Minutes

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Audit, Risk Assurance and Remuneration Committee

Date: Tuesday 10 October 2017

Location: Fleetbank House, London, Piccadilly Gate, Manchester and by conference call

Start time: 1330 hrs

Present

Committee Members

Marian Lauder MBE	ML	Chairman
Isabel Liu	IL	Board Member
Bob Linnard	RL	Board Member

Executive in attendance

Anthony Smith	AS	Chief Executive & Accounting Officer
Nigel Holden	NH	Corporate Services Director
Jon Carter	JC	Head of Business Services
Michelle Calvert	MCa	Business Services Executive
Elizabeth Ganak	EG	Business Services Officer/Note Taker

Guests

Amelia Robertson	AR	Audit Principle National Audit Office
Paula Jones	PJ	Engagement Manager National Audit Office
Andrew Paterson	AP	Head of Internal Audit, GIAA
Mike Hewitson	MH	Head of Policy and Issues

Part A: Standing Items

1.0 Chairmans opening remarks

The Chairman welcomed everyone to the meeting. There were no apologies given.

2.0 Minutes from June and July 2017

There were no comments about the June minutes, which the Chairman was authorised to sign; and the minutes from the July meeting were circulated after the meeting.

3.0 Action Matrix

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

1718-221: to be removed from matrix as complete;

1718-231: to be removed from matrix as complete. IL gave a brief overview of the meeting held in Manchester in August, regarding project costings, going over how the finance team built up the costs for each project brief and shaping the use of the categories that Transport Focus uses for project briefs. The meeting had also confirmed the recommended margins (15% on internal costs and 5% on external costs) provided by NH.

Recommendations were made as follows:

- No separate Insight Update report is needed from the insight team now we have a detailed project and Workplan report
- The queue of closed projects awaiting sign-off still needs attention
- A summary report is needed specifically for items that require special attention

1718-235: to be removed from matrix

AC 1718-234	10/10/17	Cyber Security	Provide update about direction and ICT retender	**NH**	**Jan 18**
AC 1718-236	10/10/17	Succession Plan	Provided at next meeting	**NH**	**Jan 18**
AC 1718-238	10/10/17	Performance related pay	Provided at next meeting	**NH**	**Jan 18**

Part B: Finance and statutory reporting

1.0 Q2 finance report

NH began by saying that we were on track for the year regarding funding. There were some minor changes to the budget allocations, not reflected in this report, that had been discussed with budget holders. He continued by saying that the funding allocation for the year from the Rail Delivery Group (RDG), in regard to the passenger disruption project is still awaiting final agreement.

No concerns were raised regarding the Q2 finance report; ML noted that the budget had clearly been managed well in what, accounting-wise, had been a challenging year.

2.0 Income accounting treatment

NH continued by explaining that in the management accounts income is recognised when it is invoiced rather than 'accrued' to match costs. The Annual Accounts, in contrast, account for income on an 'accruals' basis where project income is recognised on a percentage of completion basis.

The risks previously identified, of not correctly invoicing and accounting for income, are now largely mitigated by the use of the sales income log. Therefore it is recommended we change the approach to income recognition in the management accounts to account for on an accruals basis which is consistent with the treatment adopted for our annual accounts.

This was **agreed** by the committee.

3.0 Audit planning report

AR provided the committee with a summary of the report noting that presumed risks (management override controls and fraud in revenue recognition) are always considered significant risks due to management being in a unique position of control. She made the committee aware of a new automated system that is being piloted at the time of this meeting, which will mean the Transport Focus finance team will need to be trained. The NAO has also released a new self-assessment check list; ML said that she has seen it and while it might be postponed, it will be completed.

AR finished by asking the committee if they were aware of any financial statements that could be materially misstated due to fraud, and the committee and officers all said **NO.**

The new fee from the NAO was **agreed**. The full cost of the audit will be £24,000.

Part C: Business performance management and internal audit

1.0 Project management report

IL questioned if two reports (one spreadsheet and one detailed) were needed and that both these reports were currently too large. IL would like to see a more streamlined report which could be altered depending on which group the report is going to.

1.1 Summary report project status

NH said that the report is constantly changing and evolving but provided the finance team the ability to see bottlenecks quicker than before. ML pointed out that the implications of the bottlenecks were key for future learning and that this report would be useful at Members Event meetings.

ML asked about a meeting at the end of September between JC and Anne Kocan in

regards to finalising the paperwork for the Ombudsman project. JC noted a further meeting was planned for later this week. She then asked if there was anything we should be learning from outstanding projects, NH explained that they were outstanding due to awaiting corresponding projects to be completed.

AR asked why the first three projects under 5.1.2 were amber, this is due to the fact that while the work is completed, it is waiting for planned external events to occur and keeping the projects in amber keeps them at the top of the projects list.

AC 1718-239	10/10/17	Project and summary report	Streamlining the information	**NH/AK**	**Jan 18**

2.0 Business planning

In September 2017 the Management team agreed upon the process for the production and delivery of the Workplan 2018-19.This process will be based soundly upon the principles of the Three Year Plan, lessons learned from this year's somewhat extended process, and a process map showing how we are going to get there, starting with the Staff Away Day, planned for next week.

3.0 Internal audit progress report

AP introduced the report, confirming that the fieldwork for the Stakeholder Engagement Audit has been completed, and the draft report will be issued shortly after the exit interview is complete. The Rail Passenger Ombudsman Scheme and Core Controls Audits are scheduled to start in Q3.

ML suggested that the RPOS audit might be done in Q4 to provide more time for planning, but JC thinks having three separate audits running at the same time might not be ideal. The committee discussed the idea of rearranging audits which were planned, and this will be considered.

ML thanked AP for his support and guidance over the course of the year to date.

AC 1718-240	10/10/17	Internal Audit Progress Report	To discuss the audit of the RPOS	**JC/AP**	**Jan 18**

Part D: Risk

1.0 Strategic risks

ML asked how the colour coding decisions were made on the status of a risk. AS explained that it is based on judgement and discussions at Management Team.

She then queried about some numbers in the impact value column and numbers in the target impact value that do not match up. JC assured the committee that this is acceptable. MCa explained that the present impact value column is where our risk is now and the future target impact value is what we want it to be, this is in relation to the risk appetite set by the Board.

IL pointed out that under item 4 it should be unqualified and not qualified.

AC 1718-241	10/10/17	Strategic risks	Explaining summary sheet	**MCa**	**Jan 18**

2.0 Q2 Information Risk Report

MCa noted that there has been a large influx of Freedom of Information Act and Subject Access Requests this quarter. She spoke briefly about the Information Strategy Group meeting, in late September which discussed at length the upcoming General Data Protection Regulation. She suggested putting together a taskforce to help deal with these changes effectively, which was **agreed** by the committee.

ML thanked MCa for her work.

2.1 Risk Assessment by Information Asset Q2 2017-18

This was **noted**.

3.0 Team Risks

3.1 Transport Teams

MH joined the meeting to discuss the Transport Team risks. ML is reassured by the report and thought that the reports were useful for providing visibility to the Board.

IL was concerned that more resources may be needed in the future. MH said that they are building up the franchising plan for next year, and should know by the end of this year if more resources will be available. AS believed that the next year the Board will need to be very focused on resourcing as a risk.

ML noted that cross team working and the new ‘Transport Team’ working arrangements

will soon be firmly established in Transport Focus's working culture and could be removed from the risk register.

3.2 CEO Team

JC mentioned that since the CEO team is currently in the middle of changes to its structure there wasn't much to add on to the report which could be resubmitted in due course.

4.0 Half yearly risk report

ML will complete and circulate this shortly.

AC 1718-242	10/10/17	Half yearly risk register	Send template to ML	**JC**	**Jan 18**

5.0 Annual fraud & bribery risk assessment

JC explained the process of putting this report together, and noted that little had changed from last year. AS asked if there was a link between this assessment and the Gifts and Hospitality register. JC said yes but, as ever, the G&H register was only as complete as the declarations made upon it.

Part E: Governance and scrutiny

1.0 Annual Review: Fraud Policy

NH noted that there were no significant changes from last year.

ML asked that the fraud response plan to be brought to the next meeting.

The committee **reapproved** this policy.

AC 1718-243	10/10/17	Governance and scrutiny	Updating fraud response plan and supplying to the committee	**NH**	**Jan 18**

2.0 Annual Review: Expenses Policy

NH noted that nothing has changed since last year and AS mentioned that the organisations main priority when it comes to the staff it is their safety.

The committee **reapproved** this policy.

3.0 Management Assurance 2017-2018

ML noted that the timeline pieces together nicely with the next review and ARARC meeting. While the report mentions that for smaller Delivery Bodies, questions could be designed around that business, the committee believes that the DfT will still need generic questions answered.

JC spoke about the framework agreement with the DfT, which has been endorsed by the minister and no further changes are needed.

Part F: Staffing and remuneration

1.0 General Update

NH provided a verbal update starting with pay awards which went through in August.

Extra resources and support for various teams in the organisation is being evaluated, and recruitment campaigns for agreed vacancies were about to be launched. He then spoke about changes to both the civil service compensation scheme and civil service defined contribution providers, which will take effect in September 2018.

IL asked about the staff forum meeting held in September, where they mainly discussed the staff bonus scheme. NH said there were also some questions about different job titles and their meaning, along with the remuneration for the various posts.

2.0 Staff absences and profile information

This report showed absences up to the end of June 2017, since the September report was not ready for this meeting. 'Keeping in Touch Days' were discussed, the committee agrees that they are important for members of staff returning from maternity leave.

The committee reviewed the report paying attention to the long term sick absences, and how they are being managed. ML pointed out that the staff turnover rate was higher in the Manchester office than the London office; the committee noted this is due in part to the turnover in the contact team.

There being no other business, the meeting closed at 1530.

Signed as an accurate record of the meeting

Marian Lauder MBE FCMI, Chairman

Date