

Audit & Risk Assurance Committee

Date: Thursday 16 October 2014

Location: Fleetbank House, London, Piccadilly Gate, Manchester and by conference call

Start time: 14.00 hrs

Present

Committee Members

Marian Lauder MBE

ML

Chairman

Isabel Liu

IL

Paul Rowen

PR

Executive in attendance

Anthony Smith

AS

Chief Executive & Accounting Officer

Nigel Holden

NH

Resources Director

Jon Carter

JC

Head of Business Services

David Sidebottom

DS

Passenger Director

Mike Hewitson

MH

Head of Passenger Issues

Guests

Dhruve Shah

DSh

Audit Principal
National Audit Office

Tim Le Mare

TM

Group Head of Internal Audit, DfT
(GIAA)

Andrew Paterson

AP

Head of Internal Audit, DfT (GIAA)

1 Chairmans opening remarks

The Chairman welcomed everyone to the meeting. Apologies for absence had been received from MC. TM introduced himself as the new Group Head of Internal Audit; his major task was to oversee his team's transition to the new Government Internal Audit Agency.

2 Minutes

The minutes of the meeting of the committee held on 17 July were **approved**. PR thanked NH for clarifying the issues arising from the previous quarter's finance report.

3 Action matrix

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

AC 139- IT firewall – penetration testing would be addressed via the new ICT contract
AC148 – equalities training via CSL would now take place in November 2014. The planned equalities and diversity audit would therefore be pushed back to Q4

ML raised the issue of the timing of the annual NAO audit. DSh confirmed he had it in mind to ensure the last minute nature of the previous audit was not repeated in the coming year

4 Q2 Finance report

NH introduced the Q2 finance report, and corrected an error on page 4 regarding an outturn sum of £58,200. The revenue streams were becoming increasingly complex and a major task was to ensure that appropriate costs were recorded against them. Core costs were well in line with budget and the recent mid year financial review had concluded that that performance was largely on track against budget and outturn. Roads expenditure was being estimated monthly and claimed from DfT accordingly.

PR wondered about the likely outturn for the smart ticketing project; NH confirmed this was likely to be around £270,000. It was hoped a similar provision would be made in 2015-16.

ML commented on a good financial position at mid-year, but reminded the committee that ongoing cost vigilance remained necessary over what was likely to be an uncertain period.

Internal audit

5.1 14/02 audit of franchising activities

AP introduced the report and confirmed the result as 'substantial'. The objectives of the audit had taken some time to agree, but the result was worth it. Sharon Hedges had been particularly helpful during the fieldwork stage. IL was pleased with the result; she had been involved in some of the work and had noted in particular the very compressed timescales. AS commented this was a very important, and new, activity, for Passenger Focus and it was important to demonstrate that we had taken an approach with a sound audit trail, given the complexity of the relationship between the DfT, bidders and ourselves. ML noted that the first meeting of the Franchising Task Force had just taken place and this was a very good start to its work.

5.2 Internal audit progress report

Other than the franchising audit, AP confirmed that the fieldwork for core controls and succession planning was about to start, He was happy to push back the equalities and diversity fieldwork to Q4. A new format for reporting internal audit work was being developed and this would have a clearer link to workplan objectives. Feedback would be welcome next time.

Risk, governance and scrutiny

6 Q1 Information report

SIRO JC presented his report for Q2. The committee **noted** the Q2 information risk assessment, the appointment of Matthew Andrews as Passenger Team IAO, and **endorsed** the advice provided by the SIRO in respect of data protection issues as they related to the sharing of postcode data with other organisations.

The committee were **concerned** about the lack of progress with information risk training and **urged** AS to make this a priority by the end of the calendar year, in order to prevent any qualification in the SIRO’s annual report. The embargo breach in respect of the last wave of NRPS was **noted** as being properly investigated by the head of research under the auspices of the Statistics Governance Group (SGG).

AC163	16/10/14	Information risk training	Ensure all staff undergo appropriate training	AS	Dec 14	
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7.1 Strategic risk register

The committee **noted** the updated risk register. AS commented it was, as always, work in progress, and the new entry in respect of a new remit under the provisions of the Infrastructure Bill would be kept high-level. A detailed set of change risks would be brought to the committee in January. AS also clarified for TM how data quality was managed under the auspices of the SGG.

7.2 Team risk register: CEO team

JC explained how the delays to the appointment of a new chair had impacted on the team and the organisation but, other than having a draft induction plan in place, there was little that could be done. It was basically a ‘tolerate’ risk. The resourcing risk was now glowing bright red, but some relief was in sight with the imminent recruitment of a business services officer, albeit on (initially, at least) a 12 month fixed term contract.

7.3 Team risk register: Passenger Team

DS described the appeal complaint handling risks and described the situation as being healthy in terms of volume and trends, but the passenger advice team was going through

a period of change and this needed to be kept under review. ML commented on the usefulness of the Passenger Contact Group and how the development of these activities could be reviewed as part of the change programme. DS agreed that some of the work could be considered a little old fashioned and it was important to keep it fresh and up to date. DS agreed to consider the risk imposed on output delivery by the recent level of staff turnover. The committee **noted** the Passenger team risk register.

AC165	16/10/14	Staff turnover risks	Keep under review and report back in January	DS	Jan 15	
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7.4 **Team risk register: Passenger Issues team**

MH introduced the PIT risk register which the committee **noted**. Risks were generally under control. The one big unknown was PIT-01A insofar as it related to bus quality contracts – a NEXUS decision was imminent and either way would have implications for Passenger Focus. In the meantime, the maintaining of a neutral stance was of the first importance.

7.5 **Half yearly risk report to board**

ML undertook to produce a first draft of the report and circulate to members in time to be included on the agenda for the November Board meeting. IL updated the committee on the recent meeting of the Remuneration Committee.

8 **Record of projects**

MC was complimented *in absentia* for the updated project report.

9 **Business planning 2015-16**

The committee **endorsed** the approach to business planning for 2015-16 which would begin at the Autumn staff awayday.

10 **Internal audit**

TM updated the committee on the progress towards the new Government Internal Audit Agency, which would be an arms-length agency of HMT and come into being formally on 1 April 2015. It was designed to be more consistent and resilient than current departmental arrangements. The Agency would have an independent board and chair and would expect to conclude new service level agreements with each client. Fees were to be discussed, but some clarity on this issue was expected by December.

In respect of business continuity arrangements, and in particular the recent audit assignment which had been less than satisfactory from the committee’s point of view, he said it was important to audit against a tough standard and that other parts of the DfT family had been audited on the same basis. The recent MA circular from DfT Group Finance could not be considered a substitute for sound contingency planning. ML reminded him that proportionality was of key importance to Passenger Focus and that the assignment and its report had not fitted comfortably with this principle.

Minutes

11 Updated whistleblowing policy

The committee provided some drafting observations on the updated policy, and **noted** these would be taken into account in the Remuneration Committee's approval of the policy. It was agreed the final version should be circulated to the board for information.

AC164	16/10/14	Whistleblowing policy	Circulate to board once approved	NH	Nov 14	
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12 Updated fraud policy

The committee **approved** the updated policy.

13 Annual bribery and fraud assessment

The committee **endorsed** the annual assessment.

14 Triennial review

AS updated the committee on the progress of the review. The working group had reviewed a first draft that morning and had provided some feedback on emerging conclusions and recommendations. ML observed that the relationship with the reviewer was sound and appropriate, and that the corporate governance aspects of the review were likely to be favourably reported on.

15 ARAC self assessment part 2

The committee **agreed** to meet informally to discuss the useful questions raised by the self assessment.

16 Project recharging report to DfT

The committee **endorsed** the report submitted by JC based on its discussions at the previous meeting.

17 Any other business

There being no other business the meeting closed at 1545 hrs.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chairman

Date