

Transport for the North Audit & Governance Committee – Item 6

Subject: Value for Money Self-Assessment

Author: Deborah Dimock

Sponsor: Iain Craven

Meeting Date: Thursday 10 June 2021

1. Purpose of the Report:

- 1.1 For Members to consider the Value for Money Self-Assessment and to advise the Finance Director whether they are satisfied, or to identify any significant concerns they may have and any amendments that are required.

2. Background

- 2.1 As part of the annual external audit, Transport for the North was informed by Mazars, its external auditor, that the new Code of Audit Practice 2020 placed greater emphasis on the effectiveness of the challenge provided by the Audit and Governance Committee. In order to demonstrate this, Mazars has requested that both Transport for the North Management and the Audit and Governance Committee complete a Value for Money Self-Assessment.
- 2.2 The Self-Assessment is designed to enable the Audit and Governance Committee to satisfy itself and to demonstrate that Transport for the North has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 2.3 The timing of Committee Meetings did not allow for the Self-Assessment to be brought to the Audit and Governance Committee for review before submission, and therefore the draft Self-Assessment was forwarded to Members of the Committee individually so that they could comment. The Self-Assessment was then amended to reflect the comments made by Members. The completed form is attached at Appendix 1. The comments shown in red have been added in response to comments by Members.

2.4 Mazars has also requested that Transport for the North's management complete a separate Self-Assessment to demonstrate the organisation's performance in relation to the following criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency, and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

This second Self-Assessment has been completed by management and is attached at Appendix 2.

2.4 The purpose of this report is for Members to either identify any concerns that they may have or to confirm to the Finance Director that as a Committee they are satisfied with the completed Self-Assessments which are attached as Appendices 1 and 2.

3. Decision Required:

- 3.1 That Members identify any concerns that they may have with the arrangements Transport for the North has put in place to secure value for money in the use of resources.
- 3.2 That the Members of the Committee confirm that they are satisfied with both the completed Value for Money Self-Assessments.

Appendix 1:

Completed Value for Money Self-Assessment Form – Members

Appendix 2:

Completed Value for Money Self-Assessment Form – TfN Management

Required Considerations

Equalities:

Age	No
Disability	No
Gender Reassignment	No
Pregnancy and Maternity	No
Race	No
Religion or Belief	No
Marriage and Civil Partnership	No
Sex	No
Sexual Orientation	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	Deborah Dimock	Julie Openshaw

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment –inc. considerations regarding Active	A full impact assessment has not been carried out because the report does not propose any new	Deborah Dimock	Julie Openshaw

Travel and Wellbeing	strategy or service provision		
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Legal

Yes

Consideration	Comment	Responsible Officer	Director
Legal	There are no legal implications as a result of this report	Deborah Dimock	Julie Openshaw

Finance

No

Consideration	Comment	Responsible Officer	Director
Finance	TfN Finance Team has confirmed there are no financial implications.	Paul Kelly	Iain Craven

Resource

No

Consideration	Comment	Responsible Officer	Director
Resource	TfN HR Team has confirmed there are no new resource implications.	Stephen Hipwell	Dawn Madin

Risk

No

Consideration	Comment	Responsible Officer	Director
Risk	There are no new risks identified as a result of this report.	Haddy Njie	Iain Craven

Consultation

Yes

Consideration	Comment	Responsible Officer	Director
Consultation	No consultation has been carried since no new policies are being proposed.	Deborah Dimock	Julie Openshaw

Appendix 1

Transport for the North

2020/21 AUDIT - VFM: Audit and Governance Committee

Self-Assessment

Self-assessment co-ordinated and completed by:	Deborah Dimock Solicitor
Date completed:	
Explain how the self-assessment is being considered by the Audit and Risk Committee, or equivalent	The completed self-assessment will be referred to Audit and Governance Committee for review

Value for Money Arrangements: Audit Committee Checklist

Background

The Code of Audit Practice applying from 2020/21 has increased the prominence and expectations of Audit Committees as those charged with governance. Specifically, one of the indicators of 'adequate arrangements' covers "effective challenge from those charged with governance/audit committee"

The reporting requirements of the Annual Governance Statement are largely unchanged, but with changes in the definition of "adequate arrangements" and the factors auditors are required to report on, it is important that there are no surprises.

Audit Committees should be sighted on both the definition of adequate arrangements and ensuring that these have been adequately reflected in the internal control environment and, where appropriate, in the Annual Governance Statement.

The table below can be completed by the entity for assurance to the Joint Independent Audit Committee, and then consideration by the Joint Independent Audit Committee.

Guidance notes to assist Audit Committees

For the purposes of this self-assessment, in addition to answering the questions in the table either Yes or No, it would be helpful to include a brief commentary to explain the reasons for the judgement reached.

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
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Financial sustainability:

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
How the body plans and manages its resources to ensure it can continue to deliver its services, including					
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>Yes</p> <p>Through the monthly operating report, which includes information on TfN's financial position on a monthly basis</p>	Yes	N/A	<p>Yes</p> <p>Financial risks are identified in the Corporate Risk Register.</p>	
How the body plans to bridge its funding gaps and identifies achievable savings	<p>Yes</p> <p>TfN is fully funded by government grant – it only undertakes activity that is funded through DfT funding allocations.</p> <p>The NPR Programme has carried out a series of funding reviews to reduce the projected costs of the NPR Programme</p>	Yes	N/A	<p>Risks to continued grant funding are identified in the Corporate risk Register.</p>	
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Yes</p> <p>Annual Business planning process for short term spending based on DfT grants, contracted income and retained reserves.</p> <p>Strategic Investment Plan for capital investment to achieve the Strategic Transport Plan 2020 - 2050</p>	Yes	N/A	<p>Risks to continued grant funding are identified in the Corporate risk Register.</p>	
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational	<p>Yes</p> <p>Annual Business Planning process is integrated into workforce planning.</p> <p>TfN's Business Planning process</p>	YES	N/A	<p>Resourcing and capital programme related risks are included in the Corporate</p>	

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
planning which may include working with other local public bodies as part of a wider system	<p>includes the requirements of its major partnerships, the Rail North Partnership and NPR.</p> <p>TfN does not have a capital programme separate from grant funding provided by DfT.</p> <p>TfN has a Treasury Management Strategy that is reviewed annually by A&GC and approved by the Board.</p>			Risk Register.	
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Yes</p> <p>Lack of financial resilience is identified as a risk to TfN.</p> <p>Changes to grant funding are provided for in the Memorandum of Understanding with the SoS and the Grant Funding Agreements underpinning TfN's funding.</p>	Yes	N/A	<p>Yes</p> <p>The possibility of change to grant funding is identified as a risk in the Corporate Risk Register</p>	
Governance:					
How the body ensures that it makes informed decisions and properly manages its risks, including:					
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>Yes</p> <p>The Corporate Risk Management Strategy</p> <p>Regular risk reporting to Committee</p> <p>Internal Audit of TfN processes and systems of control</p> <p>Report of Ant-Fraud and Corruption Policy</p>	Yes	N/A	-	
How the body approaches and	Yes	No	N/A	-	

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
carries out its annual budget setting process	Progress reports on Business Planning exercise prior to submission of Annual Budget Report.				
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;	<p>Monthly Operating Reports are published every month of the TfN website and are reported to the Audit and Governance Committee for review quarterly.</p> <p>Monthly reviews by the finance team with individual budget holders.</p> <p>Periodic Budget Revisions provided to the TfN Board for approval.</p>	Yes	N/A	-	
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>Yes</p> <p>Reports to the TfN Board and Committees are supported by qualitative and quantitative data, TfN carries out significant levels of research and data analysis to support its strategic plans and statutory advice to government. All decision items are referred to Scrutiny Committee before being considered by the Board.</p>	Yes	N/A	Yes – the risks associated with all key areas are included in the Corporate Risk Register.	
How the body monitors and ensures appropriate	Yes	Yes	N/A	Corporate risk of failure to comply	

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/ conflicts of interests)	TfN's Monitoring Officer, assisted by an in-house legal team, is responsible for ensuring compliance with legislative requirements and for monitoring officer and Member Codes of Conduct. The Monitoring Officer has reported to the Audit and Governance Committee in the Anti-Fraud and Corruption Policy report			with legislation is included in the Corporate Risk Register	
Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:					
How financial and performance information has been used to assess performance to identify areas for improvement	Financial and performance information is regularly reviewed at Programme and Partnership Board meetings and performance is measured against targets and milestones. Continued grant funding is dependent on satisfactory performance.	-	N/A	-	
How the body evaluates the services it provides to assess performance and identify areas for improvement;	TfN is not an organisation that provides services to the public. TfN provides services under a number of Agreements with the SoS and those services are monitored and evaluated under the partnership arrangements with funding being dependent on	Yes	N/A	-	

VFM criteria/sub-criteria	Is the arrangement described in the AGS?	Is the arrangement described in the Annual Report/ Narrative Report?	If neither, how is the Audit Committee assured, these arrangements are in place?	Does the arrangement link to a specific Risk in the Strategic Risk Register?	Does the Audit Committee have significant concerns over the arrangements?
	achieving agreed targets and milestones.				
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;	Yes Governance of significant partnerships is through joint Programme or Partnership Boards whose membership include significant partners. Performance is regularly reported to and monitored by these Programme/Partnership Boards	Yes	N/A	Yes Risks to significant partnerships are included in the Corporate Risk Register	
Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Yes All procurement is carried out through the purchasing system which ensures that all legislative requirements and internal procedures are complied with. A procurement cannot process through the system unless all checks, including legal checks, have been completed.	Yes	N/A	Yes Legislative compliance is identified as a procurement risk in the Corporate Risk Register	

Appendix 2

Transport for the North

2020/21 AUDIT - VFM: Management Self-Assessment

Self-assessment co-ordinated and completed by:	Deborah Dimock, Solicitor
Date completed:	

Value for Money Arrangements: Management Self-Assessment

Background

The NAO Code of Audit Practice applying from 2020/21 has changed the focus of the external auditor's work on Value for Money arrangements. Auditors must now identify risks of significant weaknesses in entities arrangements to deliver VFM as defined by three criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services.
- Governance: how the body ensures that it makes informed decisions and properly manages its risks and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The entity themselves should be clear on what its arrangements are against each of the criteria and sub-criteria specified by the NAO.

This self-assessment schedule can be used to document the arrangements in place, the supporting evidence, and the key entity contacts for auditors to engage further in completing their VFM work.

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
Financial sustainability			
How the body plans and manages its resources to ensure it can continue to deliver its services, including:			
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	Annual Business Planning process	Annual Business Plan	Iain Craven

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
How the body plans to bridge its funding gaps and identifies achievable savings	TfN is fully funded through government grant and receives only the funding necessary to carry out the activities agreed with DfT	Grant Funding Agreements	Iain Craven
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Annual Business Planning Process	Annual Business Plan	Iain Craven
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The annual business planning process includes workforce requirements and also the requirements of TfN's significant partnerships such as NPR and the Rail North Partnership	Annual Business Plan	Iain Craven
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	TfN has agreed a minimum level of reserves to mitigate against unplanned changes to expenditure and has an understanding with DfT set out in the MOU and the Grant Funding Agreements that DfT will assist with the orderly close down of any activities should this become necessary. In addition, the nature of TfN's business as a statutory sub-national transport body is that it is not exposed to unplanned changes in demand. Activity in excess of that in the business plan can only be undertaken where additional funding is made available.	MOU with the Secretary of State and Grant Funding Agreements with DfT	Iain Craven
Governance:			
How the body ensures that it makes informed decisions and properly manages its risks, including:			
How the body monitors and assesses risk and	TfN has adopted a Corporate Risk Management Strategy that is periodically reviewed,	Corporate Risk Record	Iain Craven

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
<p>how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>amended and approved by the Audit & Governance Committee (A&GC).</p> <p>Regular risk reporting is provided to the A&GC and periodically to the TfN Board. In addition, risk narrative is included for review in the Monthly Operating Report.</p> <p>A system of internal process and controls is embedded in the ERP through which are managed commissioning, procurement, purchasing and payment. All of TfN's core processes are the subject of periodic internal audit review, the reports from which are presented to the A&GC.</p> <p>In addition, in 2020/21 a report was provided to A&GC on the Anti-Fraud and Corruption Policy.</p>	<p>Monthly Operating Report</p> <p>Purchasing System</p> <p>Internal Reports to the A&GC</p>	
<p>How the body approaches and carries out its annual budget setting process</p>	<p>Through the annual Business Planning process, involving all programme teams and support teams to produce a comprehensive Corporate Business Plan and Annual Budget. Reports are provided to the TfN Partnership Board, Board and Scrutiny Committee between the commencement of business planning in the Autumn and the approval of the budget in March which provide updates on progress and seek approval for the workplans being developed.</p> <p>In 2020/21 a Member Working Group was established to help expedite the planning and budgeting process, following the late notification of 2021/22 funding allocations by DfT.</p> <p>TfN also established a Steering Group, led by the CEO, to manage the process and take key decisions.</p>	<p>Annual Business Plan</p> <p>Business Planning and Funding reports to TfN Partnership Board, Board and Scrutiny Committee</p> <p>Member Working Group slides / minutes</p> <p>Steering Group Notes</p>	<p>Iain Craven</p>

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>TfN produces a Monthly Operating Report which provides a range of operational, programme, financial, resourcing and risk information. This is accessible on the public part of the TfN website and is provided to TfN governance forums including the Board, A&GC, Scrutiny Committee and the OBT.</p> <p>Monthly review meetings are held between finance officers and each budget holder. These are used to monitor activity, provide information to the MOR and produce periodic budget revisions.</p>	<p>Monthly Operating Report</p> <p>Records of monthly review meetings</p>	<p>Paul Kelly</p>
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<p>Decisions in relation to Strategic Plans or Statutory Advice to Government are underpinned by a body of evidence. Strategic Plans are subject to public consultation.</p> <p>Board decisions are subject to pre-scrutiny by the Scrutiny Committee under the principle of "Scrutiny First".</p> <p>All decisions are made in public unless an obligation of confidence requires TfN to take them in private.</p>	<p>Board reports and background documents.</p> <p>Public Consultation report</p> <p>Scrutiny Committee reports</p>	<p>Debbie Dimock</p>
<p>How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/ conflicts of interests)</p>	<p>The Monitoring Officer, supported by an in-house legal team, monitors compliance with legislative requirements and reviews all Board and Committee papers before decisions are taken to ensure legislative compliance.</p> <p>The Monitoring Officer monitors officer declarations in relation to Gifts and Hospitality and is responsible for Members Declarations of Interests</p>	<p>Legal Report sign off</p> <p>Report to Audit and Governance Committee monitoring the Anti-Fraud and Corruption Policy</p>	<p>Debbie Dimock</p>

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
<p>Improving economy, efficiency and effectiveness:</p> <p>How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:</p>			
<p>How financial and performance information has been used to assess performance to identify areas for improvement</p>	<p>The Monthly Operating Report is published on the TfN and is available to all TfN Board Members and TfN's partners as well as the general public.</p> <p>In addition, TfN undertakes periodic budget revisions that are presented as reports to the TfN Board for approval. These identify where there are under / overspends and highlight mitigating activity where appropriate.</p>	<p>Monthly Operating Report</p> <p>Periodic Budget Revision reports provided to the TfN Board.</p> <p>Reports to A&GC</p>	<p>Iain Craven</p>
<p>How the body evaluates the services it provides to assess performance and identify areas for improvement;</p>	<p>TfN receives grant funding from DfT which is subject to grant conditions. TfN demonstrates performance against agreed targets and milestones in order to draw down funding. Where slippage against milestones is identified, remedial measures are taken. Programmes are monitored, and performance is reported regularly to Programme Boards that are established for that purpose.</p>	<p>Grant Funding Agreements</p> <p>Programme Board records</p>	<p>Iain Craven</p>
<p>How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;</p>	<p>Performance is reported on a regular basis to Programme and Partnership Boards which monitor TfN's performance against agreed targets and milestones and would ensure that remedial action was taken where necessary.</p> <p>In addition, TfN has a specific committee (the Rail North Committee) to oversee its role in the co-management with DfT of the northern rail franchises via the Rail North Partnership.</p>	<p>Programme/ Partnership Board Records</p> <p>Rail North Committee reports and minutes</p>	<p>Debbie Dimmock / David Hoggarth</p>
<p>Where the body commissions or procures services, how the body ensures that this is done in accordance</p>	<p>All contracts are subject to legal review and the purchasing system ensures that procurement is carried out in a way which complies with all</p>	<p>Financial Regulations and Contract Procurement Rules</p> <p>Purchasing System</p>	<p>Paul Kelly</p>

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	relevant legislative requirements.		

Do any of the following situations apply?

Matter	Yes/No	Commentary	Key contact
Organisational change or transformation, including mergers or reorganisation	Yes	DfT has withdrawn funding for the IST programme – whilst this will be wound down in the first quarter of 2021/22 the process to do so has commenced in 2020/21.	Peter Molyneux
Outsourcing, or transfer to alternative delivery models, e.g. formal partnerships, mutuals, social enterprises, joint ventures, or transferring services and functions back in-house/insourcing etc	Yes	The Rail North Partnership is hosted by TfN under an agreement with DfT. In addition, the NPR Programme is “co-cliented” under terms set out in an MOU but managed via a GFA.	David Hoggarth, Tim Wood
Major (new) capital projects	No		
Commercial activities, such as investment or trading, where the organisation has not considered the risks and benefits and is not managing those risks	No		
Debt restructuring, especially where this involves entering into unusual or complex forms of new borrowing, or is being used to finance unusual or complex schemes	No		
Legislative/policy changes requiring a body to take on a significant new function(s)	No		