated for the May meeting. AP observed that references to GIAS (government internal audit standards) should become *public sector* internal audit standards

AC 152	10/04/14	<b>Governance statement</b>	Update for May meeting in Manchester	Shahid Mohammed	<b>May 2014</b>
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## Internal Audit

### 6 Internal Audit progress report and forward look

AP presented his progress report from which the committee noted that four out of five assignments were complete with just core controls outstanding.

The annual internal audit opinion was in draft form and would be issued as soon as core controls was complete.

## 7.1 Internal audit report 13-03: appeals complaint handling

AP introduced the internal audit report on appeals complaint handling, which had been rated as 'substantial'. There were only two low priority findings. The scoping section of the report needed tidying up. The committee were pleased to **accept** the report and its findings.

## 7.2 Internal audit report 13-04: preferred supplier list

AP introduced the internal audit report on the preferred supplier list, which had been rated as 'reasonable'. There were three medium priority findings which the committee determined should be added to the rolling log, although progress had been made in addressing all three findings. IL queried the possibility and practicality of a secure inbox for research bids, but accepted it would be made to work as well as possible. The committee agreed with JC and NH that the audit process had not been a total success; original conclusions had been drawn which should not have been despite being challenged. The exit interviews had borne little resemblance to the final draft report. The committee **accepted** the final report and its conclusions.

## 8 Proposed internal audit plan 2014-15

AP introduced the proposed plan based on Q4 risk registers. The following timetable was **agreed**:

- 1402 (franchising) Q1
- 1403 (equality and diversity) Q2
- 1401 (succession planning) Q3
- 1405 (data validation) tbc
- 1404 (core controls) Q4

It was further **agreed** that HR risks as set out in PRX-RES05 would be included on the reserve list.

AC 153	10/04/14	<b>Data validation audit</b>	Discuss and agree scope and timings with Jordan Sergeant and Andrew Patterson	Jon Carter	<b>July 2014</b>
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## *Risk, governance and scrutiny*

### **9 Senior Information Risk Owners report for Q4 2013-14**

The committee **noted** the report and that the Q4 information risk assessment by information asset would follow.

The committee **endorsed** the draft annual SIRO to accounting officer letter and the SIRO's annual review of information assets and threats

### **9.1 Freedom of Information Act 2000 – publication scheme**

The committee was pleased to note the substantial review of the publication scheme recently completed by Francis Gahan.

### **10 Updated corporate risk register and risk assessment of in-year objectives**

The register was **noted** by the committee. Risks concerning succession planning (SRX-003) and continuing usefulness (SRX-001) were considered particularly worthy of attention as we moved into the new business year. JC commented that in future the risk assessment of in-year business objectives would form part of the performance report.

### **11 Team risk register: passenger issues team**

The committee **noted** the passenger issues team register. PRX-PIT01 (bus policy and advocacy) was likely to have a limited shelf life as the BPS became more established. PRX-PIT09 (franchising – resources) would remain a high risk so long as DfT failed to fund the work adequately.

### **12 Record of projects 2013-14**

The committee was pleased to note that many previously outstanding project reviews had been completed but was concerned that much of the record was still largely coloured red. MC had provided more narrative, for which the committee was grateful. He also explained the problem of some projects having follow-on actions meaning they could not effectively be evaluated for a considerable period after technical closure. MC agreed to take this issue away and report back.

AC 154	10/04/14	<b>Project record</b>	Update processes for projects with longer term closure	Martin Clarke	<b>July 2014</b>
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## 13 Business and performance planning 2014-15

JC briefed the committee on the current status of performance planning for the new business year. The performance report had been tested once and would be tested again at April MT, after which point the new year's template would be populated. It was yet to be decided in which format the report would ultimately be produced. The committee noted the updated KPI's for the new business year.

### 13.1 Workplan budgets 2014-15

NH explained the work undertaken to reconcile the available budget for 2014-15 with workplan commitments. This had been achieved successfully but it was clear that the budget was now fully committed from the outset meaning that any new work would mean that something else had to go. The budgets also assumed £50,000 in project management fee income and included £20,000 in contingency. £23,000 only remained unallocated based on the Workplan commitments, including £20,000 ring fenced for Chair recruitment although this was unlikely to be sufficient based on current campaign plans from the Department. ML commented that the paper highlighted a number of risks but was the best we could achieve at present.

## 14 Annual documentation review

The committee discussed and **agreed** amendments to the membership codes, and the fraud, whistle blowing and document security policies. These largely consisted of a general tidying-up exercise but provision needed to be made for road user representation. The gifts and hospitality register for 2013-14 was also noted; JC observed that it was only as complete as the declarations it listed, although he had no reason to suspect systemic avoidance of declarations. The register of outside interests was also noted.

AC 155	10/04/14	<b>Fraud and whistle blowing policies</b>	Make final amends, run past Su Makin, and republish	Nigel Holden	<b>July 2014</b>
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## 15 Half yearly risk report to board

The committee was briefed on final amendments to the report which ML had discussed with JC. These included change to the management assurance section, and the reference to the payslips incident which had subsequently been discussed by staff forum. The committee agreed the report on this basis.

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## 16 Annual report to board

The committee discussed and **agreed** its annual report to the board. Final amendments would include references to new business principles, succession planning, alternative delivery mechanisms and board self assessment.

AC 156	10/04/14	<b>Annual report to board</b>	Update as required	Chairman / Jon Carter	<b>May 2014</b>
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## 17 Paperless meetings

Reflecting on its previously raised concerns about the amount of paperwork being generated for ARAC and other meetings, the committee determined to discuss this further at its informal meeting in May. NH agreed to produce an outline of current and potential costs.

AC 157	16/01/14	<b>Paperless meetings</b>	Outline of current and potential costs	Nigel Holden	<b>May 2014</b>
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## 18 Triennial review

The committee noted the recent ministerial statement which provided for a stage 2 only review given the increased role for Passenger Focus in franchising (and, no doubt, a likely increased remit.) The focus would be on corporate governance. No dates had yet been announced.

## 19 Any other business

AP updated the committee on changes to cross-government internal audit services. A new agency of HMT had been created called Internal Audit for Government. John Whitfield and Ian Coates had been appointed Director and Assistant Director respectively. DfT would continue to have its own HIA. NH wondered with whom Passenger Focus would conclude future service level agreements. AP undertook to check.

AC 158	16/01/14	<b>Internal Audit SLA</b>	Check counterparty	Andrew Patterson	<b>July 2014</b>
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There being no other business, ML closed the meeting at 1600 hrs.

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Signed as an accurate record of the meeting

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Marian Lauder MBE FCMI, Chairman

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Date

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