

Audit, Risk Assurance & Remuneration Committee

Jul 17 BM D 01.3

Date: Tuesday April 4th 2017

Location: Fleetbank House, London

Start time: 13.30

Present

Committee Members

Marian Lauder MBE FCMI
Isabel Liu

ML Chairman
IL Board Member

Executive in Attendance

Anthony Smith
Nigel Holden
Jon Carter
Michelle Calvert
Hazel Phillips

AS Chief Executive & Accounting Officer
NH Resources Director
JC Head of Business Services
MCa Business Services Executive
HP Acting Head of Communications¹

Elizabeth Ganak

EG Business Services Officer/Note Taker

Guests

Amelia Robertson
Jola Groves
Andrew Paterson

AR Engagement Director, NAO
JG Engagement Lead, NAO
AP Head of Internal Audit, GIAA

Part A: Standing Items

1.0 Chair's opening remarks

ML welcomed everyone to the meeting; no apologies were made. It was noted that arrangements were under way to nominate a further member of the committee further to the departure of Paul Rowen and Stuart Burgess.

2.0 Minutes from January 2017 meeting

The minutes of the meeting of the committee held on Thursday 12th January 2017 were **agreed** and the committee **authorised** the Chair to sign them.

¹ For agenda item D 2.0 only

3.0 Action matrix

The action matrix including deleted / closed items was reviewed and **updated**.

1617-210: Paula Jones had passed examples of good practice to Jon Carter. These will be shared with the Committee.

1617-211: JC explained that the only remaining action from the TR was that DfT should ensure Transport Focus had greater visibility of its Board. Since neither Transport Focus and the sponsor team had ever attached much importance to this recommendation it was agreed it would not be pursued. The action can now be deleted.

1617-212 the Rolling Internal Audit Action log would be updated to reflect the reports made to this meeting and tabled for discussion at the July meeting.

Part B: Finance and Statutory Reporting

1.0 Q4 finance report

NH introduced the finance report to February 2017. The Road's budget has a forecasted underspend of around £50,000 (which can be moved to the new year) and the passenger budget an underspend of around £150,000 which cannot be moved to the new year but is returned to the Department. The 2016-17 restructuring programme – designed to achieve savings of 20% in 2017-18, had in fact cost less than planned, and a small number of programmed projects had not been approved.

No concerns were raised regarding the Q4 finance report; ML noted that the budget had clearly been managed well in what, accounting-wise, had been a challenging year.

2.0 Draft governance statement

NH briefly discussed the statement and pointed out the changes made since its last outing. It was **agreed** that a short note would be inserted regarding the inheritance of the terms of employment and pay responsibilities from the Remuneration Committee. It was also agreed that the established compliment of the committee should be shown as three members throughout the statement.

AC 1718-216	04/04/17	Draft governance statement	Make final changes to statement as set out above	NH	May 17
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Part C: Business Performance Management and Internal Audit

1.0 Project record 2015-16

1.1 Project record 2016-17

MC provided a general overview of the Records of Projects and discussed the handover to Anne Kocan. ML noted particular projects where the cost to TF was considerably lower than the management fee. This will be explored further by MCa. The committee considered the colour coding was excellent and should continue. NH explained that the handover would take as long as necessary and the framework would be run 'as-is' in the short term. Any significant changes going forward would be discussed with the committee.

AC 1718-217	04/04/17	Records of Projects	Look into typos, change accordingly and re-issue	MCa	May 17
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2.1 Internal audit progress report

AP reported that two audits were completed last month, with another one to be completed in the coming month. He noted that he is expecting the overall opinion for Transport Focus to be **substantial**, but this will ultimately be determined on the final audit which he is confident will be either a substantial or moderate grading.

2.2 Internal audit report: Project Governance

Of the recommended actions, five were medium priority and two were low, delivering a moderate opinion overall. AP noted that the report found our processes to be adequate but could use some fine tuning in regard to quality checking and recording in the Workbook, but without over-complicating the process. MCa was very happy with the audit, though there were a few recommendations she felt weren't necessary, such as the allocation of a complexity score for different projects. Learning points brought to light through project reviews needed to be taken more seriously. The committee concluded that care must be taken with what we are asking project managers to do - making processes too complicated and asking for information simply for the sake of it will not deliver better governance. The committee **noted** the actions and asked JC to identify which ones should be taken forward on the updated RIAAL.

AC 1718-218	04/04/17	Internal audit report: project governance	Identify which actions should be taken forward on the updated RIAAL.	JC	May 17
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2.3 Internal audit report: ORR Data Transfer

AP noted that in general everything looked good and that controls were operating as they should be. Three points were discussed - the timeliness of the report, communicating the report securely and the auditability of the process. JC reported that Kate O'Reilly has made these changes already. The committee **noted** the report and was content with the medium level actions being added to the RIAAL.

AC 1718-219	04/04/17	ORR Data Transfer	Send report to SGG		May 17
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3.0 Draft HIA annual opinion

AP noted that the overall opinion was dependant on the final outstanding audit, however he is confident a substantial opinion overall will be achieved. Corporate governance arrangements are well established and the controls are working well. There have been no unsatisfactory audits. He noted that the core controls audit is starting next week and should finish within 2 weeks.

ML thanked AP and his colleagues for a year's worth of useful reports.

4.0 Agree IA plan Next Year & Fee

The committee discussed how they could best use the time allocated to internal audit activity over the coming year. JC explained that our involvement with the ombudsman scheme has changed significantly – only very recently - and therefore does not need the time devoted to it in the draft plan. The initiative will nonetheless be more, riskier, work for Transport Focus, and must feature in the plan if to a lesser degree.

The committee was content to be flexible with the Internal Audit plan for next year as nothing can really be resolved until more clarity on the current situation has been achieved. Stakeholder management/engagement as well as appeals complaints process could also be audited next year. AS noted that changes in the Insight team and the ongoing work on SRUS could benefit from an audit. Although the content of the 2017-18 plan was not finalised the fee of £20652 was agreed by the Committee.

AC 1718-220	04/04/17	IA plan for 2017-18	Circulate recommendations to ARARC with updates	JC/AP	Jun 17
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Part D: Risk

1.0 Strategic Risk

AS noted that SRX-001 (being useful) was still an ongoing risk, and was always likely to be. The committee agreed however that SRX-007 could be removed due to the Spending Review 2015 coming to an end.

SRX-008 (redress scheme) is to be revisited once more information regarding the Redress Scheme is available.

SRX-003 (succession planning) was discussed; NH had it in mind to produce the plan for business critical roles when either on leave or are otherwise rendered unavailable. The committee looked forward to reviewing such a plan at its next meeting.

AC 1718-221	04/04/17	Succession plan	Business critical posts only	NH	Jul 17
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2.0 Team Risks: Communications Team

HP joined the meeting to discuss the Communications Team risks. PRX-COM01 (media visibility and credibility) remained within appetite – further media training had recently been completed and the 'grid' (a document that Comms populates when they know something is happening in the coming week/s) is now used to generate Friday's look-ahead report, which is anxiously anticipated across the whole organisation. IL reflected on the use of social media and how we could use this to increase our reach. She also questioned whether the Transport User Panel (TUP) is a communications or an Insight risk; since it requires a fast turnaround time, HP considers it a communications risk.

PRX-COM02 (brand and style) also remained under control although required regular policing.

PRX –COM03 (influencing) The issue of 'bottlenecking' - a problem between the insight and communications team where there was a queue of pending publications - had been largely resolved. Greater tactical coordination between the teams was being achieved.

The stakeholder research results were positive, and the recent stakeholder event had been very well received.

PRX-COM06 Resourcing remained a risk currently given the volume of statutory leave within the team. The transition from current to new arrangements is however currently going smoothly.

3.0 Management Assurance Return 2016-2017

JC provided a brief overview of the report which was well received. It will go into the annual assurance exercise which will help to influence the departmental opinion of Transport Focus. The self-calculating report is completed once a year with most of the data calculated at the 9 month mark then updated in the last 3 months of the year. ML suggested that 3.2.3 (analytical strategy) does not apply to us and we should respond with a 'NA' not a 'No.'. This was agreed.

IL mentioned that section 4.3 (financial control) was scored conservatively but it was agreed it is better to err on the cautious side.

AC 1718-222	04/04/17	Management Assurance Return Review	Update document according to comments made and resubmit	JC	Apr 17
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4.0 Half Yearly Risk Report

ML will send a draft out to the committee before the next board meeting in July

AC 1718-223	04/04/17	Half Yearly Risk Report	Draft to be sent to Chair	JC	Apr 17
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Part E: Governance and Scrutiny

1.0 Annual Review: Outside Interests

Jeff Halliwell is now the chair of the Heathrow Consumer Challenge Board as of January 2017.

IL is considering the Heathrow Consumer Challenge Board as well. She asked if they (board members) needed to describe if the outside interest is remunerated or not; JC responded that that is normal practice, but the amount of remuneration does not need to be disclosed. AS is a member of the CAA's consumer advisory panel, which counts as an outside interest but also needs listing. JH's information will be updated immediately on the website and it was agreed to do another update once the new board member Cllr William Powell starts on 1 May.

AC 1718-224	04/04/17	Outside Interests	To update document according to comments made	MCa	Apr 17
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2.0 Annual Review: Gifts & Hospitality

The committee wondered why the register contained so few entries for AS. This was clearly an oversight. JC reminded the committee that the register was only as good as the entries made on it.

AC 1718-225	04/04/17	G&H	Update declarations AS retrospectively	VK/EG	Apr 17
AC 1718-226	04/04/17	G&H	Annual reminder to be sent out on Connect	MCa	Apr 17

3.0 ARARC Annual Report to Board

The committee agreed the following key points for its annual report to the Board:

- How well the committee is supported by the staff
- Next year's work plan and budget
- Redress scheme from our audit and risk perspective– very carefully articulated
- With regard to the process aspect of our business, we should make reference to the assurance processes that the department are introducing and the extra burden that will come from them
- Increased role re remuneration
- Oversight/scrutiny of the project framework

AC 1718-227	04/04/17	Board Report	Circulate to Committee	ML	May 17
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Part F: Staffing and Remuneration

1.0 Staffing & Remuneration verbal update

NH noted the 2016-17 pay increment will be backdated to the first of April 2016. In 2017 an increase will be due but is unlikely to get paid in April, more likely May or June. Information regarding the annual bonus scheme 2016-2017 for staff performance has been circulated, and the closing date is the 21st of April. The bonus committee members will meet in May and payment will also be made in May.

The staff turnover and profile data report was not yet ready but would be circulated out of meeting. The ARARC meeting was too early in the new quarter to be able to provide data from the previous quarter. Nonetheless, NH reported there are no surprises expected in the report.

AC 1718-228	04/04/17	Remuneration report	Update staffing turnover	NH	Jul 17
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Minutes

Any Other Business

JG will be starting the final audit straight after Easter holiday and it should be finished by July. She reported that the interim audit went well, with work being completed as planned and praised our audit trail. She described a few things they looked at including detailed testing of administrative expenditure, payroll costs, journals (which covered the risk of management override control) and specific risk over additional income. Monthly management accounts are relied upon as a high level control and found to be operating effectively, but it would be more transparent if they were presented on a gross basis, instead of a net basis. NH agreed, and it will be done for March.

AC 1718-229	04/04/17	Management Accounts	Change presentation from net to gross	NH	Apr 17
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There being no other business the meeting closed at 1530.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chair

Date