

CONSUMER FOCUS AUDIT & RISK COMMITTEE MEETING No. 21

**Draft minutes of the meeting held on 7 December 2010, 2.30-4.15pm
at Artillery House, Artillery Row, Westminster, London SW1P 1RT**

Present:

Sharon Darcy	(SD)	Consumer Focus Board member
Sukhvinder Kaur Stubbs	(SKS)	Consumer Focus Board member (from item 4)
Dame Suzi Leather	(SL)	Consumer Focus Board member

In attendance:

Mike O'Connor	(MO'C)	Chief Executive, Consumer Focus
Graham Clark	(GC)	Director of Finance and Operations
Stephen Jones	(SJ)	Head of Finance
Susannah Hughes	(SH)	Head of Secretariat
Andrew Caddies	(AC)	Audit Manager, National Audit Office (NAO)
Steve Lake	(SLa)	Tribal Business Assurance
Ian Sharp	(IS)	Tribal Business Assurance (Head of Internal Audit)

Observers:

Adam Richards	(AR)	BIS
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1 WELCOME AND APOLOGIES

1.1 Sukhvinder Kaur Stubbs had been slightly delayed and had sent her apologies for late arrival. Sharon Darcy welcomed attendees and opened the meeting.

2 DECLARATIONS OF RELEVANT INTERESTS

2.1 No interests were declared.

2.2 AUDIT & RISK COMMITTEE

Committee Chair

2.2.1 Christine Farnish took up the role of Chair, Consumer Focus, with effect from 1 December 2010. To avoid any conflict of interest, Christine had stepped down from her role as Chair, and member, of the Audit & Risk Committee with immediate effect; Christine and Lord Whitty had asked Sharon Darcy to stand in as Chair.

2.2.2 The Committee **AGREED** that Sharon Darcy should take up the role of Chair, Audit & Risk Committee with immediate effect.

Committee Membership

2.2.3 The Committee was concerned that a reduced membership to three people increased the risk of meetings not being quorate and left individuals vulnerable. Members discussed the desirability of seeking an additional member either externally or from amongst the Consumer Focus Board and considered that Roger Darlington would bring further rigour and challenge to the work of the Committee.

- 2.2.4 The Committee **AGREED** that the Committee Chair invite Roger Darlington to join the Audit & Risk Committee.

3 APPROVAL OF MINUTES

- 3.1 No amendments were proposed and the Committee **APPROVED** the minutes of the meeting held on 12 October 2010.

4 MATTERS ARISING AND OUTSTANDING ACTIONS

- 4.1 **Meetings with auditors:** Meetings had taken place with NAO and further meetings with external and internal auditors would take place as needed (see item 8 below)
- 4.2 **Audit & Risk and HR Committees:** Sharon Darcy and Enid Rowlands had spoken about the two Committees coordinating their work and they had agreed to meet early in the new year to progress this.

Action: Chairs, Audit & Risk Committee and HR Committee

- 4.3 **Recruitment freeze:** The freeze continued to apply across government and was causing extreme pressure in some key Consumer Focus work areas. While individual business cases could be made, the process was rigid and protracted. A case for a post in Scotland was currently within the Civil Service Gateway and it was hoped that candidates would be forthcoming. The Scottish Minister had both written to the BIS Minister, who was considering the matter, and indicated that she was minded to direct the Chief Executive to appoint; however, the Chief Executive could not take such direction as his accountability was to Westminster.
- 4.4 The Committee **NOTED** the Audit & Risk Committee Actions Log follow up status as at 30 November 2010.

5 UPDATE ON CONSUMER FOCUS POSITION AND IMPLICATIONS FOR THE AUDIT & RISK COMMITTEE (incorporates discussion on budget reduction process)

- 5.1 Consumer Focus Wales had been developing an alternative model, which had inadvertently been sent to the Minister, Ed Davey, from a Welsh Assembly government member. Consumer Focus Scotland was in discussion with the Scottish government, who had set up a Committee to consider the consumer landscape in Scotland. At the Board meeting following the announcement of the Public Bodies Reform Bill, the Board was clear that it would not challenge the destination, but the route to achieving it had to be worked through. The Chief Executive was preparing a paper for the Board meeting to be held on 16 December. This would seek Board direction on which options, including the Wales and Scotland propositions, should be pursued and which not and it was recognised that a coherent plan was needed across the whole of Consumer Focus. Looking externally, a further possibility was that if organisations such as CC Water and Passenger Focus were to go to Citizens Advice in two years' time, they might 'huddle together' now within Consumer Focus, in a model co-designed with Citizens Advice which would transfer to them in due time.
- 5.2 Discussions between Consumer Focus with Citizens Advice to date had been minimal as Citizens Advice were engaged on due diligence, but the two Chief Executives were scheduled to meet the following day.

- 5.3 Consumer Focus budget information from BIS was imminent, the likelihood being a significant cut for BIS work, with energy and post budgets being flat. Adam Richards assured the Committee that BIS was working hard to clarify the position for 2011/12 and beyond, and would advise as quickly as possible. The current projected timescale for closure was April 2012 at the earliest and April 2013 at the latest. The Chief Executive confirmed that he was preparing a paper for the December Board seeking guidance on the principles to be considered in the budget planning process. These principles would be critical to steering an equitable and unbiased course through challenging times, in which it would be difficult to sustain critical functions.
- 5.4 There was a risk that moving through transition and closure to steady state for Citizens Advice might mean a considerable hiatus before effective consumer protection was in place. It was important to extrapolate what the less tangible losses might be so they could be mitigated as far as possible. It was expected that such potential losses would be identified through the BIS consultation period, which was scheduled to commence in March/April 2011.
- 5.5 The position on TUPE was uncertain as, despite contrary arrangements in other similar organisations, a 2010 court case ruled that TUPE had no standing in such circumstances. The Committee emphasised the duty that Consumer Focus had to its staff, who must receive accurate information as quickly as possible. The Committee agreed that BIS lawyers must be asked to agree the TUPE position and inform Consumer Focus as a matter of urgency.

Action: Chief Executive / Director of Finance and Operations

- 5.6 The BIS inaugural meeting on implementing the changes across the consumer landscape was scheduled for 9 December.
- 5.7 The Chair thanked the Chief Executive for his update and offered him and the SMT whatever support they needed from the Committee.

6 RISK REGISTER

- 6.1 The risk register had been updated following the government announcement on public bodies. The Committee recognised that as the current position was challenging and fluid, the risks were subject to constant review and revision. In respect of the current version of the register, the Committee **AGREED:**

Consumer Focus Risk Register

- CF19 Abolition of Consumer Focus: amend for effect on consumer protection
- CF19/ 20 Closure programme: consider from stakeholder point of view
- CF16 Staffing: add TUPE
- Add clarity on Plan Bs
- Need to see departmental risk registers
- If hoping to ‘huddle’ regulated industries, add relationships with other bodies
- Add any further post Board meeting risks
- Mitigating actions: include transfer of skills and knowledge; seek more clarity on roles and responsibilities of bodies during/after transition
- Separate out transition and other work risks

- Seek to establish a coordinating risk register with Citizens Advice as soon as possible

BIS Risk Register

- Seek to ensure that BIS hold wider project risk register and that different parties share registers to avoid loss or duplication of functions.

Actions: Chief Executive and Director of Finance and Operations

7 EXTERNAL AUDIT

- 7.1 Andrew Caddies spoke to the draft NAO audit plan for 2010/11, explaining that this was a living document in view of the current uncertainty. Accounts would be produced on an ongoing concern basis as the will of Parliament could not be pre-empted. Full disclosure of the uncertainty would be made in the accounts and material impact of transition costs and links would be quantified.
- 7.2 The Committee **NOTED** the NAO Consumer Focus Audit Planning Report for 2010/11.

8 INTERNAL AUDIT

- 8.1 The Committee expressed concern that members did not receive internal audit papers in advance of the meeting as they had only been emailed the previous evening, and stressed the importance of getting papers and reports out in a timely fashion.
- 8.2 The Committee **NOTED** the internal audit follow up log as at 6 December 2010.
- 8.3 The Director of Finance and Operations indicated a number of changes to the internal audit plan in the light of changed circumstances, including deferring some contingency days and bringing forward the NSMC audit. Within Consumer Focus, work was progressing to establish NSMC as a Community Interest Company (CIC) from 31 March 2011, when DoH funding ceased: the particular risks were to the viability of the new organisation in its first year of operation. Andrew Caddies said that if NSMC became limited by guarantee, the Treasury would have to appoint the Comptroller and Auditor General for the accounts. The Committee asked that a note on the governance arrangements be prepared for the next meeting. The Committee also asked that a further meeting take place with internal auditors and a revised annual plan be brought to the meeting in March 2011.

Actions: Chief Executive and Director of Finance and Operations

- 8.4 The Director of Finance and Operations advised that the contract with the internal auditor had been for 180 days' work over 3 years and that Tribal had been very flexible in revising the work programme.
- 8.5 In reply to a question about fees and the internal/external audit relationship, Andrew Caddies explained that the NAO applied international audit standards and that savings from placing reliance on internal audit were limited. He said NAO prices compared well with the private sector and the Consumer Focus fee had been reduced from the previous year. Ian Sharp said that Tribal's charges were very competitive and based on day rates: it was for the Committee to determine what work should be done and what assurance was needed.
- 8.6 **Internal Audit Report: Programme and project management Phase 1**
The Committee was disappointed that the report, which had only been mailed to

them the previous evening, had not yet been cleared despite having been carried over from September; the Committee was, therefore, unable to discuss the report. The Chief Executive apologised for the late receipt of papers, explaining that the events of the past two months created significant and ongoing stretch and that compliance functions would have to be protected. The report would be discussed at the next meeting and the Director of Finance and Operations advised that there were no significant issues identified in the draft.

8.7 **Internal Audit Report: Business significant risks monitoring**

This report was also a draft, which had been issued by the internal auditor on 6 December: it, too, would be added to the agenda for the next meeting.

Action: Head of Secretariat

9 **AUDIT AND RISK COMMITTEE - Self assessment**

9.1 The Chair invited first impressions from those in attendance at the meeting, and invited people to send her feedback separately if desired. Ian Sharp said that internal auditors did feel they were challenged robustly by a knowledgeable Committee. Andrew Caddies had only attended the last two meetings which were largely concerned with the implications of the Public Bodies Bill announcements, but he encouraged the Committee to continue to challenge NAO, internal auditors and the Executive robustly. The Chief Executive said management felt challenged by a rigorous and worthwhile process; he and the Director of Finance and Operations agreed the importance of dovetailing work to ensure rigour and avoid duplication between the Committees and the Board. The Head of Secretariat felt the Committee worked well on appropriate governance issues; documentation and support to the Committee was better but could improve further.

9.2 The Chair had spoken with a number of Board members, who had indicated that there was real potential for the Committee to be more pro-active in the new circumstances Consumer Focus found itself in. The Committee Terms of Reference had been revised by the Committee and approved by the Board in 2010 and would not be re-visited: however, it was now appropriate for the Committee to have new objectives.

9.3 The Committee **AGREED** that the Chair and Director of Finance and Operations draft objectives for the Committee for the next 2 years and that these be brought to the next meeting.

Action: Committee Chair and Director of Finance and Operations

9.4 **2011 Committee dates**

The revised dates for 2011 were:

27 January 2.30 – 4pm (apologies received from Dame Suzi Leather)

22 March 2.30 – 4pm

1 June 2.30 – 4.00pm (apologies received from Sukhvinder Kaur Stubbs)

27 June – before Board meeting, timings to be confirmed

12 October 2.30 – 4pm

10 **ANY OTHER BUSINESS**

There was no other business. The Chair thanked all attendees and the meeting closed at 4.15pm

11 DATE OF NEXT MEETING

Thursday 27 January 2010, 2.30-4.00pm, Artillery House

Signatories

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Chair, Audit and Risk Committee

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Date

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Chief Executive, Consumer Focus

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Date

ANNEX TO MINUTES: ACTION POINTS

Minute	Action	Owner	Timing	Status
2.2.4	Committee membership: Committee Chair to invite Roger Darlington to join the Committee	Chair	December	Roger Darlington has agreed to join A&RC
4.2	Audit & Risk/ HR: Committee Chairs to discuss coordinating work of the two Committees	Chair, A&RC / HRC	January 2011	Discussions taken place
5.5	TUPE: Seek confirmation from BIS lawyers on TUPE position as it would apply to Consumer Focus employees	CEO/ Dir Fin & Ops	asap	ongoing
6.1	Risk Register: <ul style="list-style-type: none"> • Update Consumer Focus risk register as indicated • Seek to coordinating joint Consumer Focus/Citizens Advice risk register • Seek to ensure that BIS hold wider project risk register 	CEO/ Dir Fin & Ops	December on	Done Ongoing
8	Internal audit: <ul style="list-style-type: none"> • Note on NSMC governance arrangements to next meeting • Meet internal audit and bring revised plan to March meeting • Reports on Programme and project management and Business significant risks monitoring to next meeting • Ensure timely submission of reports 	Executive	January March January Ongoing	Done Scheduled To January ARC
9.3	Audit & Risk Committee objectives: draft revised objectives and bring to next meeting	Cttee Chair / Dir Fin & Ops	January	Done and agreed