

Transport for the North Audit & Governance – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Thursday 19 November 2020, 11:00am – 12:15pm

Venue: MS Teams remote meeting

Attendees:

Chris Melling, CM (Chair)	Independent Member
Cllr Keith Little, KL (Vice-Chair)	Cumbria County Council
Cllr Heather Scott, HS	Darlington Borough Council
David Pevalin, DP	Independent Member
Cllr Chris Brewis, CB	Lincolnshire County Council
Cllr Liam Robinson, LR	Liverpool City Region
Cllr Allen Brett, AB	Rochdale MBC

Invitees:

Yaroslava Koseva, YK	Department for Transport
Karen Murray, KM	External Audit, Mazars
Andrew Mawdsley, AM	Internal Audit, RSM, UK

Officers:

Dawn Madin, DM	Business Capabilities Director
Iain Craven, IC	Finance Director
Paul Kelly, PK	Financial Controller
James Lyon, JL	Legal Assistant
Rosemary Lyon, RL	Legal & Democratic Services Officer
Julie Openshaw, JO	Head of Legal
Haddy Njie, HN	Risk Manager
Deborah Dimock, DD	Solicitor

Apologies:

Kevin Brady, KB	Independent Member
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1.0 Welcome and Apologies

Action

- 1.1 It was noted that Keith Little would need to leave the meeting early due to other commitments. Kevin Brady's apologies were noted.

2.0 Declarations of Interest

2.1 There were no declarations of interest.

3.0 Minutes of the Last Meeting and Matters Arising

3.1 The minutes of the meeting on 24 September 2020 were considered.

RESOLVED: To accept the minutes of the meeting held on 24 September 2020 as a true and accurate record.

4.0 Monthly Operating Report (R)

4.1 The report was noted, and Iain Craven invited any questions arising from it.

4.2 The Chair asked if the delays to Phase 3 and 4 of the IST programmes contained any significant financial risks. IC advised that due to the delays noted in the report, the funding of the IST scheme had become dependent on the CSR announcement due on 25th November. He further noted that these delays were impacting on TfN's ability to plan for the following financial year.

4.3 The Chair asked for clarity concerning a phrase on IPBA which noted both that "work was ongoing" and "work was expected to start in April". IC replied that the Operating Report was published a month in arrears so there had been some movement in the timelines. The procurement was due to start in the next couple of days and the intention was that the appointment of a contractor and the subsequent work would begin in the new financial year.

4.4 The Chair further requested that the Committee was sighted on the TAME work on a regular basis as their work was critical to the Investment Programme and the decision of the NPR Programme.

Action: IC and Chair to discuss further to finalise the content of a TAME team presentation to the next Committee meeting to summarise its work.

5.0 Budget Revision 2 & Mid-Year TM Update (R)

5.1 IC advised that this report had been to both Scrutiny Committee and then to TfN Board on Wednesday 18th November. Primarily for information for the Audit & Governance Committee, it set out the final financial performance for the six months through to September, the budget revision through to the end of the 2020/21 financial

year and TfN's compliance of the Treasury Management Strategy.

- 5.2 The underspend of £3 million was mostly covered by the NPR and IST programmes. However, some underspend in Core was due to delays caused by Covid as TfN had over-estimated the return to normality.
- 5.3 The full year Revision 2 forecast was reported as £67.1m, down £1.3m on the previous estimate. This was the net impact of a number of movements. The forecast including contingency has decreased by an additional £8.5m due to the deferral of activity into next year. This work was designed to expedite post-SOC works and will not affect the delivery of the SOC in March. IC noted that this work is now largely committed for delivery in the next financial year.
- 5.4 The funding picture for April 2021 onwards was still very uncertain due to the delay in CSR announcement, so TfN had begun to mitigate risks by delaying some activity, resulting in an underspend against forecast.
- 5.5 TfN Board previously approved a Treasury Management Policy which focussed on security, liquidity and yield in that order and the report detailed TfN's compliance with that policy.
- 5.6 The Chair asked if there was a risk that the £8.5million deferred into the following financial year from NPR would be lost. IC replied that DfT had been notified of the need for this activity to be moved into the new financial year and that it had been included in the revised CSR submission. He also noted that the co-cliented nature of the arrangements minimised the risk associated with this funding.
- 5.7 The Chair raised a written query from Kevin Brady, regarding the process for submitting the Budget revision noting that Audit & Governance received it after Board, and it seemed to be a document for information only. IC confirmed that as budgets and the revisions to them are driven by the business plan and essentially policy matters for the Board they are considered by the Scrutiny Committee prior to submission and that the report was provided for noting only as it contained information useful to this Committee's role. This was confirmed by JO.

RESOLVED: The Committee noted the report.

6.0 Internal Audit Reports (R)

- 6.1 Andrew Mawdsley from RSM presented the three reports from Internal Audit. He advised that the audit plan was on track, that the New Payment Process Audit had recently been issued in draft form and that this would be brought to the next Committee meeting. There were two remaining audits left to take place, Risk & Governance Framework and Income Management Review, both scheduled for January.
- 6.2 The Audit Progress report was taken as read and there were no questions arising.
- 6.3 RSM's IT technical expert team had carried out a Cyber Security Audit which raised two medium and two low priority management actions regarding procedures and controls. The penetration test proposed for Leeds and Manchester had yet to happen due to the office closure since lockdown. The Follow Up audit would address some of the specifics raised in the Cyber Security report to ensure that actions had been taken. However overall, the report had been broadly reassuring that TfN was well equipped to deal with IT matters.
- 6.5 The HR Audit had reviewed the end-to-end process of recruitment and selection of staff which had raised one minor point about CRB checks within the policy. It was also noted that the term "CRB" was outdated and should refer to DBS. However, this had no impact on the actual audit or the overall HR department since TfN had limited roles requiring such checks, and whilst the old wording had been carried forward in internal documents it did not affect actual processes. TfN's HR will update the wording, and this would be picked up in RSM's Follow Up Audit.
- 6.6 It was noted that External Audit had no formal reports to submit but the Chair asked if Mazars wished to update the Committee. Karen Murray confirmed that the accounts, recommended by Audit & Governance at the previous meeting, had gone to TfN Board for approval, this approval had been received and the accounts had been signed by Iain Craven, Finance Director and Karen Murray, External Audit Partner. The Annual Audit Letter, the written confirmation of the verbal assurance given in the meeting, would be issued before Christmas and presented to the Committee at the next meeting.
- 6.7 IC added his thanks to both RSM and Mazars for their collaborative work in a Covid-19 environment, with full remote working at both ends. The Chair added that TfN Board had also thanked Audit & Governance Committee for the work in recommending approval of the accounts recognising that the committee had also worked well via

virtual meetings and with Covid-related delays to facilitate the process.

RESOLVED: The Committee noted the reports and thanked RSM and Mazars for their work and the overall reassurance provided.

7.0 Annual Governance Review (R)

7.1 This represents the first report to Audit & Governance Committee of preparing the review of the Governance Statement, working to a publication date at the end of May for sign off by TfN Board in June. A number of review items will be brought to Audit & Governance including a review of the Anti-Fraud and Corruption policies which had been requested.

7.2 The Chair acknowledged that this was an important process and it was right to begin considering it in plenty of time

RESOLVED: The review process would be covered in more detail at the next Audit & Governance Committee.

8.0 Draft Corporate Risk Register Report (R)

8.1 HN advised that all risks had undergone a comprehensive revision as part of ongoing risk management processes and highlighted the main changes following this review. She added that the risks were fully reviewed at least monthly, often more frequently depending on the workflow concerned. In spite of the full remote working, regular meetings with programme teams were taking place and the engagement remained positive.

8.2 Some of the risk ratings had been lowered by a detailed exercise to separate further aspects and mitigations that TfN had direct control of and the ones that were imported and that TfN did not control directly. A point was raised on the possibility of differentiating controllable risk mitigations from dependency mitigations in order to better monitor progress with the mitigating actions.

8.3 NPR risks remained high due to its high profile and the ongoing challenges in relation to the approval of the SOC in March. However, the Register reflects the work being done to mitigate these risks, including work with Network Rail to challenge and mitigate cost pressure. Modelling work by TAME & NPR had resulted in an improvement to the Benefit/Cost ratio which had been reflected in a lowering of the risk scores within the Register. The progress made with the SOC was also noted and the timeline for its approval in

March 2021 considered more achievable, again resulting in a lowered risk rating.

- 8.4 Risks around the Integrated Rail Plan had been raised as having the potential to affect the NPR SOC and the Outline Business Case.
- 8.5 Decarbonisation and Climate Emergency risks had been downgraded, as although the content of the risk information had not changed significantly, the mitigations had been reworked and improved and more specifically address the objective stated in the risk register.
- 8.6 DP praised the extra clarity that this had given to the report commenting that the issues of controllable and uncontrollable risks was one that the committee had struggled with since its inception. HN added that the risk register was still undergoing further revision with the aim of moving the current 4x4 matrix to a more detailed 5x5 one. IC added that the issues of risk descriptions and the corresponding mitigations had been discussed at length in TfN's Director meetings. IC invited the Committee to make any comments they had on the matter directly to him for consideration as the risk reports were updated.

RESOLVED: The Committee noted the Risk Report and thanked HN for the detail within it.

9.0 Next Committee Dates

- 9.1 The Committee noted the next meeting of 18th February 2021 at 11am.
- 9.2 In line with recent Government announcements around remote working, it would be a virtual meeting and an invitation would be sent shortly.
- 9.3 Future meetings in June and July were mentioned with the requirement to fit in around TfN Board dates

Action: Plan A&G meeting dates for 2021.

10.0 Any Other Business

- 10.1 No other items of business were raised.

The meeting concluded at 12:05pm