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<b>Meeting:</b>	Transport for the North Board
<b>Subject:</b>	Annual Progress Report of the Audit and Governance Committee
<b>Author:</b>	Graham Bell, Chair of TfN Audit and Governance Committee
<b>Sponsor:</b>	Paul Kelly, Finance Director
<b>Meeting Date:</b>	Monday 9 December 2024

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## **1. Purpose of the Report:**

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee over the last year.
- 1.2 The report provides a summary on the committee's activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.3 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

## **2. Recommendations:**

- 2.1 It is recommended that the Board approves the Annual Governance Statement.
- 2.2 It is recommended that the Board notes the recommendation in the Annual Progress Report of the Audit & Governance Committee to approve the Statement of Accounts for 2023/24.
- 2.3 It is recommended that the Board approve the Statement of Accounts for financial year 2023/24 subject to their being no material changes arising from finalising the external audit.

## **3. Main Issues/Audit and Governance Committee Progress Report:**

- 3.1 The TfN Constitution prescribes the requirement for an Audit & Governance Committee to support Members in their oversight of TfN's affairs. The committee's terms of reference are appended to this report for reference (Appendix 2), but the committee's principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 3.2 The Audit & Governance Committee comprises of six elected members, supported by four Independent Members appointed by an open recruitment process. Quoracy requires two elected members and one Independent Member. The committee is chaired by an Independent Member. Historically, the committee has found quoracy a challenge and it is hoped the new membership (both elected and independent) will provide the stability on which to enhance the committee effectiveness. The committee would seek the support of the Board in achieving this outcome.
- 3.3 Over the 2023/24 financial year the committee met quarterly with all meetings attended by TfN's internal and external audit providers (RSM and Mazars respectively).

### **Work Plan**

- 3.4 Over the year the committee has agreed a number of standing items that should be brought before the committee by officers. These include:
  - The Corporate Risk Register
  - Financial Reporting
  - Constitution Reviews
  - TfN Operating Report

In addition, the committee receives updates on relevant legislative changes, e.g. UK Corporate Governance Code 2024 and other updates relevant to its operation, eg Internal Audit Code of Practice.

- 3.5 The committee also requires that instances, or suspicion, of fraud and corruption are reported to the committee directly. No such reports were received in 2023/24.
- 3.6 In addition to this, the committee also approved the internal audit programme of activity. This programme has been designed to provide the committee with the assurance it requires that TfN has implemented a control framework that appropriately manages risk.
- 3.7 The committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 At the meeting of 6 December 2024, the Statutory Accounts, including the Annual Governance Statement, were presented to the A&G committee.
- 3.9 The committee's activity vis-à-vis its terms of reference is presented in matrix form in Appendix 3.

### **Internal Audit Activity**

- 3.10 We retendered the Internal Audit service for the three-year period from 2024-2027 and RSM were the successful bidder.
- 3.11 The committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks
- 3.12 RSM was able to provide the following substantial or reasonable level of assurance in these key areas:
  - Asset Management
  - IT Access Management Security
  - Staff Mental Health and Well-being
  - Performance Management and Appraisals
  - Procurement - VF

In addition, the audit to follow up on the recommendations made by the internal auditor in previous audit reports, identified "good progress" in relation to the follow up actions agreed with management.

- 3.13 The committee is able to provide TfN Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.14 The committee has tracked progress against agreed management actions throughout the year.

### **External Audit Activity**

- 3.15 Forvis Mazars was appointed as TfN's statutory auditor in 2018 via the Public Sector Audit Appointment ("PSAA") process and continued in this role during the year. The PSAA concluded the process of reprocurring a solution for the period from 2023/24 onwards which resulted in the reappointment of Forvis Mazars.
- 3.16 Forvis Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a 'true and fair view' of TfN's affairs, and also gives a value-for-money opinion.
- 3.17 The committee has received Progress Reports from officers and Forvis Mazars throughout the year regarding progress in relation to the completion of the accounts and their subsequent audit and has reviewed the draft unaudited accounts at its meeting of 19 July 2024. The committee will consider the findings of the external audit process, as conveyed at the A&G meeting of 6 December 2024, when formulating

their view on whether the Statement of Accounts should be submitted to the TfN Board for approval.

- 3.18 The committee notes that the process of finalising the Transport for the North accounts has been completed within the deadline of 28 February 2025 and that Transport for the North will use the Board meeting of 9 December 2024 to approve the 2023/24 financial statements in advance of that deadline.
- 3.19 The committee has sufficient comfort to recommend the accounts to Board for approval subject to no material changes being identified as part of the close out process of the external audit.
- 3.20 As part of their audit, Forvis Mazars are required to consider whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, ie value for money.

### **Risk**

- 3.21 Risk is a standing item at Audit and Governance Committee meetings and the Corporate Risk Register has been updated systematically during the year. The committee has regularly reviewed and provided feedback on the Corporate Risk Register.
- 3.22 The Risk Management Strategy was reviewed by the TfN executive's Operations Board and Senior Management Team in September 2024, and no changes were made to the strategy.
- 3.23 During the year we continued to roll out the deep dive process around key risks.

### **Next Steps**

- 3.24 The work programme for 2024/25 is intended to include the following:
- Consider the outputs produced by the Internal Audit plan
  - Monitor Transport for the North's risk management activity
  - Review corporate governance arrangements, supported by an internal audit review, against the Code of Corporate Governance and the good governance framework
  - Continuation of deep dives
  - Introduction of assessing committee performance
  - Further enhancements to the AGS.

## **4. Conclusion:**

- 4.1 Having reviewed the findings of internal audit and the submissions of officers, the committee can provide assurance to the Board that in the areas reviewed TfN has implemented a sound control framework that appropriately manages risk.
- 4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the committee recommends to the Board that it approves the Statement of Accounts subject to there being no material changes to the Statement of Accounts as agreed with the external auditors.

## **5. Corporate Considerations:**

### **Financial Implications**

- 5.1 The financial implications of the resources and commissions required to deliver this work were captured in the approved budget.

### **Resource Implications**

- 5.2 There are no resource implications as a result of the report.

### **Legal Implications**

5.3 Legal implications are included in the report.

**Risk Management and Key Issues**

5.4 The risks associated with the audits are detailed in the report.

**Environmental Implications**

5.5 An impact assessment has not been carried out because it is not required for this report.

**Equality and Diversity**

5.6 An impact assessment has not been carried out because it is not required for this report.

**Consultations**

5.7 A consultation has not been carried out because it is not necessary for this report.

**6. List of Background Papers:**

6.1 Transport for the North Constitution (latest copy available on TfN website) and Internal Audit Reports to the Audit & Governance Committee (copies available on TfN website).

**7. Appendices:**

Appendix 1 – Audit and Governance Committee Terms of Reference

Appendix 2 – Audit and Governance Committee Activity