

Audit & Risk Assurance Committee

Date: Thursday 15 October 2015

Location: Fleetbank House, London

Start time: 13:30

Present

Committee Members

Marian Lauder MBE

Isabel Liu

Paul Rowen

ML Chairman

IL Board Member

PR Board Member

Executive in attendance

Anthony Smith

Nigel Holden

Jon Carter

Martin Clarke

Manuela Widmer

AS Chief Executive & Accounting Officer

NH Resources Director

JC Head of Business Services

MC Policy and Issues Executive

MW Business Services Officer

Guests

Paula Jones

Helen Jackson

Andrew Paterson

PJ Audit Principal, NAO

HJ Engagement Director, NAO

AP Head of Internal Audit, DfT (GIAA)

Apologies

none

Part A: standing items

1 Chair’s opening remarks
 ML welcomed everyone to the meeting and noted no apologies had been received. She welcomed new participants Paula and Manuela.

Michelle had recently been promoted but was currently on leave. She would henceforth replace Martin in his role and Manuela was taking over Michelle’s role.

2 Minutes
 The minutes of the meetings of the committee held on Wednesday 15 July 2015 were **agreed** and the committee **authorised** the Chair to sign them.

3 Action matrix
 The action matrix was reviewed and updated. Please see attached.

Part B: finance and statutory reporting

1 Q2 finance report to end September 2015
 NH talked through the key points of the report. Passenger related budgets were on track, but a potential underspend on roads was looking likely. There had been delays in recruiting for the road team and some commitments were running late largely as a result of our response to the SE Quadrant issues. Some funds had been committed to this project but the next phase was unaffordable without additional funding.

NH expressed concern over the lack of progress on the ‘old’ road user survey we were planning to inherit from Highways England. It needed to be retendered so as to continue to be operational after 1 April 2017 and time was running out. The problem appeared to be that DfT were determined it should continue to be run alongside the new NRUSS but that Highways England actually had the money. This needed to be transferred to Transport Focus before anything could happen.

HJ offered to speak to the NAO HE Manager to see if things could be speeded up.

AC182	15/10/15	HE and Old NRUSS	Check on difficulties with transfer	HJ	Dec 15
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2 Capitalisation Policy

NH talked through the proposal on whether to change the capitalisation policy for tangible non-current assets. The review, inspired by the NAO, had not found any benefit in changing the policy that would outweigh the additional work in doing so. The committee **agreed**.

Part C: business performance management and internal audit

1 Project Management report

MC joined to present the project management report. A test system has been developed to capture more, and better quality, data from project managers at the outset and introduce as much automation in the approvals and review process as possible. The system will eventually be transferred to the SharePoint server as it cannot be supported where it is presently. The time frame is expected to be after Christmas 2015 as we are awaiting a quote from SFW and, depending on that, introduction may be phased for the beginning of the new financial year. The committee **noted** the report.

2 Internal audit process report

AP introduced his update. The draft of the research methods audit had been issued the previous week and, along with external communications, will be ready for the next meeting. Meanwhile, AP was discussing with NH options for the core controls audit. Three suggestions had been made.

- Financial management
- Performance / staff appraisal and employment law
- Pensions

After some discussion it was **agreed** that the growing complexity of pension arrangements and the variety of funding streams to which such arrangements need to be aligned suggested a pensions audit was the best use of the time available. AP confirmed that a 'single issue' core controls audit would be sufficient evidence to deliver his annual opinion.

The committee **noted** that the late start to the external communications audit was a resourcing issue which, hopefully, has been resolved for further audits.

The internal audit charter was **noted** by the committee.

Part D

1 Strategic risks

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

SRX-001 (continuing to be useful) – largely depends on the scale of core funding and any additional funding from the devolved administrations and English communities.

SRX-005 (roads remit and change) - the committee **agreed** that consideration could be given to removing this risk from the strategic risk register.

SRX-007 (spending review) – management team not yet risk assessed. A review of this risk needs to be more sophisticated. A cut in government grant was not a risk, it was a certainty, and the real issue was more about diversification of funding.

The road user team risks had not yet been generated and this was an outstanding task. Since the risk strategy had not been reviewed for some time the committee agreed to JC commissioning a review, which should be scoped for the next meeting.

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AC183	15/10/15	Diversification	Risk assess	MT	Dec 15
AC184	15/10/15	Road user risks	Identify and create register	JC / GD	Dec 15
AC185	15/10/15	Risk strategy review	Scope	JC	Jan 16

2 Q2 Information risk report

JC introduced his report and advised that the SIRO email inbox hadn't been acted upon as it should have been between July and September and so some FOIA cases were out of statutory response period before they had been considered. They will all appear in the report to the next meeting. FOIA responses that had been made were all within the correct time period and many were, as usual, asking the same kind of questions. One case had been the result of an unsuccessful appeal; JC mentioned that in workshops he stresses how important the language of the case notes is as these will be disclosed in these circumstances.

The committee noted the information risk report and the ISG's quarter two risk assessment by information asset.

NH asked about the security of data when the personal details are kept with an outside marketing company. JC thought that in those circumstances the companies have to ensure they comply with the Data Protection Act through their own roles as data controllers. AS thought that as the NRPS report was about to be reactivated, now would be a good time to make sure

AC186	15/10/15	Third party data controllers	Check data protection arrangements	JC	Jan 16
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3 Team risks: CEO team

JC introduced his team risk register. The committee considered that, notwithstanding the previous deleting of risk CE01 (board performance reviews) a review of this year's process would be appropriate.

As previously discussed, and in respect of risk CE04 (risk management) a review will be scoped for consideration at the next meeting.

JC explained the difficulty with the business planning risk CE08: the spending review had somewhat slowed the process down. However, it was anticipated that a dual process for 'core' and 'incidental' work would be worked up, with the first major consultation with the board planned for December 2015.

AC187	15/10/15	Board annual performance reviews	Review process and report back	JC	Jan 16
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4 Annual fraud & bribery risk assessment

JC said the annual assessment would normally have come via management team, but time pressures had meant this was now the other way around. The committee noted the review.

A bribery and corruption workshop for staff, led by JC, as soon as they join the organisation, was held whenever it could be managed. A further workshop was planned for November. AS suggested that the workshop was generally successful as people are thinking about it more and asking him questions!

5 Half yearly risk report

ML undertook to produce a draft report for the November board meeting and circulate to the committee.

6 Impact of reduced local authority funding

PR raised some concerns on the impact of local authority funding. Scottish and other BPS contributions were way below target and the TPS needed further funding to give it validity as a national survey. AS reminded him that the bus and tram surveys are not to be called national survey as they are only done in certain areas, but agreed that there is a need to offer a better quality at a lower cost model and therefore we have to think about long term strategies and diversify the funding. PR suggested earlier planning in 2016; NH agreed we need to talk to people now. This issue was to be wrapped up into the assessment of the strategic risk on Spending Review 2015.

AC188	15/10/15	Local authority funding	Incorporate into strategic risk on Spending Review 2015	MT	Jan 16
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Part E

1 Annual review: fraud policy

JC reported that the policy was updated after the meeting last year and should be examined along with the fraud response plan. Head of internal audit details needed updating.

AC189	15/10/15	Fraud policy and response plan	Update HoIA details	NH	Jan 16
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2 Annual review: expense policy

AP asked about the liability of staff for private car use when on business in case of an accident concerning third parties. JC also wondered if a view on board members travel to and from a station, invariably resulting in mileage claims, ought to be considered. AP felt DfT would probably have some guidance to offer in these circumstances.

NH agreed these were good points which should be taken on board as part of a slightly wider review of the expenses policy. It was agreed an updated policy would come back to the committee at its next meeting.

AC190	15/10/15	Expenses policy	Update and bring back for next meeting	NH	Jan 16
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3 Triennial Review Action Matrix

The committee noted the action matrix, which was the same version used in quarterly DfT meetings. Some progress, with which the Department is perfectly comfortable. Suggested next review date April 2016.

4 Alternative Delivery Models update

AS talked about the importance of diversifying funding and strengthening the business model and said the funding delivery group would look at the issues in two chunks: a) goal/reality and b) options where to go to now.

The commercial models team at the Cabinet Office had been consulted and had recently spun out its highly regarded Behavioural Insight Team and this was a good 'template' for exploring additional funding.

In the meantime, it was important that we developed a clear statement of principles for non-core work, and a very clear idea of what we considered 'core' and 'incidental' – approval routes for different types of work should be clearly defined, and should be different. Core work should continue to be approved by Management Team, but 'incidental' work would be better dealt with the approval of the board. The committee agreed. AS asked JC to update MT's terms of reference accordingly.

AC191	15/10/15	Management team terms of reference	Update and take to next board meeting	JC	Nov 15
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There being no other business, the meeting closed at 3.20pm

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chair

Date