

Transport for the North Audit & Governance – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Thursday 15 July 2021, 11:00am – 12:15pm

Venue: MS Teams remote meeting

Attendees:

| | |
|--------------------------------|------------------------|
| Chris Melling (Chair) | Independent Member |
| Cllr Keith Little (Vice-Chair) | Cumbria County Council |
| Kevin Brady | Independent Member |
| David Pevalin | Independent Member |
| Graham Bell | Observer |

Invitees:

| | |
|------------------|------------------------|
| Campbell Dearden | External Audit, Mazars |
| Alex Hire | Internal Audit, RSM UK |
| Dominic Jeffrey | Policy Advisor, DfT |

Officers:

| | |
|----------------|----------------------|
| Iain Craven | Finance Director |
| Paul Kelly | Financial Controller |
| James Lyon | Legal Assistant |
| Deborah Dimock | Solicitor |

Apologies:

| | |
|--------------------|-----------------------|
| Cllr Liam Robinson | Liverpool City Region |
| Cllr Heather Scott | Tees Valley |
| Julie Openshaw | Head of Legal |
| Haddy Njie | Risk Manager |

1.0 Welcome and Apologies

Action

- 1.1 The Chair advised that, due to the change in regulations around virtual meetings as Covid restrictions were gradually lifted but with the continuing requirements for social distancing, this was not a formal meeting of Audit & Governance Committee, but a Consultation Call held under the delegated powers of the Section 151 Officer.

-
- 1.2 Apologies as noted; TfN Legal was represented by Deborah Dimock.

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 There were no matters of accuracy arising from the minutes.
- 3.2 The Chair referred to the action point in section 8 which had asked why some of the audit actions were on hold until the appointment of the new CEO. Iain Craven clarified that it was one item on hold concerning the assurance framework and advised the Committee that this was due on ongoing uncertainty around TfN's role. The final assurance framework would be predicated on the outcomes of the Comprehensive Spending Review as well as publications such as the Integrated Rail Plan and would require the full involvement of TfN's new Chief Executive, due to start his role on Monday 2 August.

RESOLVED: To note the minutes of the meeting held on 10 June 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

RESOLVED: The Committee were satisfied with the explanation of the one action point from the previous minutes.

4.0 Monthly Operating Report (May 2021) (R)

- 4.1 The report was taken as read with Iain Craven noting that it was a comprehensive document and not intended to be covered in detail during the meeting.
- 4.2 Due to deadlines of paper circulation, he also advised that the June report was now available on the TfN website
- 4.3 The financial performance through the first quarter of 2021 was summarised with activity of £14.7m against an original budget of £15.2m although with some one-off spend such as the office refurbishment still to be accounted. This left TfN almost exactly on budget for the first quarter.

RESOLVED: The Committee were once again very positive as to the content and comprehensive nature of the report.

5.0 Internal Audit Update (R)

- 5.1 The Audit Report was taken as read and RSM updated the Committee on the current audits in progress, Governance Review and Risk Management.
- 5.2 A questionnaire had been circulated to Members as part of the Governance Review and the deadline for responses had been extended. The main content of the audit was in the debrief stage with a draft report due to TfN shortly. The full report would be submitted to the Committee at the September meeting.

The Risk Management Audit had commenced earlier in the week and was progressing with no issues raised to date.

- 5.3 The Internal Audit schedule remained on track for delivery.

RESOLVED: There were no questions arising from the report.

6.0 External Audit Update (R)

- 6.1 Mazars presented their progress report advising that they had commenced the audit of the final accounts and had made good progress to date. The audit remained on schedule for completion at the end of July.
- 6.2 The audit would not include pensions as this was dependent on receipt of the Pension Fund Assurance Letter, however it would include the value for money assessment.
- 6.3 The only matter of note arising so far was a classification issue in terms of capitals and disposals of £2m although it was clarified that this was not a concern.
- 6.4 The Committee sought assurance around the timeline for audit completion; Campbell Dearden replied that the value for money work was ongoing, but this would not affect the substantive assurance of the accounts themselves.
- 6.5 He added that the audit was progressing smoothly, and the accounts were in good order.

RESOLVED: The report was noted.

7.0 Draft Year End Statutory Accounts (R)

- 7.1 Paul Kelly presented a set of slides detailing the key elements of the accounts.
- 7.2 The draft accounts had been issued for public inspection on 7 July 2021 and would remain open for inspection until 17 August, 30 working days as per statutory requirements.

- 7.3 Key items from within the accounts were highlighted for further discussion. This included the treatment of Intangible Assets, Revenue Expenditure Funded from Capital Under Statute ("REFCUS"), Pension Accounting and the prior year adjustment.
- 7.4 The accounting for Intangible Assets was presented with the treatment being directly aligned to the cessation of IST funding announced on 4 January 2021. The current discussion with the external auditors, in relation to classification of the fares data tool was discussed. The conclusion of the discussion will be raised at the next meeting.
- 7.5 The principal differences between actuarial valuation (for employer contributions) and IAS 19 valuation (for Statutory Accounting) were reiterated. It was acknowledged that the latter has driven the material adjustment to the pension deficit in the accounts and this is not an uncommon position across local authorities.
- 7.6 The need to reclassify an item from last years accounts was discussed and is recognised by including the phrase "restated" and explaining within a note to the accounts. This does not change any of the main statements.
- 7.7 Each of the main statements was discussed and included, where relevant, reference to the matters discussed above.
- 7.8 The refresh of the Accounting policies was discussed and referenced the track changed document detailing all changes from the version presented to the committee in February. It was noted that none of the changes impacted on the numbers within the accounts, they essentially represented bringing the policies in line with current CIPFA code.
- 7.9 Kevin Brady wanted to understand whether the £2m reserve was still agreed with DfT and whether it could come under pressure during the CSR process. He also felt the rationale captured with in the KPI section delivery failure to deliver.

Iain Craven referenced the Memorandum of Understanding and indicated it may require a refresh depending on how the CSR turns out. Iain articulated the medium-term plan which utilised and reduced reserves over the next 3 years but was based on a number of assumptions which, if not agreed as part of the CSR, could put financial pressure on the organisation.

The Chair subsequently drew reference to the medium-term financial strategy as detailed within the accounts.

7.10 Kevin Brady felt the rationale for failing to deliver KPI's, that was linked to the delayed publication of the IRP, should place more emphasis on areas outside TfN's control.

Iain Craven noted the point but indicated these had been captured and reported in the Monthly Operating Report so it would be a challenge to update.

RESOLVED: The Chair reminded the Committee that the item would be taken forward to the meeting on 16 September for final recommendation of the accounts to TfN Board for approval.

8.0 Corporate Risk Register (R)

9.1 As a standing item on the agenda, the Risk Report was taken as read and Iain Craven highlighted the key points of change.

9.2 TfN had experienced a small number of instances recently where confidential papers or communications to Members had been leaked to the press which presented a risk to TfN's reputation and to its relationship with DfT.

9.3 Ongoing uncertainty around the outcome of the impending CSR and the as yet undetermined publication date of the Integrated Rail Plan continued to present a risk to business operations which had also been detailed in the report.

9.4 There were no questions arising although the new format continued to draw praise for its clarity and the Committee were satisfied that the risk profile was being accurately portrayed.

RESOLVED: The report was noted and updates on the IRP publication would follow via the Monthly Operating Reports and in the next Risk presentation to Committee.

9.0 Any Other Business

9.1 The Chair reminded the Committee that the next meeting would be held in person and commented on the importance of it being quorate.

9.2 There were no other items of business raised.

The meeting concluded at 12:20pm