



UK Government
Investments

Company No. 9774296

UK Government Investments Limited

(the “Company”)

27-28 Eastcastle Street, London W1W 8DH

Agenda for a meeting of the Audit and Risk Committee

held at

Room 4K, 1 Victoria Street, London, SW1H 0ET

On 19 May 2016 at 2.30 p.m.

Present: Jane Guyett (in the Chair)
Robin Lawther

In attendance: Robert Swannell
James Leigh-Pemberton
Mark Russell
Nike Kojakovic
Rachel Mortimer
Simon Palley
Dominic Hastings
Jeremy Ankers

1. **Declarations of interest**
2. **Minutes from previous meetings (27th January 2016)**

Items for discussion and approval

3. UKGI approach to risk management (**UKGI-ARC-5**)
4. NAO – Audit Planning Report (**UKGI-ARC-6, 6a**)
Amy Manning and Peter Morland to attend from NAO.
5. GIAA – Audit Planning Report (**UKGI-ARC-7, 7a**)
Neil Chapman to attend from GIAA.

Items for information

6. GIAA report on Knowledge and Information Management in the Shareholder Executive (**UKGI-ARC-8, 8a**)



UK Government
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**UK Government Investments Limited
(the "Company")**

27-28 Eastcastle Street, London W1W 8DH

Minutes of a meeting of the Audit and Risk Committee held at

1 Victoria Street, London, SW1H 0ET

On 27th January 2016 at 14:00

Present: Jane Guyett (in the Chair)
Robin Lawther
Mark Russell
James Leigh-Pemberton
Robert Swannell

Apologies: None

In attendance:
Rachel James
Nike Kojakovic
Jeremy Ankers
Dominic Hastings
Shanta Halai
Peter Moreland (NAO)
Amy Manning (NAO)

1. Directors Designate

The Directors formally approved the approach of the meeting taking place on the basis of them being Directors designate. This is recorded in the minutes of the Board meeting which took place at 15:00 on 27th January 2016.

2. Declarations of interest

Each Director of the Company who had an interest under sections 177 and/or 182 of the Companies Act 2006 declared such an interest and it was noted that, in accordance with article 7 of the Company's Articles of Association, each such Director was entitled to vote in respect of

any proposed matter in which he was interested and that each such Director was entitled to be (and was) taken into account in ascertaining whether a quorum was present.

3. Items for approval

3.1. UKGI Audit and Risk Committee Terms of Reference

The Committee approved its proposed Terms of Reference.

4. Items for discussion

4.1. National Audit Office (NAO) introduction

The NAO team introduced themselves to the Committee and gave a presentation on their proposed approach to the audit of UKGI.

The NAO took the Committee through the audit process, summarised below.

- The UKGI Board are required to approve the NAO as external auditors, following which a formal request will be submitted to the Comptroller and Auditor General (the head of the NAO);
- The NAO will then issue a letter of engagement setting out the scope and respective responsibilities;
- An audit planning report will be set out by the NAO to begin the audit cycle which will be presented to the Committee;
- The final audit will take place in the form of an onsite visit, likely to be at the same time as UK Financial Investment's audit;
- An audit completion report will be prepared for the Committee's consideration at the May committee meeting;
- The board to approve the final annual report and accounts in June, and a director to sign the balance sheet on behalf of the board;
- The NAO to sign the accounts;
- Accounts to be authorised for publication.

In terms of the substance of the audit, the NAO must, as is standard, form an opinion as to whether the accounts give a true and fair view of the organisation's financial position. The key aspect which is specific to government is 'regularity', which can be summarised as a test of whether transactions are in line with the spirit of Parliament's intention. The NAO provided reassurance to the Committee that no conflict would be envisaged between regularity and the fiduciary duties of UKGI directors.

The Committee noted that the FY15/16 accounts will be small and compact, although the front end of the report could be substantial.

The NAO highlighted that the key areas that they were likely to focus on would be:

- the functioning of the committees of the Board
- the operational governance for the UKGI finance function
- UKGI's ability to continue as a going concern

The Committee asked the NAO what interaction would take place between financial and value for money audit work. The Committee noted it would be useful to keep the NAO updated on significant asset sales within UKGI, with a view to best informing subsequent NAO evaluations.

4.2. **UKGI approach to risk management**

The ShEx Risk Management team presented a proposal for the UKGI approach to risk management. Key objectives for the approach are to ensure that the escalation route is clear and that the right documents are escalated.

The proposed approach would involve two risk registers (operational / strategic, and project) with quarterly sign-off by the Committee. At executive level, it is proposed that existing ShEx and UKFI processes will remain in place. The Committee agreed that Jane Guyett would attend future ShEx Risk & Assurance Committee meetings to better understand the ShEx process, which will be continued in UKGI [**ACTION**].

The Committee emphasised that the approach to risk management must be consistent across UKGI. The process must be systematic and minimise judgment calls to ensure such consistency. The process must also be clear to allow the Committee to be assured. The Committee asked the ShEx Risk Management team to consider the points raised and document a process to meet these requirements [**ACTION**]. The NAO suggested that the issue of risk appetite must also be considered, and that risk appetite should be uniform between the Board, the executive and customers.

The Committee commented that the heat map included in the risk registers was useful in identifying whether the correct projects were scrutinised.

4.3. **Internal audit update - KIM**

The Committee noted an update on the knowledge and information (KM) project in progress in ShEx. An internal audit is underway of ShEx KIM – the Committee will be provided with a copy of the report [**ACTION**].

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Chair of the meeting



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Paper for the Audit & Risk Committee

Topic: UKGI approach to risk management

Date: 12 May 2016

Author: Dominic Hastings

Ref: UKGI-ARC-5

Category: Paper circulated for discussion and approval

Summary of Risk reporting process for UKGI

Background

In January 2016, the UKGI ARC broadly adopted a proposal for risk reporting to it once UKGI has “gone live” from 1st April 2016. This was:

- ARC will receive two quarterly risk registers being RR1: UKGI combined operational & strategic risk register covering: , people, UKGI transition, IT & infrastructure and UKGI objectives reputational/relationship risks; and RR2: UKGI asset sales, corporate finance and governance risk register;
- ARC would consider (and sign-off) on an annual basis the full ShEx risk register, with any supporting project or asset level risk registers as needed in this regard.
- On a quarterly basis, ARC would consider those ShEx projects or assets which are either moving from, or moving to, a red RAG rating versus the previous quarters risk register with a written summary supporting the change in rating; and
- ShEx and UKFI will maintain existing processes (risk committees) and risk register reporting frameworks at the ShEx/UKFI level.

However ARC wanted to see elements of the proposal for UKGI risk to go further. This was principally to address the following points made:

- How ARC could be sighted (and execute its responsibilities) to be satisfied on the consistency of risk reporting across UKGI;
- How members of ARC can be more integrated in to the functioning of the operational risk committees; and

- Consider the applicability and value-add of a “risk appetite” statement for UKGI.

Summary of current ShEx Risk process

The current ShEx risk and assurance process has been established for over 4 years. There are currently 35 risk registers which are maintained and updated on a monthly basis.

In establishing the current ShEx risk processes (Risk & Assurance Committee and structure of risk registers), the team consulted heavily across government and industry on best practice and requirements. It was clear that there was no “one fit” example, due to the complexity of ShEx activities, its position as a directorate of BIS and the nature of risks it faces. See annex C for the monthly cycle for the ShEx process.

Risk reporting.

A new project/asset comes into ShEx. The project lead conducts an analysis of the risks to UKGI with guidance from the Risk and Assurance team. They produce a Risk Register for the project which is made up of three elements (overall ratings, heatmap and individual risks) and includes details of the following:

- a) An overview of the project/asset;
- b) Overall (RAG) Red Amber Green rating that reflects the overall view of the different risks faced by the project/asset alongside a brief rationale;
- c) Reputational risk to ShEx (High, medium or low);
- d) A list of associated risks, including overview, impact, type, mitigation, probability/impact;
- e) A heat map which is a graphical representation of the top risks in order to compare with other projects/assets.

ShEx has adopted and tailored the BIS assessment method for each individual risk. (See annex A). The categories used by ShEx to assess are: Financial, Strategic, Operational, People, Reputational, Legal and Information. (See attached guidance (Annexe B) which sets out the criteria on which to make an assessment)

Each risk is assessed as to its likelihood of it happening (1-5 - 1 being low and 5 being high) and the effect of the impact should it happen (1-5 - 1 being low and 5 being high). A further rating assessment is done to assess the risk assessment following any mitigation action being taken to reduce the probability and impact.

Risk Reviewers review the risk registers allocated to them. Presently Risk Reviewers only review the individual registers for consistency with narrative and ratings. Each risk register is updated monthly and fed into a summary for the ShEx ExCo (and sent to the UKGI Board members for information only). Any specific comments from ExCo on any particular project/asset are fed back to the related teams, by the Risk Secretariat whether it is to reconsider a rating or to consider having a Risk and Assurance Committee meeting because a key milestone is anticipated or achieved.

Risk mitigation

As the second limb, we established a Risk & Assurance Committee which:
Considers risks and associated matters which have either been requested by:

- Project teams themselves;
- Identified by ExCo or
- Flagged by the risk review team as warranting discussion.

R&AC also performs the function of detailed reviews on new proposed pieces of work/assets for ShEx (on behalf of ExCo).

A Risk & Assurance Committee can be convened at any point in the Risk process to ensure input into critical points/milestones of the project/asset. On the governance side of the ShEx role, risk is mitigated through the Portfolio review framework which looks at the key issues and risks around each asset in the ShEx portfolio.

We now describe the two key areas of development and change to the above as ShEx becomes part of UKGI: improvements to the existing risk reporting process and the process by which ShEx activity risks and reported at the UKGI level.

Improved Risk reporting process

In order to improve the current ShEx process to be in keeping with becoming part of a company (containing other activities) and in order to adopt the guidance of ARC, we are proposing to improve the ShEx risk reporting process in three ways:

1) **Bespoke risk rating guidance including a risk framework for each area of ShEx**

We are in the process of tailoring the BIS risk rating guidance (we have previously issued for the major BIS project risk registers) for circulation to all risk register producers. We would expect to be in a position to share this with ShEx ExCo and ARC in early April.

2) Training for risk register owners and reviewers

We will establish a regular set piece for risk register owners and reviewers to get together to:

- Provide training and support to new RR owners;
- Discuss and challenge the guidance; and
- Amend the framework as needed.

3) Regular sample auditing of risk registers vs the risk framework

In addition to the above, we will carry out periodic audits of the ShEx risk register to review adherence to the guidance. This process will frame the need and agenda for the ongoing training in 2) (along with staff churn).

How ShEx activities “trip” into the quarterly UKGI RR

The second additional change to the existing process relates to the production of the ShEx entries to the UKGI Quarterly Risk Registers.

In further consideration, and in discussion with ShEx leaders, we intend to mirror the approach taken in Board level reporting and report on an individual basis the significant activities of ShEx. Initially these are expected to be:

Asset sales:

- **IRRELEVANT**
-
-
-
-

Interventions:

- **IRRELEVANT**
-
-
-
-

Governance:

- **IRRELEVANT**
-
-
- POL
- **IRRELEVANT**

Negotiations:

- None currently (previously this would have included, for example, the HMG interest executed by ShEx in the

IRRELEVANT

 proposed takeover)

We acknowledge that this approach is slightly different to the January discussion where we focused on “grouping” governance and intervention risks at the whole of ShEx level. The other key element of the UKGI level Risk Register reporting will therefore be by exception, where activities not in the above lists which are either moving out of Red or Red-Amber or in to Red or Red-Amber are reported.

This approach will allow for a more direct flow-through of individual risk registers to the UKGI RR, and partly mitigate the need for a significant interim step of grouped risk creation. However, this approach is likely to create an Activity UKGI Risk Register (RR2) of c18-20 entries per quarter. It will be important that ARC therefore has the required time to consider this in full.

Following the last meeting of the ARC, there has been a need to divert resource from the risk secretariat to the steel crisis, and previously to the transition to UKGI. Therefore, we have been unable to produce a updated risk registers on this occasion. However, should the Committee wish to see the individual project risk registers (which it is intended will feed into RR2) copies of the individual project risk registers can be provided. In any event, efforts are in train to better resource the risk secretariat in the coming months in order to provide updated risk registers 1&2 for the next meeting.

Assessment of overall risk appetite (and reference to FCA remit)

We have looked in to the concept of a corporate risk appetite statement (as suggested by the NAO at the January 2016 meeting).

Firstly, given the diversity of ShEx and UKFI activities, we have not been able to see how such a statement would have universal applicability or add value. However, the basis for the suggestion from the NAO was valid, and we feel that the proposed guidance (discussed above) alongside the risk reporting framework will provide the clarity and rigour for “like for like” reporting of consistent areas.

Secondly, we intend to ask ARC in May to agree to that internal audit should review the UKGI risk registers and process.

Finally, and importantly, the overall governance of UKGI is expected to function with regular dialogue between the CEO and Chairman. Any risk matters which are urgent and significant will be escalated directly by the CEO to the Chairman.

Next steps

- Circulation of improved risk rating guidance – by the end of May 2016
- 1st creation of UKGI risk registers – For the next ARC meeting
- Internal Audit Review – June/July 2016



UK Government
Investments

UKGI-ARC-6

Company No. 9774296

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27-28 Eastcastle Street, London W1W 8DH

Paper for the Audit & Risk Committee

Topic: National Audit Office – Audit Planning Report

Date: 12 May 2016

Author: Jeremy Ankers

Ref: UKGI-ARC-6, UKGI-ARC-6a

Category: Paper circulated for discussion and approval

Purpose

1. The Board approved the appointment of the National Audit Office (NAO) as UKGI's external auditors in January, and the NAO team introduced themselves to the Committee in March.
2. Peter Morland and Amy Manning from the NAO team will join this Committee meeting to present their Audit Planning Report for the UKGI Annual Report and Accounts (ARA) for 2015/2016. A draft version of the ARA is due to be discussed by the main Board, paper ref (UKGI-BP-45, 45a)
3. The key points covered by the audit plan are:
 - How the NAO plan to audit the ARA
 - The planned timetable and fees
 - The scope of the audit
4. The Committee is asked to approve the NAO's Audit Planning Report.

UK Government Investments Limited (UKGI)

Audit planning report on the 2015-16 financial statement audit

REPORT TO THE AUDIT AND RISK COMMITTEE
April 2016

<http://www.nao.org.uk/>

Contents

We have pleasure in setting out details of our proposed financial statement audit approach for UK Government Investments Limited (UKGI) for the year ending 31 March 2016.

Financial statement audit plan	3
How are we going to conduct the audit?	4
Significant financial statement risks	5
Risk factors	6
When do we plan to complete this work?	7
Appendix 1 Our audit approach	9

We have prepared this report for UKGI's sole use although you may also share it with HM Treasury. You must not disclose it to any other third party, quote or refer to it, without our written consent and we assume no responsibility to any other person.

Financial statement audit plan

Purpose of the plan

You have appointed the Comptroller and Auditor General (C&AG) to be the external auditor of UK Government Investments Ltd (UKGI). The C&AG has appointed Peter Morland as the Senior Statutory Auditor and he will sign the audit report on behalf of the C&AG.

The purpose of this document is to explain to the Audit and Risk Committee (ARC) of UKGI:

- how we, on behalf of the C&AG, plan to audit the financial statements for the year ending 31 March 2016, including how we will be addressing significant risks of material misstatement to transaction streams and balances;
- the planned timetable, audit fees and audit team; and
- matters which we are required to communicate to you under International Standards on Auditing (UK and Ireland), including the scope of the audit, our respective responsibilities, and how we maintain independence and objectivity.

Actions for the Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee is invited to consider and discuss:

- whether our assessment of the risks of material misstatement to the financial statements is complete;
- whether management's responses to these risks are adequate;
- our proposed audit plan to address these risks; and
- whether the financial statements could be materially misstated due to fraud, and communicate any areas of concern to management and the audit team

The International Standards on Auditing (UK and Ireland) also require us to ask whether you have any knowledge of:

- any actual, suspected or alleged fraud;
- non-compliance with laws and regulations expected to have a fundamental effect on the operations of the entity; and
- actual, suspected or alleged irregularity.

How are we going to conduct the audit?

What work will we complete?

Our audit, which will be conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), will enable Peter Morland, Senior Statutory Auditor, on behalf of the C&AG to give an opinion on the financial statements.

Further details of the scope of the audit, as well as our respective responsibilities in relation to this engagement, have been set out in our Letter of Engagement dated 11 February 2016.

Risk based approach

We plan our audit of the financial statements to respond to the risks of material⁽¹⁾:

- misstatement to transactions and balances; and
- irregular transactions.

Further details on our audit approach are set out at Appendix 1.

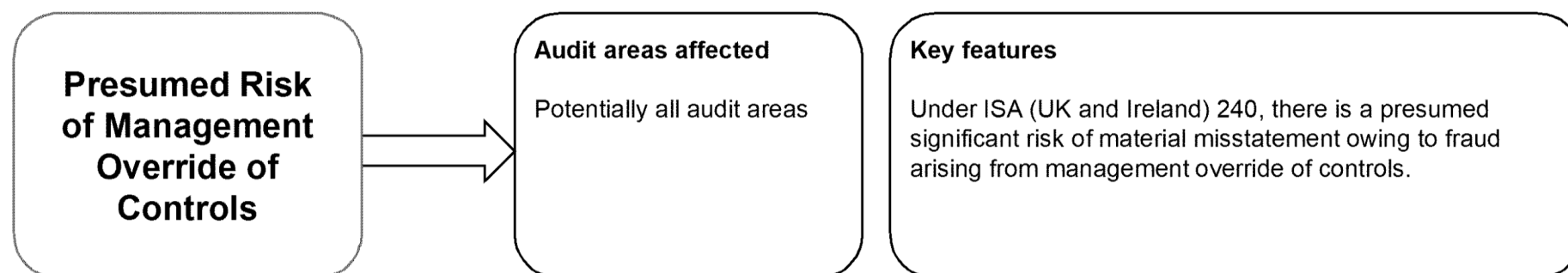
The significant financial statement risks, which we have identified, are:

- Presumed risk of management override of controls prescribed by ISA 240.

Further details of these risks and our response are set out in the significant risks section of this report on pages 5 and 6.

^[1] A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements. The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. Further information on materiality is included on page 11.

Significant financial statement risks



Audit response:

We are required by International Standards on Auditing to address the presumed risk of management override of controls.

Approach:

The 2015-16 accounts are expected to show limited transactions and balances and therefore the risk of management override of controls is deemed low.

We will focus our attention on:

- Ensuring that the memorandum note disclosures of costs borne by HMT have been agreed to HMT records and that they have confirmed they will not be recharged to UKGI
- Confirming that UKGI have no other assets/liabilities that should be reflected in their Statement of Financial Position and
- Ensuring that disclosures and narrative in the accounts accurately reflect events.

Risk factor

The following risk factor has been identified during the audit planning process. Risk factors reflect those matters which, whilst not considered to be significant at the present time, could develop into significant risks, or are otherwise important in the context of our audit. We will continue to monitor these risks as the audit progresses and will report any changes in our risk assessment to you as appropriate.

Format of accounts and relevant disclosures

For 2015-16 UKGI are proposing to prepare a full set of FREM based company accounts with both, the Statement of Financial Position and Income Statement having nil value. This is to be supplemented with a memorandum note explaining how the set up costs relating to UKGI for the year have been borne by HMT. We also expect that it will include a remuneration report disclosing directors emoluments that have been incurred by HMT.

We will continue to liaise with the UKGI team to ensure that the financial statements are prepared in accordance with Accounting standards and Companies Act requirements and that adequate disclosures have been made.

When do we plan to complete this work?

The provisional timetable comprises an audit visit which will commence in early May 2016 with completion planned for mid June 2016.

Date	Activity
April 2016	Planning: review UKGI's operations, assess risk for our audit and evaluate the control framework.
May 2016	Receipt of 1st draft account
May 2016	Final audit work: test memorandum notes and disclosures.
June 2016	Audit Completion Report and Audit Report : present the results of our audit and C&AG issues audit report.

When do we plan to complete this work?

Fees

The proposed fee for the 2015-16 audit is £6,250 plus VAT. Completion of our audit in line with the timetable and fee is dependent upon UKGI:

- delivering a complete Annual Report and Accounts of sufficient quality, subject to appropriate internal review on the date agreed;
- delivering good quality supporting evidence and explanations within the agreed timetable;
- making staff available during the audit

If significant issues arise and we are required to perform additional work which would result in a change in our fee, we will discuss this with you as soon as possible.

Our team

The details of the key audit staff who will complete this audit are:

Engagement team

Peter Morland

Engagement Director

T:
E:

IRRELEVANT

Amy Manning

Engagement Manager

T:
E:

IRRELEVANT

Afnan Khokhar

Engagement Lead

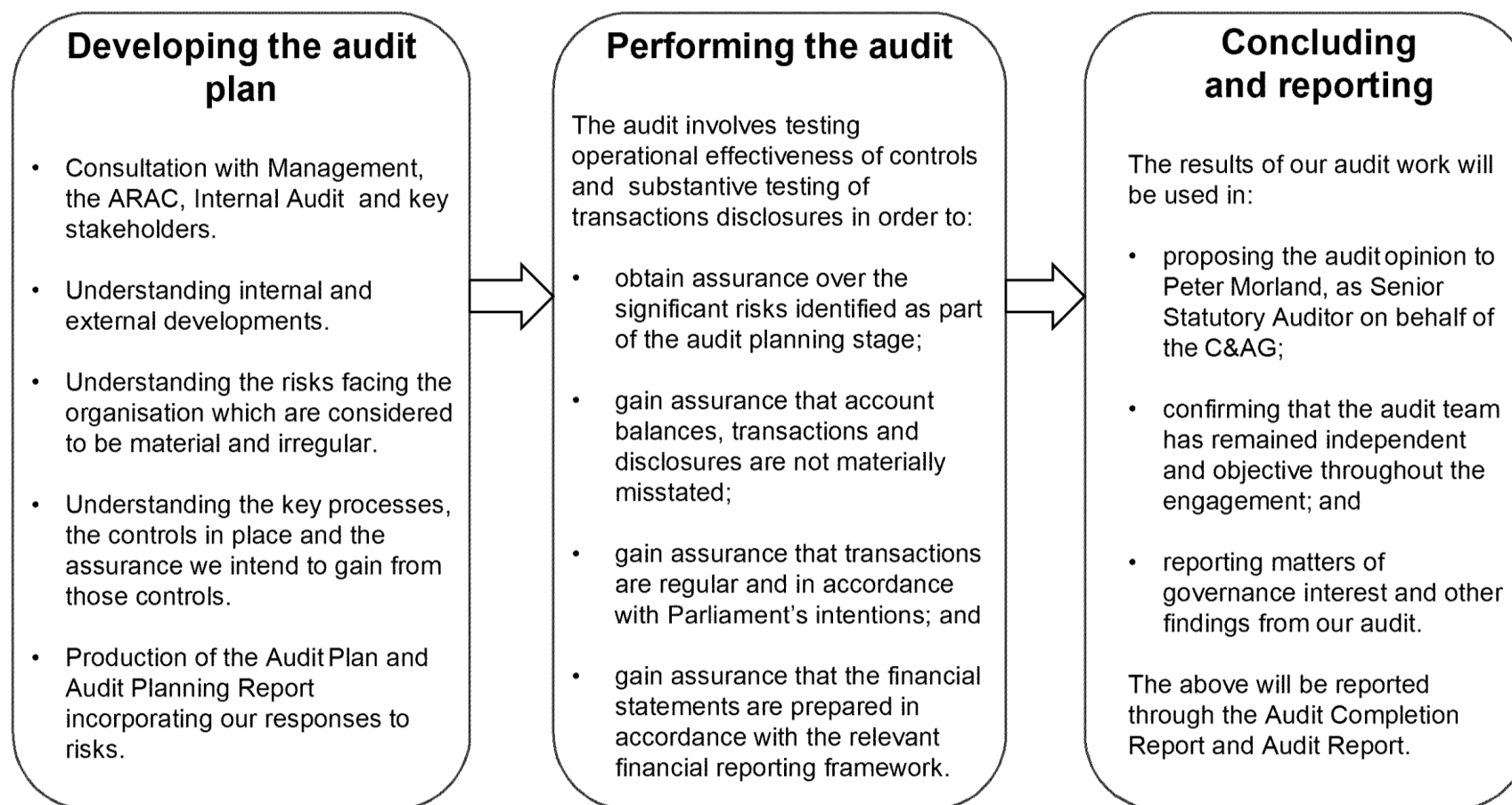
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IRRELEVANT

Appendix 1: Our audit approach

Outline of our general audit approach

Our audit, which will be conducted in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK and Ireland)), will enable Peter Morland, as Senior Statutory Auditor, on behalf of the C&AG to give an opinion on the financial statements. Our audit of the financial statements can be split into three phases:



Appendix 1: Our audit approach

Our assessment of materiality

Materiality

The concept of materiality recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity.

A matter is material if its omission or misstatement would reasonably influence the decisions of users of the financial statements.

The assessment of what is material is a matter of the auditor's professional judgement and includes consideration of both the amount and the nature of the misstatement. In determining materiality, we consider a range of measures relevant to the account.

Error reporting threshold

For reporting purposes, we will treat any misstatements below £1,000 as "trivial" and therefore not requiring consideration by the Audit and Risk Assurance Committee.

Please note that this is a separate threshold to our consideration of materiality as described above. It is materiality, not the error reporting threshold, which is used in forming our audit opinion.

Appendix 1: Our audit approach

Other matters

Independence We comply with relevant ethical requirements regarding independence and have developed important safeguards and procedures in order to ensure our independence and objectivity.

Information on NAO quality standards and independence can be found on the NAO website: <http://www.nao.org.uk/about-us/role-2/what-we-do/audit-quality/audit-quality/>

We will reconfirm our independence and objectivity to the Audit and Risk Assurance Committee following the completion of the audit.

Management of personal data During the course of our audit we have access to personal data to support our audit testing.

We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data at the NAO.

The statement on the Management of Personal Data is available on the NAO website: <http://www.nao.org.uk/freedom-of-information/publication-scheme/how-we-make-decisions/our-policies-and-procedures/policies-and-procedures-for-conducting-our-business/>



UK Government
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UKGI-ARC-7

Company No. 9774296

UK Government Investments Limited

(the “Company”)

27-28 Eastcastle Street, London W1W 8DH

Paper for the Audit & Risk Committee

Topic: Government Internal Audit Agency – Audit Plan

Date: 12 May 2016

Author: Jeremy Ankers

Ref: UKGI-ARC-7, UKGI-ARC-7a

Category: Paper circulated for discussion and approval

Purpose

1. The Board approved the appointment of the Government Internal Audit Agency (GIAA) in January. UKGI has worked with the GIAA to agree a draft internal audit plan for 2016/2017.
2. Neil Chapman from the GIAA will join the Committee to present the audit plan.
3. The key areas that the GIAA propose to examine during the coming year are:
 - Adequacy of the controls, processes and documentation implemented during the transition to UKGI (Q2);
 - Ensuring UKGI is aligned with the planned upgrade to HM Treasury's HR and Financial operations systems (Oracle) (Q1-4);
 - Risk management (Q3);
 - Business continuity planning (Q4);
 - Board effectiveness (Q4).
4. The Committee is asked to approve the GIAA's Audit Plan, subject to any comments it may have.



UK Government Investments Ltd

UK Government Investments Limited (UKGI) began operating on 1 April 2016 as a government company, wholly owned by HM Treasury, which brings together the functions of the Shareholder Executive (ShEx) (formerly part of the Department for Business, Innovation and Skills) and UK Financial Investments (UKFI) under a single holding company.

Purpose

This paper sets out the draft internal audit plan of UKGI in 2016-17 and the proposed fee. However, the fee is dependent on the actual work undertaken by GIAA staff including attendance at Audit and Risk Committees, planning, ad hoc advice and any follow up work. GIAA will discuss any potential variation in the fee with UKFI in advance to obtain its agreement.

Internal Audit 2016-17

This document sets out our proposed internal audit activity for UKGI based on discussions with the UKGI CFO and Finance Manager.

The table below details our proposed audit charges for 2016-17.

Proposed fees for IA Services

Based on agreed Internal Audit Plan 2016-17

14 days	Senior Auditor	@ £455 per day	£6,370
5 Days	Senior Audit Manager	@ £640 per day	£3,200

Total			£9,570

Annex 1

2016/17 Internal Audit Plan

No	Audit title	Proposed outline scope	Why is it in the plan?	Priority	Audit sponsor	Estimated days	Timing
Core information and systems							
1	Embedding of transition	To review whether the controls, process and documentation identify in the signed MoU with HMT are adequate, in place and working.	UKGI began operating 1 April 2016 and have a signed Memorandum of Understanding with HMT.	HIGH	COO - Rachel Mortimer	5	Q2
2	Ensuring you are aligned to upgrade to Oracle – Phase 1 by April 2017	HMT are upgrading to Oracle Fusion by 1 April 2017 and need to ensure that UKGI are aligned and part of the planning, development and processes	HM Treasury uses the Oracle ERP system to record and report on its HR data and to conduct its financial operations. Payroll is currently outsourced. HMT's version of Oracle (v11.5.10.2) is an aged system that has gone out of support. The Oracle Cloud Financials/Human Capital Management (known as Fusion) was endorsed by the EMB to procure Oracle Fusion to replace Oracle 11eBusiness suite.	High	CFO – Nike Kojakovic	1.5	Q1-4
3	Business Continuity Planning and Management (key theme)	To provide assurance regarding UKGI's BCP and resilience plans (including disaster recovery).	If UKGI's plans are inadequate or untested it could be leaving significant risks untreated, with potentially existential consequences.	Medium	COO - Rachel Mortimer	4	Q4

Annex 1

	across Government)						
4	Risk Management	Provide assurance regarding the impact of UKGI's risk management strategy and improvement programme, and a review of current arrangements.	If UKGI's risk management arrangements are inadequate it will be unable to achieve its objectives sustainably.	Medium	CEO - Mark Russell	3	Q3
5	Boards Effectiveness	To review the effectiveness of UKGI's board and committees	Board and committees are not working and are ineffective.	Medium	Chairman - Robert Swannell	3	Q4
6	Contingency/ Advice and Consultancy	To provide advice and independent assurance to the UKGI AO as required.				As required	-
Total core information and systems						16.5	
Other activities							
	Audit management – Attendance at Audit and Risk Committee, Audit Plan Development and Agreement, ad hoc advice and follow up					2.5	
Sub-total other activities						2.5	
TOTAL DAYS 2016/17						19	



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UKGI-BP-8

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Paper for the Audit & Risk Committee

Topic: Government Internal Audit Report on Knowledge and Information Management in ShEx

Date: 9 May 2016

Author: Nigel Smith

Ref: UKGI-ARC-8, UKGI-ARC-8a

Category: Paper circulated for information.

Introduction

1. As part of the transition to UKGI it was agreed that the Government Internal Audit Agency (GIAA) undertook a review of our knowledge and information management systems prior to UKGI set up on 1 April 2016. This review would provide independent and objective assurance on whether our processes and procedures were effective and adequate and that the records management system provided a comprehensive, reliable and authentic audit trail to support the decision-making process. The GIAA reported on 2nd March.

Summary of findings

2. The overall risk assessment was moderate and some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The key findings were:

- acknowledgement of the appointments of a Senior Information Risk Owner (SIRO) and Information Owners throughout the organisation;
- a failure to carry out mandatory information management training required of all civil servants;
- the absence of knowledge and information management in induction material;
- some poor working practices which necessitated the targeting of individuals;

UKGI-BP-8

- the existence of a logical filing structure and examples of good practice although some teams were performing noticeably better than others;
- access to sensitive documents was properly restricted but more thought was needed on the management of passwords for accessing protected documents.
- identification of good examples of knowledge sharing.

Please refer to paper (UKGI-ARC-8a) for the full internal audit report.

Actions taken on key findings

3. Since receipt of the GIAA report, UKGI has taken the following actions prior to transition:

- a major push was undertaken to encourage staff to reduce the size of their personal drives and to move official records from personal folders to shared drives;
- the shared drive was monitored by the project team to ensure that teams were “cleansing” their data to reflect the correct structure and facilitate a smooth migration to the Treasury IT system.

Next steps

4. Following the successful migration of data from BIS to HMT, the structure is in good shape. It is important that the best practices encouraged as part of transition become embedded in UKGI. To that end the following steps are being taken:

- regular communications from the SRIO on best practice and new processes;
- build project plan with key milestones and actions for the migration of data to SharePoint – the HM Treasury data management system – by Autumn 2016;
- complete information management training by Summer 2016 once CS Learning is available to staff;
- establish policy on managing password protected documents;
- cover KIM in UKGI induction.

Conclusion

5. Following UKGI transition, our current information management structures and practices are in reasonable good shape. However, it is important that staff continue with best practices and resist any temptation to revert to old habits. The migration to SharePoint later in 2016 should help maintain focus on good practice.



**Government
Internal Audit
Agency**



**Shareholder
Executive**
HM Government

**To: Roger Lowe,
SIRO, SRO and Director of Portfolio**

From: Neil Chapman, GIAA

Date: 02 March 2016

Cc: Nike Kojakovic, Chief
Finance Officer, UKGI
Jeremy Ankers, ShEx
Hannah Collins, ShEx

Chris Wobschall, Group
Chief Internal Auditor
Heather Clifton, GIAA

FINAL INTERNAL AUDIT MANAGEMENT LETTER
Review of Knowledge and Information Management in ShEx
Ref No: UKGI 2015/16 001

1. INTRODUCTION

- 1.1 As part of the transition of ShEx to UK Government Investments (UKGI) it was agreed that GIAA should undertake a review of ShExs knowledge and information management before UKGI are formally set up from 1 April 2016.
- 1.2 Knowledge and information management encompasses all the systems and processes within an organisation for the creation and use of corporate information. It includes systematic administration of records and documented information for their entire life cycle, from creation/receipt, classification, security, use, filing, retention, storage, and re-use to final disposition. Records and information are the basis on which decisions are made, and policies developed and communicated.

2. ENGAGEMENT OBJECTIVE AND SCOPE


- 2.1 The objective of this review was to provide independent and objective assurance to ShEx that its:
- processes, procedures and KM Policy / IM Guide are effective, adequate, appropriate and minimise the risk of loss of information (for example when people leave or move to a different project); and
 - system to manage records provides a comprehensive, reliable, and authentic audit trail to support its decisions, and that ShEx has knowledge of what records it holds and where they can be found.

2.2 The risks to the achievement of the objective, are:

- ShExs knowledge & information management and retention is not being maintained effectively or efficiently;
- Critical information could be lost or not readily accessible, wrongly destroyed, not kept, issued to incorrect people or cannot be found;
- Lack of consistent record keeping could compromise ShExs ability to support its decisions;
- Retrieving information could be resource intensive; and
- Knowledge is not centralised, leading to inefficiencies in decision-making.

2.3 We interviewed a sample of members of staff in ShEx (see Annex B). We also examined the electronic filing system, key documents, and roles and responsibilities.

3. **ENGAGEMENT OPINION¹**

Opinion	RAG
Moderate Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.	Yellow 

4. **EXECUTIVE SUMMARY**

Governance and Risk Management

4.1 We confirmed that the Director of Portfolio has been designated responsible at executive level and also been appointed the Senior Information Risk Owner (SIRO) responsible for managing the organisations information risks. He has also been appointed the Senior Responsible Owner (SRO) for the workstream on Knowledge and Information Management (KIM), which forms part of the wider work to transition to UKGI.

4.2 Information Owners (IOs) have been appointed across the organisation as well as Knowledge and Information Champions. These are being used to drive forward an improved KIM process for ShEx/UKGI.

Induction and Training

4.3 ShEx is part of BIS so members of staff are subject to the mandatory training for the Civil Service that includes 'Responsible for Information - general user'. We could not find evidence nor could the ShEx corporate services team confirm that ShEx employees had carried out this training on an annual basis. The last records held by ShEx are in relation to government security classification training prior to being provided with a new laptop in 2014.

- 4.4** ShEx Induction does not currently include Knowledge and Information Management but it is anticipated that it will from April in order to embed the ShEx culture for KIM right from transition to the formal set up of UKGI. **Key Finding 1**

Information Management

- 4.5** The implementation of a comprehensive approach to how ShEx manages its information had been deliberately on hold since March 2014, pending the delayed introduction of the 'Alfresco' file management system to BIS. Alfresco was rolled out to central BIS in Q4 2015. However, to avoid a situation where ShEx must go through two migrations (to Alfresco then to HMT IT systems) within six months, ShEx did not move to Alfresco, but instead stored its official records on a shared drive. During this period, inconsistencies and poor working practices have crept into the ways of working within ShEx, for example individuals saving documents to their personal drives and storing emails within outlook folders. That means that the key documents to support decision-making are not accessible to others (see **Key Finding 2 and 3** below).
- 4.6** In light of this, ShEx initiated a KIM project in December 2015 to implement a new approach, in order to:
- Ensure all information is identified and ready for transfer to the new ICT system by March 2016.
 - Embed long-term cultural change and move towards best practice in knowledge and information management.
- 4.7** As part of the project, ShEx developed and shared a Knowledge Management Policy and Information Management Guide with instructions to reduce the size of personal and outlook folders and to move key documents to the shared drive. We interviewed 12 members of staff from ShEx to determine how well they understood the requirements and to determine progress. Everyone we interviewed had a good understanding of what they needed to do and why, however, we were met with differing levels of progress. From the monitoring reports produced by ICT it is apparent that around a dozen ShEx staff have considerable work to do to reduce their P:\ drives to the agreed acceptable level. Due to the resource time needed to work through files, these individuals should now be individually targeted to ensure that they will meet the deadlines set and communicated to staff. **Key Finding 2**
- 4.8** We found that another area where key documents to support decision-making are being stored is within emails in the outlook system. We found a large proportion of staff in ShEx use folders in outlook to store their emails however, this means that records are not readily available, and centrally held, and a complete trail of evidence to support decision-making is omitted. In addition, in order to ease the transition to the HMT IT system, staffs have been instructed to save important business related emails onto the shared drive and this is also being monitored by the project team. The latest reports from ICT indicate that this is being addressed but much slower than expected. **Key Finding 3**

- 4.9 We reviewed the shared drive (M:\) drive to support what we had been told in our interviews. The M:\ drive is split between shared and private and we reviewed both areas. We found that the private section is more widely used (as it is restricted to ShEx only). We found that:
- the file structure for majority of areas has been set up and is logical however, other areas, such as Land Registry project folder, can be described as “work in progress”. Best practice could be seen in the Student Loans and Post Office folders.
 - that staff have begun to use the naming conventions (YYYYMMDD name of file) for both documents and emails in a few cases.
 - there were a number of examples where documents and folders are held at the same level. (The guidance clearly states that documents should be stored at the lowest possible level).
 - archiving still needs to be done. The project team will need to monitor and review the M:\ drive to ensure that it meets the agreed standards. **Key Finding 4**

Sensitive documents

- 4.10 ShEx documents are normally classified only up to and including Official Sensitive and these are saved on the private section of the ShEx shared folder. We found that access to this is restricted to ShEx employees only. Within the private section there are also restricted folders (when tested, we were, correctly, unable to access the files).
- 4.11 The policies (based on UKFI guidance) states that password protected documents should have the password stored in the document title. We questioned this with both ShEx and HMT and although we understand that rationale for doing this (so that documents can be accessed when individuals have left the organisation, who may know the password) it goes against best practice and security principles and protocols.
- 4.12 We noted however, that on reviewing the shared drive folders that no-one has put passwords within document names, instead some areas had created a password file. [To note that in most cases, documents are password protected as they are sent via non-secure email from outside companies and are used as a method of protecting the contents rather than to secure the information within ShEx.]
- 4.13 We have discussed this matter with the HMT Departmental Security Officer (DSO) and the IT Security Officer (ITSO). Their advice is for passwords to be removed from documents, spreadsheets and pdf files prior to saving to the shared drive. Passwords have generally been used to protect the document in transit, but there is not a requirement to password protect a document once on the BIS (or HMT) network as the network security controls negate the need for restricting access. In order for ShEx to be in line with HMT requirements on transition, ShEx should seek advice on how to do this from BIS IT (or HMT Security team if needed). HMT Security Team have offered to make a presentation to ShEx prior to transition to assist in this area should they wish.
- Key Finding 5**

Knowledge Management

- 4.14** ShEx have in the past focused resources and attention on knowledge management and have a number of good examples of best practice with regards to sharing knowledge which were shared with us during our review. For example:
- collaborative working style of the organisation, sharing submissions;
 - Brown bags (lunch & Learns);
 - ShEx Wall /ShEx Wiki– sharing of knowledge and experiences with colleagues within ShEx; and
 - ShEx Champions (projects) – a published list of who is the “go to” colleague visible in the office spaces.

Future plans

- 4.15** ShEx have made a good start in centralising and formalising its information management. Once the move to HMT IT network has taken place, ShEx will have to consider the available options that it may have to help ease the burden of records and information management. Some options to consider are:
- SharePoint (currently being used in HMT) or alternative electronic records management system;
 - A records manager or an enhanced PA role to capture documents for the official record;
 - contacts management (to capture the knowledge of Personal Assistants).

5. LIMITATIONS

- 5.1** We have prepared this letter solely for the use of ShEx and its Accounting Officer following an audit conducted at a point in time and it was not written for any other purpose. Therefore, we take no responsibility for any reliance that a third party (i.e. other than ShEx) may place on it. Where this report has been made available to a third party, it is on the understanding that the third party will use the report only for the purpose agreed and will not distribute it or any of the information contained in it outside of the third party.

Annex A

ShEx – Knowledge and Information Management Agreed Action Plan

The agreed actions have been categorised according to the level of importance we attach to them. They are defined as:

HIGH (H)	The action addresses critical weaknesses that would result in serious risks and/or an unacceptable level of risk to the delivery of objectives.
MEDIUM (M)	The action addresses control weaknesses that carry a risk of undesirable effects in loss, exposure, poor value for money or missed business opportunities and benefits in the context of the delivery of objectives.
LOW (L)	The action addresses minor control weaknesses and/or areas that would benefit from the introduction of improved working practices in the context of the delivery of objectives.

Key Finding 1	To support Knowledge and Information Management, there is mandatory training for the Civil Service titled 'Responsible for Information - general user'. We could not find evidence nor could this be confirmed by ShEx corporate services team, that ShEx employees had carried out this training on an annual basis. KIM is not currently included in ShEx Induction.			
Risk	<ul style="list-style-type: none"> Non-compliance with mandatory training requirements as civil servants. Missed opportunity to raise understanding and embed KIM at Induction. 			
Agreed Actions:		Priority	Action owner:	Target date:
1.1	Mandatory training "Responsible for Information – general user" should be enforced, a record maintained and staff reminded to undertake this training on an annual basis.	<i>H</i>	Nigel Smith	29/04/2016
1.2	ShEx Induction should include a session about Knowledge and Information Management.	<i>M</i>	Nigel Smith	29/04/2016

Detailed information on agreed actions by management

All UKGI staff will be asked, from 1st April 2016 (go-live for UKGI) to complete the mandatory training by the end of April. This exercise will be repeated each April in future years. The Head of Corporate Services (Nigel Smith) will be responsible for ensuring that staff complete this training.

All staff will be advised of the existence of a refreshed KIM policy as part of the process of transitioning to UKGI. The owner of this policy will be Nigel Smith. He will ensure that this is included in induction programmes for all new UKGI staff in the future.

Key Finding 2		A dozen individuals have not made sufficient progress with reducing the size of their personal drives.		
Risk		<ul style="list-style-type: none"> • Loss of key documents to support decision making. • Folders too large for transfer to HMT systems. 		
Agreed Actions:		Priority	Action owner:	Target date:
2.1	Pressure should be placed on individuals whose personal folders continually remain too large.	<i>H</i>	Roger Lowe	24/03/2016

Detailed information on agreed actions by management

The KIM project team are already publishing league tables in prominent areas in the office, which clearly show who has taken the necessary action, and who has not. The team will now also follow up with an email from the Senior Information Owner (Roger Lowe), to be sent to individuals who are persistently not complying, no later than 29 February. After this action is complete, the team will continue to monitor and apply pressure. The cut-off date for file management activity is 24 March – the information transfer will happen over the Easter weekend.

Key Finding 3		A number of ShEx staff continue to store key transactional information in their inboxes and email folders within Outlook.		
Risk		<ul style="list-style-type: none"> • Loss of key documents to support decision making. • Folders too large for transfer to HMT systems. 		
Agreed Actions:		Priority	Action owner:	Target date:
3.1	Pressure should be placed on individuals whose outlook folders continually remain too large.	<i>H</i>	Roger Lowe	24/03/2016
3.2	In order to ensure that the culture change continues within ShEx, the key messages of the new KIM Policy should be communicated periodically to staff to ensure that official records are not stored within Outlook but saved to the M\ drive.	<i>M</i>	Nigel Smith	Ongoing

Detailed information on agreed actions by management

See action under 2.1 for action to be taken on outlook filing.

The new KIM policy will be issued early in April, and thereafter staff will be reminded of this at least every six months.

Key Finding 4		On review of the M:\ drive we found that: <ul style="list-style-type: none"> the file structure for most areas has been set up and is logical however, other areas such as Land Registry, can be described as “work in progress”. examples where documents and folders are held at the same level in a number of cases. identified archiving that needs to be done. 		
Risk		Non-compliance with Information Management guide.		
Agreed Actions:		Priority	Action owner:	Target date:
4.1	The project team will need to monitor and review the M:\ drive to ensure that it meets the agreed standards.	<i>H</i>	Jeremy Ankers & Hannah Collins	24/03/2016
Detailed information on agreed actions by management				
The KIM project team will review all M:\drive folders by 04 March, with a view to supporting all teams to have taken the necessary actions by 24 March (for information transfer to new ICT).				

Key Finding 5		The KIM policies (based on UKFI guidance) state that password protected documents should have the password stored in the document title. We evidence a password file on our examination of the M:\ drive which has a number of passwords for protected documents within the same folder.		
Risk		This is not considered best practice and illogical. Network controls negate the need for password protecting documents.		
Agreed Actions:		Priority	Action owner:	Target date:
5.1	ShEx should revise the KIM policy to state that password protected documents should have the password removed prior to saving onto the M:\ drive.	<i>H</i>	Hannah Collins	31/03/2016
5.2	Guidance should be sought from BIS IT (or HMT ITSO) on how to remove passwords from files (as the process varies depending on the version of MS Office in use) and share this with staff.	<i>M</i>	Hannah Collins	31/03/2016
5.3	ShEx should approach HMT DSO requesting a presentation on security requirements for transition to HMT IT systems.	<i>M</i>	Jeremy Ankers	31/03/2016
Detailed information on agreed actions by management				
5.1 and 5.2 will be addressed through the refreshed KIM policy. The project team will, before handing over to Nigel Smith, arrange for a presentation on KIM and other aspects of security that UKGI staff should be aware of. Aim is for this presentation to take place in the early months of UKGI being live (ideally in month 1).				




Annex B

List of those interviewed

Name	Job Role
Nigel Smith	Head of Corporate Services
Sandra Desir	PA
Jeremy Ankers	Urenco/project team
Tobi Adetimilehin	Finance Business Partner
Andy Maggs	Royal Mint, Nuclear Liabilities Fund IO
Annette Rusling	Post Office IO
Roger Lowe	Senior Info Owner/SRO
Malcolm Ackah	Student Loans sale IO
Stuart Rankine	Working Links IO
Leo Geddes	Land Registry Executive Director
Hannah Collins	Project team
Claire Roberts	PA
Jonathan Walker	Land Registry

Annex C

Overall Opinion Key

Coverage	Core Definitions for Annual and Engagement Opinions	RAG	Factors influencing choice of opinion
<p>Governance, risk management and control framework Assurance</p> <p>Opinion on mitigating controls over the risk to the delivery of objectives</p>	<p>Substantial</p> <p>The framework of governance, risk management and control is adequate and effective.</p>	<p>Green</p> 	<ul style="list-style-type: none"> • Adequacy and Effectiveness of the governance, risk management and control framework • Impact of any weakness on delivery of objectives • Extent of risk exposure • Materiality: by value to the entity, by value in the engagement context and by nature (e.g. irregularity and reputational risk) • We may also take account of Management responses to recommendations/ management actions
	<p>Moderate</p> <p>Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.</p>	<p>Yellow</p> 	
	<p>Limited</p> <p>There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.</p>	<p>Amber</p> 	
	<p>Unsatisfactory</p> <p>There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.</p>	<p>Red</p> 