

Audit & Governance Committee Minutes

Friday 15 December 2023

Virtual

Present:

| Attendee | Local Authority |
|--------------------------|---|
| Cllr Joanna Baker-Rogers | South Yorkshire Mayoral Combined Authority; |
| Graham Bell | Independent Chair |
| Jo Reed | Independent Member |
| Richard Thomas | Independent Member |

Invitees In Attendance:

| | |
|---------------|----------------|
| Alex Hire | Internal Audit |
| Daniel Watson | Mazars |

Officers in Attendance:

| Name | Job Title |
|----------------------------|---|
| Katie Day | Director of Strategy, Analysis and Communications |
| Andrea Shepherd | Executive Assistant |
| Paul Kelly | Finance Director |
| Julie Openshaw | Head of Legal |
| Daniella Della-Cerra-Smith | Risk Manager |
| Darren Oldham | Rail and Road Director |
| Joanne Barclay | Senior Solicitor |
| Jonathan Brown | Strategic Rail Lead |

Item No:

Item

1 Welcome and Apologies

- 1.1 The Chair welcomed everyone to the meeting and extended a warm welcome to new Members Richard Thomas and Jo Reed. Apologies were received from Cllr Tom Ross, Cllr Hans Mundry, Cllr Shaukat Hussain, Cllr Arooj Shah and Mr Kevin Brady. As only one elected member was present the meeting proceeded as a consultation call of the Finance Director.

2 Declarations of Interest

- 2.1 There were no declarations of interest.

3 Minutes from the Previous Meeting

- 3.1 The minutes from the previous consultation call were formally approved as a true and accurate record of the consultation call held on Friday 15 September 2023.
- 3.2 The work of this Committee had been raised at the 27 September Board meeting by the Chair, highlighting the positive relationship the Committee has developed with Internal Audit. Board members welcomed that level of assurance.

Resolved:

That the minutes of the Audit & Governance Committee held on 15 September 2023 be approved.

4 Appointment of Vice Chair

- 4.1 The Chair confirmed there is currently no Vice Chair of the Committee. The Head of Legal summarised the role and responsibilities including chairing the meeting in the absence of the Chair, outlined the desirability of having a Vice Chair, and explained that this role could be undertaken by either an elected Member or an Independent Member. It was suggested this be addressed at a future meeting when Members have been able to consider nominations. The Chair asked that any interest be forwarded to the Head of Legal so that the appointment may be made at the March meeting of the Committee.

Resolved:

That the appointment of the Vice Chair be deferred until the next meeting.

5 Corporate Risk Review

- 5.1 The Chair noted that points were raised prior to the meeting regarding risk, and a response has been provided.
- 5.2 The Risk Manager acknowledged some of the updates on the Corporate Risk Register. There are two risks now categorised as red, around rail programmes and the endorsement of the STP.
- 5.3 Cllr Baker-Rogers stated that she understood why there are two new risks in red and acknowledged that they will come out of the red category as further clarity becomes available.
- 5.4 The Deputy Chief Executive clarified that there are two main areas of uncertainty in terms of the what the Government announcement brought: HS2 and Northern Powerhouse Rail. He noted that in time TfN will get more certainty around those areas and what it will mean for the North and for the organisation. Once a response has been agreed, the risk will be reduced. TfN is clarifying externally and from members as to what the new Government approach means.

- 5.5 The Strategy, Analysis and Communications Director responded in relation to Strategic Transport Plan; the Transport Strategy needs to have due regard to the current government policy which was announced on 4 October. The 14 December Board report set out what TfN believes the implications are and the recommendations going forward. The STP visions remain the same with just some minor adjustments being required. An updated report will be presented to Board in March 2024.
- 5.6 Cllr Baker-Rogers expressed her thanks for the explanation and acknowledged that TfN needs to find different ways of improving connectivity for the North without HS2 as an option.
- 5.7 Mr Thomas sought to gauge the Committee's disappointment with regard to the announcement and asked where TfN's refocus would lie. The Deputy Chief Executive said that it is important to understand the financial background. TfN will be pragmatic and work with DfT and other officials to ensure maximum opportunities are achieved for TfN and the outcomes remain the same.
- 5.8 Ms Reed asked whether there is a link between uncertainty and the two newly categorised red risks. The Risk Manager explained the change in score was primarily due to the announcement and the uncertainty until further clarity is gained in relation to Network North.
- 5.9 Cllr Baker-Rogers said it is important to get over frustration and disappointment in terms of the cancellation of HS2 and it should be seen as an opportunity to achieve outcomes in a different way.
- 5.10 The Chair noted that disappointment is not often a word that one comes across in terms of risk and TfN needs to question whether the risk register provides enough insight into how effectively risks are being managed. If uncertainty continues to be raised there will be an increase of red risks on the risk register. TfN needs to ask whether the organisation's ability to consider risks is being properly reflected and how good the organisation's foresight is: i.e., with hindsight, could TfN have managed the risk better.
- 5.11 The Strategy, Analysis and Communications Director highlighted that we have very good working relationships with the right people, and we do have effective controls in place. The evidence supporting the STP is still the same despite the October announcement; but how we get there will look different. Once the plan is adopted in March, the outcomes will be filtered into TfN's Strategic Risk Register.
- 5.12 Cllr Baker-Rogers asked whether the risk register could be presented differently and confirmed that she will present her ideas in an email.
- 5.13 Ms Reed presented an idea of using strategies and strategic themes as part of a risk map. The Strategy, Analysis and Communications Director highlighted that there is a strategy in draft in the Strategic Transport

Plan and once adopted, there will be an opportunity to update outcomes in the strategic risk register.

- 5.14 The Risk Manager presented the corporate risk assurance report and the background to the assurance framework implementation. Mr Thomas noticed that much of the framework is showing as "green". The Finance Director stated that the assurance aspect was very valuable. Many of the processes were set up in 2018 but there is an opportunity to step back and revisit how TfN delivers its business operation.
- 5.15 The Risk Manager presented the deep dive timeline. Mr Thomas asked whether the Audit Committee effectiveness could be considered including a future work programme for the Committee. Cllr Baker-Rogers suggested a deep dive on the Conservative and Labour party manifesto's, prior to the election, so an assessment can be made on the impact on TfN's work. The Finance Director noted that it is a critical piece of work that is needed and once done it would be shared with the Committee.

Resolved:

- 1) That changes to the Corporate Risk Register be noted
- 2) That TfN's new corporate risk assurance report be endorsed
- 3) That the updated schedule for risk deep dives at future Audit and Governance Committee meetings be endorsed.

6 Quarterly Operating Report July-September 2023

- 6.1 The Finance Director highlighted the document, noting that it is an evolving report and will be more sharply focused in the future, providing assurance around performance.
- 6.2 Ms Reed commented that she found the report very useful and informative.

Resolved:

That the Quarterly Operating Report be noted.

7 Internal Audit Update

- 7.1 Ms Hire presented the progress paper setting out the position RSM has reached in delivering the audit plan, picking out themes and key changes to the audit plan.
- 7.2 Mr Thomas asked about the level of outstanding recommendations that TfN carries, how long they have been outstanding and how are they monitored. Ms Hire replied that RSM undertakes an annual follow up review. There were 13 actions relating to 22/23 audits and 2 actions related to 21/22 audit. RSM uses management actions rather than recommendations, which gives more accountability.

- 7.3 The Finance Director indicated that the policy development framework, which was one of the outstanding actions from 21/22, has been modified to a project management framework; this is more useful and was accepted by the audit team. This, once created, will be reviewed as part of the annual audit plan.
- 7.4 Cllr Baker-Rogers asked whether the number of audits completed on time is measured and whether stretched targets are used. Ms Hire stated that the results are noted in the annual summary report.
- 7.5 RSM, following the tender exercise, is in the process of agreeing the new contract with TfN and will be scheduling meetings to talk through the audit plan, look at the risk register and have engagement from the Committee in terms of the areas that will be covered.
- 7.6 The Chair asked whether Ms Hire could provide some information to give the Committee a feel for what the potential scope of future audits may look like.
- 7.7 Mr Thomas asked whether RSM has specialist IT auditors in terms of the cyber audit; Ms Hire assured that they do.

Resolved:

That the internal audit update be noted.

8 External Audit Update

- 8.1 Mr Watson explained that the audit of the Greater Manchester Pension Fund (GMPF) is now complete. As part of the closure process the annual review of changes in assumptions between the February IAS19 report (used for draft accounts) and the final position at the end of March 2023 was conducted and highlighted there may be material amendments to the statutory adjustments for pension accounting. If there are material changes, the draft accounts will require amendment. The Finance Director has requested reports to allow the assessment to be made. Once the audit has been finalised with a revised report the account can be signed off in the new year.

Resolved:

That the update be noted.

9 Preparation of the Annual Governance Statement

- 9.1 The Senior Solicitor presented the report. As part of this report there is an appendix, indicating the review of the organisational controls and internal measures that TfN has put in place in order to fulfil its commitment to the anti-fraud and corruption policy. A draft AGS will be brought to the next meeting; after that meeting any suggestions will be taken into account and the AGS can then start to be formally approved as part of the statutory account's approval process in September. As part

of the review of the AGS there will be further detail about TfN's partnership arrangement which will be presented at the meeting in March 2024.

- 9.2 Mr Thomas asked how key officers are defined in terms of the training on anti-fraud. Ms Barclay answered that they would be statutory officers. The Finance Director stated that the assessment is further extended to include personnel involved in key processes. The suite of training is work in process and feedback will be given to the Committee. There will be initial training and then refresher training going forward.

Resolved:

- 1) That the report be noted and the intended timeline for preparation of the Annual Governance Statement be supported.
- 2) That the Committee notes and supports the inclusion of further information on partnership governance arrangements in the Introduction of the Annual Governance Statement and this will be presented at the next meeting.
- 3) That the Committee notes, supports and agrees that the review set out in Appendix 1 and the systems in place supports delivery of the Anti-Fraud and Corruption Policy.

10 Monitoring the Effectiveness of the Audit and Governance Committee

- 10.1 The Senior Solicitor presented the report. Mr Thomas recommended using CIPHA matrices and offered help to TfN if required.

Resolved:

That the timetable for the proposed roll-out of the self-assessment tools be noted.

11 Date and Time of Next Meeting

The next meeting of the Committee will be held as a Consultation Call on Friday 8th March 2024 at 11:00am.