

AUDIT & RISK COMMITTEE REPORT

ANNUAL REPORT 2010/11

Report agreed by the Committee for submission to the Board on 28 June 2011.

- 1 The Audit & Risk Committee has delegated responsibility for audit and risk matters at Consumer Focus on behalf of the Board. The Committee Chair reports to the Board after each meeting and minutes are submitted formally to the Board.
- 2 Committee members are Sharon Darcy, Committee Chair (from December 2010), Sukhvinder Kaur Stubbs, Dame Suzi Leather and Roger Darlington, all of whom are non-executive Consumer Focus Board members. Christine Farnish served as Committee Chair until her appointment as Consumer Focus Board Chair, effective from December 2010 when she stood down from the Committee. Roger Darlington joined the Committee in January 2011; he immediately undertook induction training with both the NAO and National School of Government and became fully immersed in the work of the Committee.
- 3 The Accounting Officer for the 1 April 2010 to 31 March 2011 was Mike O'Connor, the Consumer Focus Chief Executive.
- 4 The Chief Executive, Finance and Operations Director and Head of Finance normally attend meetings together with internal audit (Tribal Business Systems), external audit (NAO) and an observer from BIS. Secretariat support is provided by the Consumer Focus Secretariat.
- 5 The Committee met six times in 2010-11 and considered internal audit reports on:
 - Strategic planning arrangements - substantial assurance given
 - Business significant risks monitoring - reasonable assurance given
 - Programme and project management Phase 1 - reasonable assurance given
 - ICT data assurance arrangements - reasonable assurance given
 - Main financial systems: substantial assurance given

Other audit work originally planned for the year was revised, deferred or deleted as a result of the actual and likely impacts on Consumer Focus of the government's announcement in October 2010 of its intentions in respect of a Public Bodies Bill.
- 6 The appointment in the previous financial year of a new Chief Executive, Finance and Operations Director and Head of Finance had provided strong focus and direction. The Committee welcomed the significant improvement in operations during the year which ensured that systems and processes were increasingly robust and key controls effective. The Committee also had to press, however, for the timely completion of internal audit work from the organisation and the internal auditors as the demands on diminishing resources increased.
- 7 The extreme uncertainty of the situation which Consumer Focus now finds itself in, together with the loss of financial and staff resources has hugely increased the pressure on staff and the level and complexity of risks for the organisation as it moves towards transition and closure.

- 8 The strategic risk register now comprises sections for both transition and business as usual risks. Following the October 2010 announcement, risk levels soared and many have remained at the highest level since then, primarily as uncertainty and external determinants continue to give the organisation little scope to mitigate the risks. The Committee has repeatedly asked that a coordinated risk register for the transition project be kept by BIS. This has not yet been shared with Consumer Focus, making risk management even more challenging. The Committee reviews the Consumer Focus risks at every meeting and reports to the Board, always in the form of minutes and, additionally, by raising matters of particular concern and significance.
- 9 The Committee asked that the role of internal audit going forward be reviewed. It was subsequently agreed between Consumer Focus and Tribal Business Assurance that in the new circumstances the emphasis of internal audit would shift from predominantly business as usual and governance work to focus more on strategic governance, transition and closure issues. The Committee continues to seek rigour and challenge from the internal and external auditors and welcomes the open and constructive dialogue which takes place. The Committee believes that through this work it is able to take a fair and measured view of the quality of financial and other systems of control within Consumer Focus.
- 10 2010/11 was only the second full year of Consumer Focus's operation and unfolding events have been traumatic and challenging. The Committee has provided the oversight and direction in testing and reviewing the reliability and integrity of audit assurances and the assessment and management of strategic risks. Additionally, the Committee has directed the re-shaping of the internal audit function and the management and mitigation of risk. The Committee has worked constructively with all concerned, welcomes excellent work done in difficult circumstances and is focussing strongly on the extreme challenges ahead.
- 11 In 2010 the Committee reviewed its performance internally, basing the review on the NAO Self Assessment check list for Audit Committees and taking feedback from Board members, the Executive and internal and external auditors. The Committee had already determined to review its Terms of Reference and now did this in the light of Consumer Focus's new circumstances: this led to the addition of specific objectives for the year aligned to transition and closure issues. The Audit & Risk Committee and the Human Resources and Remuneration Committee agreed to coordinate their work in relation to the closure of Consumer Focus. The terms of reference, modelled on the *Cabinet Office Guidance on Codes of Practice for members of Public Bodies – Audit Committees*, were agreed by the Board in June 2010 and the additional objectives agreed in January 2011.
- 12 Looking forward, the Committee is increasingly concerned about the task ahead given the lack of clarity on what is to be transferred, when and with what budget and the complexity associated with a potentially multi-stage closure. The Committee will continue to follow best practice and seek expert inputs in order to mitigate risk. To this end, the Committee has made approaches to BIS and will continue to seek advice from the BIS Head of Internal Audit and the NAO. The Committee will oversee work on implementation by Consumer Focus of a closure checklist, based on the *BIS Checklist for closure of a partner organisation*. The coming period will be one of significant concern, challenge and risk.