

Audit & Governance Committee

Minutes

Friday 19 July 2024

Microsoft Teams

Present:

Attendee	Local Authority
Cllr Joanna Baker-Rogers	South Yorkshire Mayoral Combined Authority
Cllr Hans Mundry	Warrington
Graham Bell	Independent Member
Kevin Brady	Independent Member
Jo Reed	Independent Member

Partners in Attendance:

Sian Kay	DfT
Ian Gilroy	Forvismazars
Lisa Randall	RSM

Officers in Attendance:

Name	Job Title
Gary Rich	Democratic Services Officer
Andrea Shepherd	Executive Assistant
Paul Kelly	Finance Director
Graham Kirby	Head of Data Analysis and Appraisal
Julie Openshaw	Head of Legal
Rachel Ford	Head of Strategy, Policy and Research
Caroline Young	Partnership and Programme Manager
Daniella Della-Cerra-Smith	Risk Manager
Joanne Barclay	Senior Solicitor

**Item
No:**

Item

1 Welcome and Apologies

- 1.1 Apologies were received from Mr Thomas. It was noted that Ms Reed is willing to undertake the role of Vice-Chair, subject to approval at the September meeting. It was noted that it will be Mr Brady's final meeting in September.

2 Declarations of Interest

- 2.1 There were no Declarations of Interest.

3 Minutes from the Previous Meeting

- 3.1 Minutes from the meeting of 8 March 2024 were agreed.

4 Corporate Risk Register and Risk Management Strategy Report

- 4.1 The Risk Manager presented the Corporate Risk Register, noting due to timing of meetings it is reflective of the situation prior to the change of Government. Following reviews in August, the Register will be updated to reflect any changes arising from the change in government.
- 4.2 Mr Brady was pleased to hear that a review will take place in August. He pointed out that there could be a cross-cutting risk attached to greater devolution to combined authorities across the north. If it is applied inconsistently, the interface alongside some TfN programmes could be diluted or strengthened depending on what is devolved and to whom; this particularly relates to risks 916, 310, 880, 879 and 877.
- 4.3 The Finance Director reiterated that the emerging environment is unknown and local areas may have different arrangements as a consequence of the extent and timing of devolution. TfN is in the process of discussing this with both Executive Board and Partnership Board.
- 4.4 The Risk Manager introduced the "Deep Dive" on the TfN Offer and welcomed the Head of Strategy, Policy and Research Rachel Ford and Head of Technical, Assurance and Economics, Graham Kirby who explained the emergence, nature and take-up of the offer.
- 4.5 Ms Kay enquired as to the difference between the data and tools currently provided in the bronze offer versus the data and tools provided in the Common Analytical Framework (CAF) and whether what is included in the CAF is more advanced. The Head of Technical, Assurance and Economics responded that CAF is the definition of everything that is available in the team - all the models, tools and datasets that are used to build business cases. The intended process is to develop them also that they are fit for purpose to be released to partners and beyond. Eventually, the bronze offer will cover everything that is used in the CAF. The prioritisation has been steered by partners and members in terms of what they need; TfN is responding to their requests.
- 4.6 Councillor Baker-Rogers asked whether TfN having to turn away requests, will alter in the future. The Head of Strategy Policy and Research replied that the bronze offer over time will be more self-serviced for partners and the autonomy and efficiency will grow, freeing up more resource for the silver and gold offer. The gold offer is very resource intensive; more funding or more resources will be required to enable more gold offers to be fulfilled. If the gold offer cannot be provided, TfN will respond with a "counteroffer" of silver or bronze level or offer alternative ways to help such as via the procurement process or work as a hybrid consultant or technical management approach, with the Local Transport Authority (LTA).
- 4.7 Mr Brady asked how the team assesses the resource and capacity and whether it involves a forward look programme which provides a challenge and carries risk. He also asked whether the DfT grant support is specific in terms of the resource or whether TfN has flexibility in terms of how it is supplied and if TfN has considered charging LTAs. He also asked whether internal audit has examined this area of work.

- 4.8 The Head of Technical, Assurance and Economics replied that programming and resourcing in this area of work it is complex. Triage meetings take place with heads of service, to decide who can best service each request. Heads of service are responsible for prioritising requests and a ranking process is used in order to obtain the best value for money for DfT's investment. There is flexibility across the organisation to decide how to deploy the funding over the five areas of work. The investment is growing due to the appetite and the success that TfN is having. Regarding funding, there has been one instance where an MBC provided funding to pay for analytical services for a rail business case; it is helpful but there is still a demand on the teams' resources to manage a consultant doing the work for them and temporary recruitment is difficult due to the nature of the role. External funding needs further consideration in the future.
- 4.9 The Head of Strategy, Policy and Research said that in terms of external funding only cost recovery basis is permitted. TfN has been engaging LTAs being clear what we are able to deliver with the resources that we have. In addition to the 5 areas there have been some other areas of work that have been included in the TfN offer grant agreement such as the Transport Related Social Exclusion tool and policy workshops to help with the policy angle. The Finance Director stated that TfN receives £6.5 million to deliver core activities and £700,000 to deliver the TfN Offer; there is a desire to do more and be able to offer more gold offers but we are grant funded and we therefore cannot generate revenue although we can recover costs.
- 4.10 The Chair observed that many regulated organisations look to the non-regulated marketplace as a way of generating income and that could be a longer-term ambition for TfN.
- 4.11 Ms Randall indicated that internal audit coverage is not an area that has been covered previously but it will be covered in this year's plan.
- 4.12 Regarding risk, the Chair expressed surprise as to how much the Head of Technical, Assurance and Economics used the word "advise", a word that could have a subjective angle to it. From an assurance perspective, is there a risk in terms of providing advice to stakeholders and that could that be captured with in the risk narrative? The Head of Technical, Assurance and Economics commented that evidence would be a more appropriate term; for example, we provide evidence into the benefits of the Northern Powerhouse Rail business scheme. If one is providing impartial evidence into the benefits of a scheme, it is up to the scheme promoter to decide what to do with that evidence. LTAs can find other providers for the same evidence, such as from other consultants and external bodies, but TfN can provide the data output more efficiently and quicker due to its large framework which contains the knowledge within the public sector.
- 4.13 The Head of Strategy, Policy and Research highlighted that many tools are at pan-regional level and for another organisation to develop something on a similar scale would take a lot of time and cost. An example is the Transport Related Exclusion Tool, which is extremely

valuable, providing a robust evidence base; this is where the real added value of the TfN offer lies.

- 4.14 Ms Reed made the point about the benefit of LTAs being the ability to get evidence from TfN as an “honest broker”. Consultancy costs can escalate rapidly, and we should emphasise as part of the offer, how it is supporting the value for money agenda for not only ourselves but also for wider public sector delivery.
- 4.15 The Head of Technical, Assurance and Economics agreed, saying that this is one of the advantages of an STB having big data sets that cover all of the North of England which have been reviewed for release by the legal team and if this is being distributed to 10 – 15 LTAs they may not need to do their own legal checks which is another potential cost saver.
- 4.16 Ms Reed agreed that there is a broader benefit i.e. saving a lot of other people producing the same data and approaching the whole of Transport for the North in a similar way providing a consistency.
- 4.17 Mr Brady asked why we have some risks that are showing as outside of the target if we are managing the position, it as tightly as we appear to be. The Risk Manager replied that some of the actions have not been implemented yet but once they are, the risk scores will reduce.
- 4.18 The Chair thanked all the contributors for the deep dive exercise.

Resolved:

- 1) That the Corporate Risk Register be noted
- 2) That the of the Committee during the deep dive be noted.

5 Committee Effectiveness Report

- 5.1 The Senior Lawyer went through the proposed action points inviting members to provide comments.
- 5.2 The Chair commented that he had previously felt detached from the wider organisation and that is reflected in the action. Members will have the opportunity to connect with the Chief Executive, and everyone will understand each other's roles more fully.
- 5.3 There will be an annual review of the anti-fraud measures and there will be a roll out of training for managers on fraud awareness.
- 5.4 Mr Brady observed that in the documents there are references for members to meet with internal and external auditors, and this will be welcomed. He observed that regarding the skills matrix the committee will still be subject to the vagaries of nominations from local authorities and therefore skills gaps could still exist. Ms Randall said internal auditors have previously attended pre / post meetings without officers from external audit and are happy to reconvene these.
- 5.5 The Finance Director commented that the aim is to steer constituent authorities to nominate the right kind of people. If required, TfN can offer training during members’ tenure, but if experienced members can be found it will be a benefit.

5.6 The Senior lawyer said work is being done with the communications and engagement team to source more members. All responders were thanked for undertaking the survey.

The Chair summed up by saying the ambition is to get to a point where performance can be assessed against that of other committees both within and outside of TfN.

Resolved:

- 1) That the outcome of the Effectiveness Review be noted
- 2) That the committee approves the Survey Results 2023 /2024
- 3) That the Audit and Governance Committee Effectiveness Action Plan 2024/2025, the Audit and Governance Committee Member Induction Pack, the Audit and Governance Committee Work Programme and the Audit & Governance Committee Competency Framework be approved.

6 Year End Draft Statement of Accounts 2023/2024 including the Annual Governance Statement

6.1 The Finance Director outlined the accounts which are on the website in draft format; they will be approved in March 2025 and the external audit will be scheduled later than normally (late September) due to the challenges of delivering wider public sector audits.

6.2 The Chair commented that the Governance statement has evolved significantly into a more evidence way of demonstrating how TfN manages governance processes.

6.3 The Finance Director stated that we are constantly and regularly reviewing what we do in relation to the annual governance statement, for example engaging more widely within TfN. The Senior Lawyer has arranged meetings with the Senior Management Team, Directors and CEO on a quarterly basis asking them for updates on the evidence and how the governance improvement plan is being met. It is a live document to be updated on a quarterly basis.

6.4 Ms Reed observed that the document reads well as a live document.

Resolved:

- 1) That the progress made on the production of the Annual Governance Statement be noted and approved.
- 2) That the progress made on the production of the Annual Statement of Accounts 2023/24 which includes the draft Annual Governance Statement be noted.
- 3) That it be noted that the Committee will receive a further report on the Accounts on or before March 2025 after the external audit has been completed and prior to approval by the Board at the end of March 2025.

7 Internal Audit Update

7.1 Ms Randall outlined the main points of the report.

7.2 Cllr Baker Rogers was pleased to see that the 23/24 programme was completed; she observed some organisations do not manage to do that.

She asked how the findings of the audit last year had informed this year's audit plan.

- 7.3 Ms Randall said from RSM'S point of view, last year's management actions will be followed up in the plan for the coming year. Regarding specifics, for the audit plan, coverage for 2024 onwards has been developed by looking at TfN risks at a point in time, and RSM always take cognisance of prior year and the themes that emerge. For the future, regarding the RSM review, TAME and how it operates in practice is being included, with the development of the TfN offer that is a focus in 2024/25. Those two examples relate to the insight and knowledge that RSM gains from attending this committee. Similarly, TfN's risks at a point in time recognise that they need to be refreshed for a changing government. The plan has evolved in this fluid way for 24/25. Conversations between TfN and RSM happen early and are followed by discussions internally within RSM, cascaded to Ms Randall's team. When the risk register is updated in August, I checks take place as to whether any changes in risk change any of the audits are necessary, this is discussed with the Finance Director.
- 7.4 The Finance Director commented that there is a definite shift to operational areas such as the NPR co-sponsorship arrangement, TAME, NPR hosting activity, and the TfN offer and therefore tracking operational delivery. Historically there was a focus on "is the infrastructure set up well."
- 7.5 The Chair asked a question on the Procurement Audit Report, on whether the waiver process has not been operated as intended; regarding the signing off process, are there other aspects of that process that are not working as intended?
- 7.6 The Finance Director explained the workflow, i.e. the automated system directs all recorded waivers to the Finance Director for approval. There were a couple of instances where they were not recorded correctly in D365, but these activities had been seen and approved as part of the commissioning process, so the assurance had been there, but they had not been recorded appropriately. The need to tag all waivers appropriately within our automated system was reconveyed to the team.

Resolved:

That the report be noted.

8 External Audit Update

- 8.1 Mr Gilroy outlined the audit strategy memorandum for the year ending March 2024.
- 8.2 Mr Brady commented that the increase in fees is significant and should be noted.
- 8.3 The Finance Director explained that TfN opts into an arrangement with the Public Sector Audit Appointments (PSAA) which manages and negotiates the interface with external audit on a collective basis with the concept of getting benefit from scale. The increase in fees is, in part, the result of rebalancing from being charged at a lower level during previous

years. TfN had significantly lower fees for the first five years. There is scope to challenge the cost systematically, which we will do, to obtain further assurance that it is correct.

Resolved:

That the External Audit update be noted.

9 Quarterly Operating Report

- 9.1 The Partnership and Programme Manager outlined the highlights of Q4 report; Q1 will be issued later on this month.
- 9.2 Cllr Mundry highlighted that thought needs to be given to how TfN fits into the new government agenda. TfN must demonstrate that we are an asset to the whole government agenda.
- 9.3 The Partnership and Programme Manager commented that following Executive Boards this week, we are working to align TfN's role, and this will be a future priority.
- 9.4 The Finance Director highlighted that TfN can offer a good value solution for partner organisations. However, we cannot do everything that all organisations want; that would change the nature of our organisation. Offering all partners the gold product is also very different to offering bronze. There is a fine balance, but we need to get the most out of the resource allocated to us by the DfT.

Resolved:

That the Quarterly Operating Report be noted.

10 Date and Time of Next Meeting and Future Meeting Dates

Friday 6 September 11:00 – 13:00 at Friends Meeting House,
Manchester.