

Sep 14 BM 9.2

Audit & Risk Assurance Committee

Date: Thursday 17 July 2014

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

Start time: 14.00 hrs

Present

Committee Members

Marian Lauder MBE

Isabel Liu

Paul Rowen

ML

IL

PR

Chairman

Executive in attendance

Anthony Smith

Nigel Holden

Jon Carter

Martin Clarke

AS

NH

JC

MC

Chief Executive & Accounting Officer

Resources Director

Head of Business Services

Business Services Executive

Guests

Jo Taylor

JT

Audit Principal

National Audit Office (by conference call)

Andrew Paterson

AP

Head of Internal Audit, XDIAS

1 Chairmans opening remarks

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

2 Minutes

The minutes of the meetings of the committee held on 10 April 2014 and 8 July 2014, and the notes of the informal meeting held on 15 May 2014 were approved.

3 **Action matrix**

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

AC148 – equalities training via CSL would take place in September 2014

AC158 – it was thought likely that the SLA with internal audit would remain with the DfT but as this remained unclear it should remain on the action matrix for the present.

4 **Q1 Finance report**

NH introduced the Q1 finance report, and reported that whilst there were some costs to recover, performance was largely on track against budget. Management team had taken a close look at potential projects against the balance of the unallocated funding available and had taken steps to reprioritise where necessary. AS commented that this process was largely harmonious based on a common understanding that resources and expectations were less balanced now than they had been for some time.

PR questioned the HS2 passenger panel costs – were these recoverable? NH confirmed that a management fee was being charged amounting to £12K per year. The committee noted that the new FGW passenger manager (for which costs would be borne by FGW) would start in late July.

The chart of accounts was to be updated to include roads cost centres.

ML reminded the committee that whilst it was unlikely the DfT would impose a 3% budget cut in September, the possibility remained.

Internal audit

5 **05/13 audit of core controls / progress report**

AP reported that the core controls audit had provided substantial assurance and the one issue identified – in respect of pension arrangements – had been resolved. JT wondered if this audit could be scheduled earlier next year enabling it to fit better with the NAO audit. The committee agreed to reconsider this in October.

The terms of reference for the franchising audit were being scoped and fieldwork should commence in August.

Audit assurance descriptors had changed yet again AP would send these through to JC. XDIAS remained embryonic but was ultimately likely to emerge as an agency of HMT.

Minutes

AC159	17/07/14	Timing of 2015 core controls audit	Discuss in October	All	Oct 14	
AC160	17/07/14	Audit descriptors	Send updated to JC	AP	July 14	Complete. Delete.

6 Internal audit interface with ARAC

The committee **endorsed** the chairman's paper which proposed closer collaboration between MT members and the committee in respect of internal audit projects, some of which presented an opportunity for greater effectiveness. ML would write to MT members accordingly.

AC161	17/07/14	Internal audit interface with ARAC	Write to MT members	ML / JC	July 14	Complete. Delete.
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7 Rolling internal audit action log

The committee noted the status of actions in the log. In particular:
13/02 (business continuity) – to be reviewed again in October
13/04 (preferred supplier list) – mostly complete. JC to check with IW

Risk, governance and scrutiny

8 Q1 Information report

SIRO JC presented his report for Q1. The committee **noted** the issue of routing guide FOIA requests which JC undertook to discuss in more detail with MH. The committee **noted** the Q1 information risk assessment and **endorsed** the response by JC to the DPA complaint by Mr Paul Amann.

9 Strategic risk register

The committee **noted** the updated risk register and in particular the new entry in respect of a new remit under the provisions of the Infrastructure Bill. AS commented that this risk would be more fully developed once a change manager had been appointed and the opportunities and risks of the change programme were better understood. He also felt that notwithstanding the planned succession planning audit, it was possible to overstate the need for detailed succession planning arrangements in a small organisation.

Minutes

10 Record of projects

MC reported that further to the committee's request he had repopulated the project record with better descriptions of progress. Some financial data needed updating further to the reprioritisation of projects NH had mentioned earlier. He and SM had it in mind to recast the spreadsheet which over time had become somewhat complex. The committee **welcomed** this and the provision for recording one-off spends within the process.

AC162	17/07/14	Project spreadsheet	Recast to simplify and correct financial data	MC / SM	Oct 14	
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11 ARAC / RemCom Interface

ML reported on her discussions with Stuart Burgess. They had agreed that whilst there was no case for duplication of subject areas it would be sensible to keep certain matters on each other's radars. These included unplanned absence, maternity/paternity leave (where legal compliance nevertheless gave rise to operational risk) and staff expectations / rewards (in circumstances where take-home pay was decreasing and the effect on morale may give rise to issues in respect of workplan delivery.)

12 Triennial review

JC reported on the progress of the triennial review. MC had developed a thorough response to the corporate governance checklist and this was shortly to be discussed in detail with the reviewer, Andrew Murray. Andrew had held meetings with CF, DMcC and RL and was to meet Michael Roberts and Simon Posner shortly. He would arrange to meet NH and DS in Manchester in September.

8 Any other business

There being no other business the meeting closed at 1525 hrs.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chairman

Date