

Audit & Risk Assurance Committee

Jul 16 BM D 1.3

Date: Wednesday, 14 April 2016

Location: Fleetbank House, London

Start time: 11:00

Present

Committee Members

Marian Lauder MBE FCMI
Isabel Liu
Paul Rowen

ML Chairman
IL Board Member
PR Board Member

Executive in attendance

Anthony Smith
Nigel Holden
Jon Carter
Michelle Calvert
Manuela Widmer

AS Chief Executive & Accounting Officer
NH Resource Director
JC Head of Business Services
MCa Business Services Executive
MW Business Services Officer

Guests

Paula Jones
Andrew Paterson

PJ Audit Principal, NAO
AP Head of Internal Audit, GIAA

Apologies

None

Part A: standing items

1 Chair's opening remarks

ML welcomed everyone to the meeting and noted no apologies received.

2 Minutes

The minutes of the meeting of the committee held on Wednesday 13 January 2016 were **agreed** and the committee **authorised** the Chair to sign them.

3 Action matrix

The action matrix was reviewed and **updated**. See attached.

It was agreed that the following action items can be deleted:

AC 1415-153 / AC 1516-174 / AC 1516-180 / AC 1516-186 / AC 1516-194

AC 1415-174: IL advised that she and NH have updated the equalities policy with emphasis on what we are doing and how we are going to measure and report on equality. This is to be viewed at the management team meeting in May to be rolled out in June. JC advised that this also should be a Board Meeting item and could be dealt with at the BM in July. (Amend Action Point: JC)

AC1415-185: The scoping for the risk strategy review is outstanding. With the ongoing changes across Transport Focus we need to evaluate the risk strategy based on the risk appetite which the board will need to agree. It will be reviewed in Autumn as AS suggested to wait until some of the changes had been implemented and everything has stabilised. It was agreed this Action Item should be ready for the November Board meeting, coming back to ARAC in October. (Amend action point: JC)

Part B: finance and statutory reporting

1 Q4 finance report to end March 2016

NH talked through the key points of the report. As previously reported the passenger side of the budget had been deployed largely as anticipated but on the roads side staffing issues and those in connection with the replacement of the Strategic Road User Satisfaction Survey had resulted in a significant underspend. As the entire roads budget had been transferred from DfT earlier in the year, discussions about how to treat this underspend were ongoing.

It had been agreed with DfT that some £23k of the GWR funding will go towards making a contribution to fixed overheads, and some of the franchise work funding will be reserved for South East Quadrant going forward.

ML pointed out that the report on expenditure (page 3) shows a spike in March. NH explained that at the end of year some cyclical charges were payable, and the spike did not represent any 'last minute' expenditure not previously planned.

ML concluded that the finance report demonstrated successful financial management in a complicated year with very limited flexibility from the outset and congratulated Nigel and Shahid, a sentiment the committee willingly endorsed.

2 **Governance Statement V2**

The governance paper was **agreed** as it now had been updated with the HIA end of year opinion. PJ asked whether a reference regarding the information risk issues mentioned in the SIRO report should be included; JC advised that the issue, although serious, had not been one reportable to ICO, only ONS, and that therefore it had not appeared necessary to include it in the governance statement.

3 **Budget 2016-17**

NH explained that fixed costs are to be split between the various budgets / cost centres and advised that the budget would be revisited after the staff changes have been completed later in the year.

The question of DfT smart ticketing was raised. NH confirmed that no provision had been made as the latest intelligence was that the programme had come to an end. Any future work will be done on the basis of agreed extra funding. AS reiterated that, as with Transport for the North, Transport Focus must position itself as an organisation of choice to do this kind of insight work.

On the subject of HS2, although the annual budget is smaller than in previous years, it is now a three year agreement with growth potential. It is likely that some of the work, currently commissioned, will be brought in-house.

ML concluded the budget could look much worse considering the situation 6-12 months ago.

Part C: Business performance management and internal audit

1 **Project record 2015-16**

Discussed as part of C7.

2 **Internal audit progress report**

AP advised that the planned programme was largely complete and had resulted in 2 substantial and 1 moderate rated assignments. He and JC had agreed that the road user team assignment would be carried over to the new year. Given the results of the triennial review and the DfT family governance audit, he had sufficient data upon which to base his end of year opinion.

3 **Internal audit report: core controls (pensions)**

Generally, a very good assignment resulting in a very good report with only medium / low and low level recommendations.

Due to the way pensions are now managed the costs and risks have largely been placed on the employer. Annual benefits statements for the five schemes we operate are now due and awaiting final information from others; the administrative burden is disproportionately large. Fortunately we are only a small organisation of 50 people. ML congratulated LC and NH for their good work resulting in a commendable report.

4 **Rolling internal audit action log**

The triennial review recommendations have been included in the action log as requested.

NH advised that, in terms of business continuity plan (TF 13/02) rehearsal, there is no need for a further update as the Manchester exercise had been done; Manchester being the higher risk location. The Committee however believed such an exercise for the London office would be useful, and determined to keep the action on the log for the present.

TF14/03 (equality and diversity): will be discussed at the Board Meeting and can therefore be taken off the audit action log.

TF 15/01 (research methods): privacy law policy is work in progress and should be concluded by July.

5 **Draft HIA annual option**

AP introduced his annual report and opinion which this year was 'substantial'. As previously advised he was able to take account of other assurance activity during the year.

The Committee **noted** the opinion and expressed their thanks to AP and his team for the useful audit work and reporting during the year.

6 **Internal audit programme 2016-17**

Subject to fine tuning the scheduling and billable days, the programme was **agreed**.

7 **New project framework 2016-17**

JC presented the conclusions of the project framework review and an overview of the new arrangements with effect from April 2016. The opportunity had been taken to create simple, logical project stages to help the organisation develop a better common language and understanding of workflow and process. The key remaining issue was what project management information was required for which meeting or group and this would be refined over time.

MCa provided a reconfigured project report showing all the information that could be provided. She also reported on very good discussions with the project managers and hopes to continue to do so. From those conversations 11 projects have been sent to the Management Team for review. She also suggested to the committee that a project labelled red does not necessarily mean at risk but, applying some judgement, should indicate an opportunity for discussion and / or action.

AS requested that the comment column is brought forward nearer to the beginning of the sheet. JC advised that the management of the project framework is more important than ever and will take up to nearly half of Michelle's time. ML thanked Michelle for the good work and invited the committee to reflect on the discussion and provide JC/MCa with any further thoughts or advice, especially on which elements of the table should form the report to the board.

AC 1516-200	14/04/16	Project reporting	Consider which parts of project report to go to Board	All	June 16
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Part D

1 Strategic risks

AS advised that, since the last outing of the report, financial changes are better known even if their ultimate impact is not yet clear. The previous uncertainty had meant that even articulating the risks had been impossible. He suggested, and the committee agreed, that the recreation of the register should be undertaken alongside the review of risk strategy, as the timing (October) would be helpful. In the meantime, change risks would be managed through the change team.

AS noted that the work plan has been agreed and is in the process of being finalised ready for publication.

In respect of stakeholders, it was noted that its main tool, the CRM database, has always been problematic, but work is underway to update it and by maintaining it properly, it will prove to be more useful and valuable tool.

New Risks: The ease on Fleetbank House will be up next year and we need to consider if we want to extend it or whether to search for new premises. It might also be an option that we co-share with ORR in future as we are supposed to be working more closely together. The main risks are losing staff and the huge interruption to business operations such a relocation always brings. It was also considered that a risk could be added detailing the implementation phase of SR2015.

It was **agreed** that the updated version of the strategic risk register should be submitted to the board.

2 Q4 Information risk report

JC introduced his report, and advised that he was satisfied, based on assurances from Ian Wright, that the pre-release of the Heathrow NRPS results was accidental.

The **freedom of information act** requests this quarter showed a growing desire for IT contract information, which he had discussed with NH.

The **General Data Protection (EU) Regulation** is being prepared for by way of a workshop at the end of June. The biggest changes are that we have to look at how we protect the data of children, privacy notices and individual rights.

3 Team risks: Roads User Team

AS advised that the report spoke for itself: there is currently only one key risk on the road user team register and that related to access to data for SRUSS.

AC 1516-201	14/04/16	Strategic risks	Add implementation of SR2015	JC	June 16
AC 1516-202	14/04/16	Strategic risks	Add FBH lease expiry	JC	June 16
AC 1516-203	14/04/16	Strategic risks	Register to go to board	JC	July 16

Part E

1 Annual review: outside interests

The register of outside interests was discussed and **noted**. AS agreed to his membership of the CAA consumer panel in future.

2 Annual review: gifts & hospitality

The G&H log was now self-populating and was based on a googledoc platform. It is significantly less labour intensive than hitherto as it is completed online. JC reminded the Committee that it was only as good as he could make it – it was for those on the receiving end to make their own declarations. He could not proactively enforce its completion. The Committee **agreed** but asked that all board members and staff were reminded about the importance of making the appropriate declarations.

3 ARAC annual report to the board

ML will draft the report to the board over the next few weeks. It will cover the Committee's thoughts on funding, change and business innovation. She will circulate it and invited any thoughts and ideas that should be included in the report.

4 DfT MA return 2016

The Committee noted with some astonishment the level of detail JC had been required to report on, although as it can now be completed online, it is somewhat easier than previously. JC advised that some degree of judgement when answering these questions had been necessary. The Committee **endorsed** the annual return.

5 DfT Assurance Framework 2016 – for review and discussion

ML commented that the framework is a potentially useful piece of work but something of a sledgehammer for a nut of an organisation of our size. She was not convinced it will improve our overall quality of assurance. The ‘lines of defence’ model might be useful however in developing the risk strategy going forward. The Committee **agreed**.

It was further **agreed** that ML would circulate these views within the DfT ARAC Chair’s Forum and that AS should make a similar response as Accounting Officer.

AC 1516-195	14/04/16	Gifts & Hospitality	Remind board and staff of the requirement, and how, to make declarations	JC	May 16
AC 1516-196	14/04/16	DfT Assurance Framework	ML to respond via Chair’s Forum	ML	Apr 16
AC 1516-197	14/04/16	DfT Assurance Framework	AS to respond to DfT along similar lines	AS	May 16

Any Other Business:

JC advised that the uncertainty over the purdah period in connection with the forthcoming referendum has meant he as yet cannot diarise the annual ARAC meeting to consider and approve the annual report and accounts. PJ had no further knowledge but would advise as soon as there was some helpful information. NH advised that the finalisation of the accounts should be complete before purdah starts. It was agreed that JC will be in touch with an update on the dates.

AC 1516-198	14/04/16	Purdah dates	Clarification required	PJ	May 16
AC 1516-199	14/04/16	ARAC AR&A meeting	To be organised (Manuela)	JC	May 16

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chair

Date