

# Minutes

## Audit, Risk Assurance and Remuneration Committee

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Date: 09 January 2018  
 Location: Meeting room 2, Fleetbank House, London, EC4Y 8JX  
 Time: 1330-1600

### Present

#### Committee Members

Marian Lauder MBE	ML	Chairman
Isabel Liu	IL	Board Member
Arthur Leathley	AL	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
Shelly van der Nest	SVDN	Business Services Officer/Note Taker

#### Guests

Paula Jones	PJ	Engagement Manager National Audit
Asif Malik	AM	Audit Lead
Andrew Paterson	AP	Head of Internal Audit, GIAA
Ian Wright	IW	Head of Insight

### A Standing items

#### 1 Chair's opening remarks: declaration of interests and apologies

The Chairman welcomed everyone to the meeting. There were no apologies received, and no declarations of interest made.

#### 2 Minutes from previous meeting:

PJ pointed out that Amelia Robertson is the engagement director and not the audit principle. The minutes would be amended accordingly. The Committee approved the minutes and authorised the Chairman to sign them.

#### 3 Action matrix

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

1718-234 (cyber security testing): IT systems will be moved to the cloud during 2018 and testing will be done thereafter. Updated to January 2019.

1718-236 (succession planning): On agenda. Complete delete.

1718-237 (ARARC self-assessment): ML to discuss this with IL. Suggested we wait until we have more stability in membership. Updated to July 2018.

1718-238 (performance related pay): On agenda. Complete delete.

1718-239 (project summary): On agenda. Complete delete.

1718-240: (audit planning): no progress. Updated to April 2018.

1718-241 (clarity of risk report) The report has been adjusted so that it is easier to follow. Complete delete.

1718-242 (half yearly risk report): Complete delete.

1718-243 (fraud response plan): NH to follow-up. Updated to April 2018.

## **B Finance and statutory reporting**

### **1 Quarter 3 finance report**

NH pointed out that this was the end-November report. It reflects changes to the treatment of third party income as previously discussed and agreed. Uncommitted funds on both passenger and road user budgets will be fully committed by the end of the year. The main risks are making sure that we do complete these projects by the end of the year and within the approved budgets.

One minor concern is the lack of progress with getting purchase orders from both RDG and Network Rail. These are necessary for ensuring payment or recording accruals. There is no reason to anticipate that this will be problematic, but NH thought it was worth noting.

ML questioned whether we will incur costs on passenger information during disruption beyond November? NH confirmed only as far as we want to and on the basis that the RDG would cover the costs. As far as net costs by directorate were concerned (page 3) the accounts suggested that more expenditure on some of the central parts of the organisation was planned, which had not been previously anticipated. NH explained that the mid-year review of expenditure had ensured that funds that could not be committed elsewhere had been reallocated. This included, among other things, work in support of the Ombudsman Scheme implementation and preparation for the Cloud IT project.

ML also mentioned that the contact team appeared to be on course to underspend – do they have the resources they need? NH confirmed that they do, but some funding is being resourced via the Ombudsman Scheme project budget.

The Committee **noted** the finance report and thanked NH and SM for the level of detail provided.

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## 2 Annual report and accounts 2017-18 - Governance statement

NH introduced the statement. It has only been slightly updated since last year and still awaits the final opinion of internal audit before it can be considered complete.

ML reminded the Committee that last year PJ gave advice on best practice elsewhere, whereby a more detailed narrative is provided on actual risks and what is being done to address them. Currently, the statement deals with reputational risk (which is not wrong) but there is a greater story to tell. The Committee **agreed** this would be useful.

## 3 NAO audit planning report

PJ confirmed there were no changes to the report discussed previously.

<b>AC 1718-244</b>	09/01/18	Governance statement	Update with more detailed narrative on strategic risks	<b>JC/MCa</b>	<b>Apr 18</b>
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## C Business performance management and internal audit

### 1 Project management reports

The reports consist of two parts, the summary report and the table which shows the record of projects. The road user survey remained at amber because of the timescales involved for project delivery. On page seven of the summary report, item 5.4 has been introduced, which identifies projects due for publication. These will be the final reports of this nature to be produced by Ann Kocan as ownership will be transferred to Andrew Rowen.

ML noted there was a distinct improvement over the last couple of times we looked at this in terms of closing projects.

NH informed the Committee that management team are proposing to amend the process of the review stage to ensure project reviews are properly considered and feedback goes back to the various teams. The idea is to create a group of middle managers (this group is provisionally entitled the Continuous Improvement Panel) to look at issues within the project framework in particular and what we can do to improve other things in general. Project reviews and lessons learned will in future be escalated to management team by exception. JC confirmed that it was hoped the group would start functioning soon. We have spent 2/3 months looking at how the management team functions. It needs to become more strategically focused. Terms of reference of the new panel will be shared with the board in March as part of the annual review of governance arrangements, but JC would provide the Committee with an early draft.

IL believed this was a good idea, pushing down the responsibility to cross team peer reviews and providing an executive summary to the management team. AS agreed it was sensible to do this; it gives other staff more responsibility and enables them to participate in our decision making process. ML mentioned if there was anything that the committee could do to help in their new role, they would be very happy to do that.

IL noticed that the underlying project workbooks have improved ML thinks we should keep a watch on the project list over the next year and make sure it is still giving us what we want to get from it. We need to be sure that we are getting value from it. IL noticed that Ann Kocan has routinely been logging when chasing after someone and adding more columns in terms of how some of the initial cost estimates might change. She suggested some of the columns could be eliminated when printing out to improve readability. JC suggested that IL discuss this directly with AK

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## 2 **Business plan: progress and indicative budget**

NH provided an update on the indicative budget for 2018-19. The budget for passenger representation did not provide sufficient funding for non-tracker survey research, whereas road user representation did. The new SRUS was provided for and the money from Network Rail regarding the route supervisory boards had been agreed in principle.

NH had assumed a 2% pay increase for the coming year; in fact it was more likely to be 1% which would free up some money for passenger research. In respect of variable overheads, it was felt that we may have overestimated costs in previous years but we are looking to make real savings in these areas in the coming year. AS mentioned that we must do a lot more with the key products that we are committed to, as next year we must do more with less. NH confirmed the work plan will be discussed again with the board in February and presented for final approval in March.

## 3 **Internal audit progress report**

AP informed the committee that despite the GIAA's best efforts, it had been impossible to find or recover the outputs of the stakeholder audit conducted in September. The auditor concerned had left the Agency as expected but without leaving her work behind her. It was necessary therefore to repeat the audit with a new auditor, who was already lined up to undertake both this and the core controls audit. ML spoke for the Committee when she commented that this placed an unacceptable burden on staff involved and represented something of a breakdown in the Agency's processes. AP apologised and confirmed that the stakeholder audit would be repeated at no cost to Transport Focus.

The committee discussed and **agreed** moving the internal audit for the Ombudsman Scheme to be moved to the first quarter of next year. JC and AP would confer on the terms of reference for this and the business planning audit.

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## 4 Rolling IA action log

The committee **agreed** to close down the actions from the triennial review as the DfT had shown little interest in pursuing them. JC agreed to write to DfT accordingly.

## 5 Draft IA plan next year

The committee discussed and **agreed** a draft internal audit plan for 2018-19 based on AP's recommendations to include:

- Rail passenger ombudsman scheme
- GDPR
- Cyber security
- Core controls to be confirmed

The updated risk strategy and its operational effectiveness would be kept on the reserve list.

## 6 Annual DfT Management Assurance return

ML reminded the Committee that the DfT management assurance process specifically requires the Committee to have a look at the return at this point. JC commented that the updated format of the return was something of a disappointment as it was much less useful than last year's. There are references to codes and procedures which do not apply to us and procedures and policies which we don't recognise or need to have. ML mentioned it would no doubt be more work to produce a bespoke version than to work through this one, but she would mention it at the upcoming Audit Committee Chair's Forum. AS also mentioned that we have the permanent secretary coming to a member's event on 16 April.

Subject to some minor revisions and completions, the Committee **agreed** the return should be submitted to DfT. JC would circulate the final version. It was hoped everyone would be able to read it.

<b>AC 1718-245</b>	09/01/18	CIP terms of reference	Share with Committee	<b>JC</b>	<b>Jan 18</b>
<b>AC 1718-246</b>	09/01/18	Record of projects	IL and AK to discuss which columns might be removed	<b>JC</b>	<b>Apr 18</b>
<b>AC 1718-247</b>	09/01/18	Triennial review	Write to DfT confirming all actions have now been closed.	<b>JC</b>	<b>Feb 18</b>
<b>AC 1718-248</b>	09/01/18	MA return	Circulate final version to committee	<b>JC</b>	<b>Feb 18</b>

## D Risk

### 1 Strategic risks

AS noted that we continue to refine and improve the strategic risk register. We have recently updated the risk statuses and it is becoming increasingly more useful.

AP observed a new approach in risk mitigation - JC confirmed this was indeed the case. It is important for us to see the risk not in its purest form, but where it was now and how it could be aligned with risk appetite.

The Committee **noted** the updated strategic risk register.

### 2 Q3 Information risk report

JC introduced his report which included the updated risk assessment of information assets. It had been a busy quarter in terms of freedom of information act compliance; the report had been drafted in December and a lot of the cases will now be closed. At the last information strategy group meeting we had decided to create a GDPR Task Force to ensure we were ready for the implementation date of 29 May 2018. The Committee **noted** the report.

### 3 Team risk: Insight Team

IW joined the meeting and reported that the team were in a reasonably steady state at the moment on most of the identified risks. . The independent / credibility risk has been on the report for some time and has been reasonably stable. It is sensible to keep it on, as there is more competition in the transport data / research sector than ever, and fresh thinking periodically is essential. With regard to the resourcing issue, they are very busy at the moment but they have some stability here too – some team members currently on fixed term contracts and a couple of people that are on contract are being made permanent. IW mentioned that GDPR is an important issue for them even though it is managed elsewhere. The online panel was working well, and they have made good use of freelancers where necessary to support the projects for which the panel is used.

ML thanked IW for his contribution and **noted** the Insight team risk register.

## E Governance and scrutiny

### 1 Annual review: agenda cycle

PJ observed that it would be helpful to have the June (AR&A) meeting of the committee pencilled in now there was more certainty over completing audit fieldwork, and the APR could be moved to October. JC would make these changes.

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## 2 **Annual review: conduct**

ML confirmed that a lot of work was done on this last year, and was up to date. The link in paragraph 1.5 (to the framework document) to be updated, but otherwise the Committee believed the Code remained fit for purpose.

## 3 **Annual review: terms of reference**

The Committee reviewed its terms of reference and **agreed** they remained fit for purpose.

ML thanked the Committee's guests for their contribution to the meeting, and confirmed that from this point the Committee would move on to discussing issues of staffing and remuneration.

## **F Staffing and remuneration**

### 1 **Staff absence report – Q3**

NH pointed out the long term sick absence was high in certain teams, but by no means a cross-organisational problem. Two people that are currently on long term sick absence are now on a phased return to work plan. ML wondered if the contact team is suffering as a result of a particularly heavy workload and this might be leading to health issues. NH confirmed the team was busy but in these cases the issues did not appear to work related.

The committee welcomed the statistical information within the report which surely represented very good practice in comparison to other organisations.

### 2 **Pay remit 2018 update/approval**

NH presented his prospective paper for the 2018/19 pay round, as guidance was not yet available from HMT or DfT. There is no indication when this will be available. NH proposed, and the Committee **agreed**, that he would make the submission in line with the guidelines when issued.

### 3 **PRP scheme approval**

NH introduced the proposed PRP arrangements for the 2018-19 which the Committee **endorsed**. IL wondered whether we would use up the full amount set aside for the spot awards; NH replied that this was unlikely, but whatever didn't get used would be put towards the annual awards.

### 4 **HR Update :**

#### • **Contingency succession plan update**

NH set out the contingency plan which attempted to set out reasonable solutions to unforeseen circumstances rather than be a development led succession plan. Further work would be necessary to make it a 'living' plan over the coming year.

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AS proposed, and the Committee agreed, that the role of Senior Stakeholder manager – Franchising should be included as a business critical post. The Committee welcomed the development of the plan and asked that it was included on the cyclical plan for returning to the Committee annually.

- **Equalities and diversity training update**

NH confirmed that the mandatory training was now complete across the organisation. ML wondered if any staff had expressed any concerns regarding the unconscious bias training; NH said yes, but in respect of the structure rather than the content. The Committee **noted** the update.

<b>AC 1718-249</b>	09/01/18	Contingency Succession Plan	Include Senior Stakeholder Manager -Franchising on list of business critical posts.	<b>JC</b>	<b>Feb 18</b>
<b>AC 1718-250</b>	09/01/18	Contingency Succession Plan	Add to cyclical plan	<b>JC</b>	<b>Feb 18</b>
<b>AC 17-18-251</b>	09/01/18	Agenda Cycle	Include June Meeting Date	<b>JC</b>	<b>Apr 18</b>

## **G Any other business**

There being no other business the meeting closed at 16:00.

Signed as an accurate record of the meeting.

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Marian Lauder MBE FCM, Chairman

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Date

**Next scheduled meeting: 17 April 2018**