

Audit, Risk Assurance & Remuneration Committee

Mar 17 BM D 1.3

Date: Thursday 12 January 2017

Location: Fleetbank House, London

Start time: 10.30

Present

Committee Members

Marian Lauder MBE FCMI
Isabel Liu
Paul Rowen
Dr Stuart Burgess CBE

ML Chairman
IL Board Member
PR Board Member
SB Board Member

Executive in attendance

Anthony Smith
Nigel Holden
Jon Carter
Michelle Calvert

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

David Sidebottom
Ian Wright

DS Transport User Director
IW Head of Insight

Guests

Paula Jones
Jola Groves
Andrew Paterson

PJ Audit Principal, NAO
JG National Audit Office
AP Head of Internal Audit, GIAA (by 'phone)

Part A: standing items

1.0 Chair's opening remarks

ML welcomed everyone to the meeting, and in particular Stuart Burgess (following the rationalisation of the committee structure) and Jola (from NAO). She thanked everyone for attending a little earlier than normal in light of the large agenda.

2.0 Minutes from October 2016 meeting

The minutes of the meeting of the committee held on Friday 22 October 2016 were **agreed** and the committee **authorised** the Chair to sign them.

3.0 Action matrix

The action matrix including deleted / closed items was reviewed and **updated**. (See attached.) Of particular note:

RC 1516-028 (gender descriptions) – these changes had been made but would only show as such when used. **Delete**.

AC 1617-203 (strategic risks) –this was on the agenda for go to Board in March 2017 and could now be **deleted**.

AC1617-204 (distribution of internal audit reports) – assuming final outstanding reports could be circulated the following week this could now be **deleted**.

AC 1617-205 (stakeholder strategy) target date amended to July 2017.

AC 1617-208 (project management catch-up) target date amended to Feb 17

4.0 Updated terms of reference

The Committee **noted** the updated terms of reference the board had approved in November 2016 and, subject to minor amendments, was content to leave these unchanged for the coming year.

Part B: finance and statutory reporting

1.0 Q3 finance report

NH talked through the key points of the report to November 2016. It showed that expenditure was on track against budget – including separately funded projects and workstreams - and that plans were in place to spend the entirety of the passenger and road user insight allocations.

Any potential operating surplus had been largely deployed on complaint handling, with additional staff in the Advice team, and at the call centre in Southend, where costs had

practically doubled. The situation was sufficiently serious for the DfT to have provided an additional £150,000 to cover any further costs in 2016-17.

The pressures on the 2017-18 budget, however, remained severe, although not quite as severe as previously thought. DfT had advised that additional grant in aid to cover complaint handling costs could be applied for mid-year.

The committee **welcomed** the clarity provided by section 11 of the narrative in the finance report, where the contribution to fixed overheads provided by separately funded projects had been extrapolated for the first time. The committee considered it was worth returning to this issue mid 2017-18. This should also be brought to the board's attention.

The committee **noted** the report, welcoming the ongoing attention to detail in cost control, but also noting the pressures on staff in delivering a programme that appeared to stubbornly resist any kind of downsizing. AS was clear that one of the key issues for the forthcoming MT awayday was a discussion on this very subject.

2.0 Draft governance statement

The committee noted the draft governance statement as work in progress. JC urged the committee to exercise its duty of challenge on any claim it felt was unreasonable. PJ noted that it was increasingly good practice to include a summary of high level risks (along with how they were being managed) within the statement, and offered to find some examples. The committee **agreed**.

AC 1617-210	12/01/17	GS Good practice	Find some examples to share	PJ	Apr 17
--------------------	----------	------------------	-----------------------------	-----------	---------------

Part C: Business performance management and internal audit

1.1 Project record 2015-16

1.2 Project record 2016-17

The committee **noted** the project records. MCa confirmed that informal sessions had been carried out with staff on the project framework, but that more detailed workshops with staff directly involved with projects were now booked for February. These would include project categories and risk. It has seemed sensible to arrange these workshops to take account of any recommendations arising from the IA report on project governance. Useful meetings were also now being held with project sponsors which, whilst it was useful to get a sponsor rather than manager perspective, still showed there was more to do in closing the communications gap. ML thanked MCa for the continuing development of the framework,

noting 'progress in leaps'. PR wondered about the previous commitment to move this function from London to Manchester; JC confirmed this was still a longer term aspiration but given staffing and workload issues this was unlikely to happen in the short term.

2.0 Internal audit progress report

AP reported that the audit of the change programme was now complete and the report included. That meant two 'substantial' findings year to date. The outstanding reports relating to data transfer and project governance had been issued in draft form just this week; both had provisionally indicated 'moderate' findings. The core controls audit (on additional work) was scheduled to start soon. The report was **noted**.

3.0 Internal audit report: change management

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 risk, staff communication and consultation, and the 'hands-on' approach taken by the change manager. The committee welcomed the validation of a programme it had always thought to be well managed and delivering the required outputs.

6.0 Rolling internal audit action log

The committee agreed to the deletion of remaining actions in respect of:

13/02 business continuity
14/03 equality and diversity
15/01 research methods

The remaining actions from the triennial review were largely awaiting action from DfT, and the committee asked if the department could provide an indication of progress. Other actions needed updating in light of the proposed dispute resolution scheme.

The committee also **agreed** that once finalised, any recommendations from the two outstanding internal audit reports that required medium or high level priority action could be admitted to the log.

AC 1617-211	12/01/17	TR Actions	Get update from DfT	JC	Apr 17
AC 1617-212	12/01/17	RIAAL	Update	JC	Apr 17

Part D Risk

1.1 Transport Team risks

DS provided some context to the restated risks (previously stated separately as passenger Team, Road User team and Policy and Issues team risks).

Appeal complaints handling:

- Huge increase in volumes
- Struggling to maintain CS level at around 70%
- 950 cases outstanding this week – the highest ever
- Notwithstanding risk appetite set at green / yellow border, this was a treat / tolerate risk for the foreseeable future, although extra funding had been provided and more was likely to be made available next year.

CRM

- No dedicated support as previously
- Would feature on the MT awayday agenda
- Integral to the stakeholder strategy review now scheduled for July 2017

Franchising – resources

- Risks now largely about future funding, given the programme funds two posts
- However, well managed and producing huge benefits

Franchising – reviewing bids

- Given sensitivity, will always remain on risk register
- However, good controls in place and working well

SRUSS

- Risks generally apply to the provision of user data, which has been tricky to date
- However, four module pilots about to start
- Longer term costs remain unclear

The committee **noted** the transport teams risk register.

1.2 Insight team risks

IW introduced the risks as follows:

Independence of research

- Have been running third party research projects for some time
- Preferred supplier list had been refreshed
- Most important, however, was the board's principles for additional work, which provided very helpful guidance on what / what not to do.
- The committee welcomed the refreshing honesty of stating 'no further actions planned'

Resourcing

- Always an issue across the organisation, but Insight does produce most of the 'goods' for other teams to use; IW was right to raise this as a particular risk.
- Pool of freelancers developed and now being used
- NRPS transition planning working well

Research outputs

- Need to be aware of increasingly competitive environment
- Radical approach to NRPS through new contract
- World is increasingly digital
- Online user panel prospects look good
- Also need to 'sweat' the back catalogue of research

The committee **noted** the insight team risk register

1.3 ARARC business cycle

Approved, subject to spreading out where possible and adding former remcom business items

2.0 Q3 Information Risk Report

The committee **noted** the report which showed a sustained 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 Q3 16-17

JC reported that the Information Strategy Group was on top of its information assets with the addition of new entries for the online panel and data sharing with DVLA.

3.0 Strategic risks

AS introduced, and the committee **noted**, the strategic risk register, which would go the board in March alongside the committee's second half-year report.

Being useful

- Remains the most important risk and opportunity
- Recent letter from Minister important in this respect
- BEIS about to launch yet another consumer landscape review

Spending review and change programme

- The only certainty is more change to come
- Clear focus on doing less, delivering more going forward
- Diversification in non-conflicted markets needs more thinking about

Dispute resolution

- Begun to identify risks
- Needs further thought at MT awayday

Succession planning

- Programme for next generation needs scoping
- Director level responsibilities also need review

AC 1617-213	12/01/17	ARARC business cycle	Update and circulate	JC	Feb 17
-------------	----------	-------------------------	----------------------	----	--------

Part E

1.0 Management assurance

ML provided an overview of the developments in management assurance within the DfT group, and the continuing need for proportionality in its application to Transport Focus.

The new 'lines of defence' model for the sponsors opinion was not unhelpful but relied heavily on data from Transport Focus.

The management assurance questionnaire itself would be circulated among the committee before submission to DfT.

2.0 Cabinet Office Code of Practice

The Code of Practice was **noted**.

3.0 Annual Fraud and Bribery Risk Assessment

JC presented the risk assessment which the committee **noted and agreed**.

AC 1617-214	12/01/17	MA return	Circulate to Committee	JC	Feb 17
-------------	----------	-----------	------------------------	----	--------

Part F: staffing and remuneration

1.0 Minutes of the final remuneration committee meeting

The minutes of the meeting of the remuneration committee held on 11 February 2016 were introduced by SB; these were **agreed** and the committee **authorised** the Chair to sign them.

2.0 Pay remit 2016-17

The committee **agreed** with the proposal for:

- A non-consolidated pay uplift of 1%
- An increase in allowances of 1%
- An increase in pay bands of 1%

3.0 Staff absence report

The committee **welcomed** this report and noted that whilst some long term sick leave was inevitable, it had a potentially severe impact on a small organisation. The committee was pleased to note the positive comparison with the wider public sector.

4.0 Performance related pay scheme for 2017-18

The committee was pleased to **approve** this scheme. It proposed, and AS agreed, that board members should be eligible to nominate staff members for both spot and annual awards, via a member of staff's line manager.

5.0 Recent staff forum notes

The notes of the staff forum meeting held on 22 November 2016 were **noted**.

AC 1617-215	12/01/17	Bonus nominations	Note to Board members confirming they can nominate if they wish via line manager	NH	Feb 17
-------------	----------	-------------------	--	----	--------

Any Other Business

No other business was raised and the meeting closed at 1250.

Minutes

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chairman

Date

Draft V3