

Minutes

Audit & Risk Assurance Committee

Date: Friday, 22 October 2016

Location: Conference Call

Start time: 09.30

Present

Committee Members

Marian Lauder MBE FCMI
Isabel Liu
Paul Rowen

ML Chairman
IL Board Member
PR Board Member

Executive in attendance

Nigel Holden
Jon Carter
Michelle Calvert

NH Resource Director
JC Head of Business Services
MCa Business Services Executive

Guests

Paula Jones
Amelia Robertson
Andrew Paterson

PJ Audit Principal, NAO
AR Engagement Director, NAO
AP Head of Internal Audit, GIAA

Apologies

Anthony Smith

AS Chief Executive & Accounting Officer

Part A: standing items

1 Chair's opening remarks

ML welcomed everyone to the meeting, and noted apologies from Anthony Smith. She thanked everyone for their flexibility in rearranging the meeting. She also welcomed AR to the Committee and suggested a briefing on Transport Focus activities and governance arrangements would be useful.

AC 1617-207	22/10/16	Transport Focus briefing	Send latest version to AR	JC	Jan 17
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2 Minutes from July 2016 meeting

The minutes of the meeting of the committee held on Wednesday 20 July 2016 were **agreed** and the committee **authorised** the Chair to sign them.

3 Action matrix

The action matrix was reviewed and **updated**. See attached. The committee welcomed the expanded matrix to include deleted / closed items for the current year.

AC 1516-185 and 1617-203 (review of risk strategy) – as this was on the agenda and sufficiently advanced to go to Board in November as planned these could be **deleted**.

AC1617-204 (distribution of internal audit reports) – keep on the matrix until change management audit was finalised and circulated.

AC 1617-205 (stakeholder strategy) and 1617-206 (whistleblowing policy) target dates amended to January 2016.

Part B: finance and statutory reporting

1.0 Q2 finance report

NH talked through the key points of the report, which had now been restructured to take account of the change programme. The current workplan remained fully funded.

The budget was on track generally although there were uncommitted balances in both the passenger budget and roads budget. NH was confident however that these sums would be spent by year-end, given the additional demands currently being made of the organisation. These included a substantial increase in complaint handling workload and the associated increase in outsourcing costs. ML noted that she would brief the board in November about this issue which represented a potential longer term liability.

NH also explained the peak in NRPS costs as a function of the way in which the contract operated.

The committee **noted** the report and asked NH to pass their thanks to Shahid for his work on the restructuring of the accounts.

2 Audit Planning Report

The APR was similar to previous reports. Potential significant risks had been identified as (1) management override of controls (there were no current concerns) and (2) recognition of new income (which carried with it a risk of fraud and the need to ensure full cost recovery in line with MPM and FReM).

It was thought useful for Jon and Paula to discuss the project management arrangements as they affected additional / commercial income.

The committee **agreed** with the assessment of risks and the proposed audit plan.

AC 1617-208	22/10/16	Project management	Jon and Paula to discuss	JC	Dec 16
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Part C: Business performance management and internal audit

1.0 Project record 2015-16

1.1 Project record 2016-17

The committee **noted** the project records. MCa expressed some concern that the reports were only as good as the information she was able to obtain from project managers, and this was sometimes delayed. She hoped the workshop she was planning later in the year would improve this situation.

The committee suggested that if there were material changes in the records between the point of issue and the meeting which considered them an updated record was presented to the meeting. The Porterbrook project was considered as a case in point; this particular project was to be reviewed for lessons learnt even though it had not moved from the drawing board.

2 Internal audit progress report

AP reported that the audit of information risk was complete and included. There were still delays to the finalisation of the change management audit due to the personal circumstances of the auditor. He and JC would shortly be discussing the terms of reference for the next two audits. It was **agreed** that the core controls audit this year would focus on additional income.

The report was **noted**.

3 Internal audit report: information risk

The committee **welcomed** this report with its 'substantial' opinion. AP reported that the auditor had been very impressed with the systems in place for managing information risk and those information asset owners who managed the flow of information. FOIA and DPA compliance had been shown to be particularly good.

Part D Risk

1 CEO team risks

JC reported that the teams risk profile had not changed significantly, but resourcing was now a greater issue. The intention remained that some work would be transferred to Manchester but it was not yet clear when this would happen.

The refresh of the risk management strategy would be a good opportunity to brief staff on the importance of considering risk as a part of all activities.

The committee **noted** the report.

2 Q2 Information Risk Report

The committee **noted** the report which showed a significant rise in the level of FOIA cases this quarter. The report also noted that referrals to the Information Commissioner and the P&HSO were likely in respect of one complaint.

2.1 Risk Assessment of Information Assets for Q2 16-17

JC report that the Information Strategy Group was on top of its information assets and the risk profile had not changed since Q1.

3 Risk management strategy refresh

The committee **welcomed** the updated strategy and in particular the new section on project risk. It **endorsed** the proposal for reputational risk assessment to be made mandatory for all projects and financial risk to be assessed for category D projects. It suggested that these projects should be treated separately in the boards consideration of risk appetite.

AC 1617-209	22/10/16	Category D risk appetite	Update policy to include separate treatment	JC	Nov 16
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4.0 Strategic risks

The committee **noted** the strategic risk register, and looked forward to an updated version at its next meeting.

Part E

1.0 DfT Group Internal Audit

ML commented on the letter from the DfT Permanent Secretary which demonstrated low levels of assurance across the DfT family, notwithstanding the 'substantial' opinions provided in respect of Transport Focus. She would be watching to ensure that follow-on actions across the Group did not involve Transport Focus in any disproportionate work. In this respect, she, Nigel, Jon, Michelle and Shahid would be attending a management assurance workshop at DfT in November.

2.0 ARAC Self-Assessment

ML, IL and PR had discussed self-assessment in a similar way to last year. There were no significant actions arising from this review.

Any Other Business

ML agreed to draft the half year risk report to the board and circulate to the committee. No other business was raised and the meeting closed at 1045.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chairman

Date