

Transport for the North Audit & Governance Committee – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Thursday 16 September 2021, 11:00 – 12:15

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
Cllr Heather Scott	Tees Valley

Invitees:

Karen Murray	External Audit, Mazars
Alex Hire	Internal Audit, RSM UK

Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Julie Openshaw	Head of Legal
Manjit Dhillon	Senior Lawyer
James Lyon	Legal Assistant

Apologies:

Cllr Liam Robinson	Liverpool City Region
Haddy Njie	Risk Manager

1.0 Welcome and Apologies

Action

- 1.1 The Chair welcomed Members to the call noting that it was originally intended to be held as an in-person meeting but due to matters of quoracy, it was being held as a Consultation Call under the delegated powers of the Finance Director.

- 1.2 He added that Transport for the North is actively seeking to recruit further Board Members to the Audit & Governance Committee in order to mitigate quoracy issues.

2.0 Declarations of Interest

Action

- 2.1 There were no declarations of interest.

3.0 Minutes of the Last Meeting and Matters Arising

- 3.1 The Chair advised that, due to the meeting being held as a Consultation Call, the Committee was unable to formally approve the minutes of 18 February and 10 June.
- 3.2 The minutes of the consultation call held on 15 July were considered and Kevin Brady highlighted a sentence in paragraph 7.9 as extraneous as the matter was more fully referenced in paragraph 7.10.

The Committee agreed that the sentence should be deleted.

RESOLVED: To note the minutes of the consultation call held on 15 July 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

4.0 Monthly Operating Report (July 2021)

- 4.1 This is a standing item at Audit & Governance Committee. Iain Craven covered the report in brief and noted that the August report would be published shortly and available on the TfN website as usual.
- 4.2 Points highlighted included the ongoing delay to the publication of the IRP, which was still causing uncertainty in a number of areas. Current information was that that IRP could be published in late October / early November 2021.
- 4.3 Manchester Central Corridor work remained ongoing with timetable issues still being considered by TfN's Strategic Rail team and Network Rail, with reference to TfN Partners.
- 4.4 The Comprehensive Spending Review (CSR) had not been announced at the time the report was written. However, there is now a CSR in progress and an update on this would be given at the TfN Board meeting on 29 September.

RESOLVED: The report was noted, and its comprehensive nature praised.

5.0 Virtual Participation in Meetings

- 5.1 The current rules in TfN's Constitution mirror the legal requirements nationally stating that a Committee must meet in person for decision making purposes.
- 5.2 While the considerable advantages of having provision for some virtual attendance at meetings were noted, there is currently no provision in the Constitution to permit hybrid meetings of public-facing Committees and Boards. As a result, the Members Working Group (MWG) had considered amendments to the Constitution which would allow Members to join formal meetings virtually and to allow them to contribute to debate, although they would not be entitled to vote or to be counted as present for quorum purposes.
- 5.3 A further amendment to allow Members to put forward representations in respect of agenda items when they were unable to be physically present at the meeting was also considered.
- 5.4 The MWG had recommended that these amendments be approved by the Board and a list of proposed amendments to the Constitution was presented to the Committee.
- 5.5 Cllr Heather Scott appreciated the flexibility being shown by the report, but raised a point also made in Rail North Committee about meetings being held between Manchester and Leeds which presented travel issues for those Members further afield. She asked TfN to consider venues across the North.
- 5.6 The issue of having in place suitable arrangements for IT equipment and technology was also raised; the report had acknowledged that the possibility of a hybrid meeting was dictated by available technology. David Pevalin commented that this could require a considerable audit of available venues to assess their suitability for dial-in options.
- 5.7 Cllr Keith Little agreed that elected members often faced the challenges of a busy diary and excessive travel ate into this considerably. The option to manage the agenda across the year to put all decision-making items into two in-person meetings while others were run virtually was also explored.

RESOLVED: The Committee received the report and noted the recommendations made by the Member Working Group which would be considered at TfN Board.

6.0 Internal Audit Update

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- 6.1 The recent work performed by Internal Audit was summarised and the “substantial assurance” rating for Risk Management Strategy and the “reasonable assurance” for Governance Effectiveness noted.
- 6.2 The Risk audit had been brought forward to accommodate the change to the risk reporting system and the introduction of the ‘Predict!’ management tool. Two low action points had been identified connected with the transfer to the new reporting system.
- 6.3 Five low and two medium actions had been identified within the Governance Effectiveness audit, based on responses to the questionnaire. Kevin Brady asked if the relatively low response to the questionnaire had adversely affected the rating; Alex Hire replied that the audit had looked at consistent themes from the responses rather than individual replies and on this basis was content that a representative picture was portrayed.
- 6.4 The audit plan continued to progress well and RSM commented on the good engagement with TfN to allow the audit plan to align with TfN’s risk profile, auditing the higher risk areas as a priority.
- 6.5 The Committee thanked RSM for the reports and the reassurance given on the areas audited.

RESOLVED: The audit report was noted and there were no further questions arising.

7.0 External Audit Update

- 7.1 Mazars presented their final report stating that they intended to offer an unqualified audit opinion on Transport for the North’s accounts. It was noted that the accounts had been prepared to a high standard and KM extended her thanks to TfN for the cooperation and collaboration throughout the audit.
- 7.2 A small amount of work outstanding was noted on the following areas:
- the pensions assurance letter;
 - the review and closure;
 - whole of Government accounts.
- 7.3 The pensions assurance letter was expected shortly and there were no issues of concern raised with this. The review and closure remained an audit administration matter requiring the receipt of the accounts as signed by the Board.
- 7.4 The matter of Government accounts was noted as being a calendar issue and again was not an area of concern.

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- 7.5 Mazars commented that the work done was in accordance with the Audit Strategy Memorandum presented in February 2021 and this materiality remained unchanged.
- 7.6 The risks inherent to Transport for the North were briefly discussed and the areas of pension liability and intangible assets both referenced. Minor administration points around the narrative were noted with the overall comment that that were no issues of concern.
- 7.7 Mazars reminded the Committee that they no longer offered a Value for Money conclusion following the changes to the National Audit Office Code of Practice and now issued a report considering the financial sustainability, governance and decision-making, and efficiency measures. The report cited strong control measures in place while noting the risks of a single source of income.
- 7.8 Iain Craven thanked Mazars for their work, again noting the additional difficulties of conducting the full audit under remote working conditions.

RESOLVED: There were no questions or comments arising from the report, which was received and noted.

8.0 Year End Statutory Accounts

- 8.1 The Chair reminded the Committee that this was the third time this year that they had examined the accounts and Paul Kelly added that the consultation call of 15 July had seen the accounts scrutinised in some detail.
- 8.2 The use of Track Changes within the document was noted in order to make the adjustments to material transactions within the accounts completely open; specific reference was given to the change from an impairment to a disposal of, intangible assets which altered the presentation of the transaction but not the net balance sheet position of TfN.
- 8.3 Kevin Brady thanked TfN for the clarity with which the changes had been presented and explained.

RESOLVED: The Audit & Governance Committee members present expressed approval for the Annual Governance Statement and the recommendation that TfN Board approve the Annual Statement of Accounts.

9.0 Draft Audit & Governance Committee Annual Report to the TfN Board

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- 9.1 Iain Craven reminded the Committee that the Chair reports back to TfN Board annually, detailing the activity carried out by the Committee and the fulfilment of its Terms of Reference.
- 9.2 The draft report was noted as requiring amendments to factor in the short-notice change of the meeting from an in-person one to a Finance Director's Consultation Call under the powers of the TfN Constitution.
- 9.3 The Chair covered the key points of the report which summarised the Committee's activities and he commented further on the membership of the Committee which had been noted in 1.1 in respect of quorum requirements.
- 9.4 The internal audits and TfN's own internal register of risks that the Committee had considered and approved throughout the year were summarised along with a comment on how this complied with both the Committee's Terms of Reference and TfN's Annual Governance Statement.
- 9.5 The Chair highlighted that the letter to the TfN Board was a result of the hard work of the Audit & Governance Committee throughout the year.
- 9.6 The External Audit report was summed up as providing sufficient assurance on TfN's accounts. TfN's internal risk register progress, including the updated format, was also noted as providing comprehensive assurance on TfN's programme of risk identification and management. The areas of work that Internal Audit had scrutinised throughout 2020/21 were also referenced along with the assurances obtained from them that TfN had strong governance controls in place to manage its programmes.

RESOLVED: Having reviewed the findings from internal and external audit, and the submissions from Officers, the members of Audit & Governance Committee in attendance were satisfied assurance can be provided to the Board in the areas reviewed that a sound control framework is in place and that the Board should approve the Corporate Governance Review, Annual Governance Statement and the Statement of Accounts.

10.0 Updated Corporate Risk Register

- 10.1 Iain Craven advised the Committee that Haddy Njie, Risk Manager would be leaving TfN shortly and he thanked her for her work over the past 5 years. Members added their thanks.

- 10.2 The report presented to the Committee on this occasion would also be presented to TfN Board on 29 September as part of its twice-yearly review of it. The role of Audit & Governance Committee in monitoring the Risk Register as a standing item at every meeting was also noted.
- 10.3 The Covid risk had been lowered to account for the vaccination programme and the fact that neither TfN nor its partners had seen significant disruption due to Covid although the pandemic, and the related financial situation, had had a noticeable delaying effect on Government policy and spending announcements, and this had been recognised in the mitigations.
- 10.4 The post-mitigation risk levels around embedding the Strategic Transport Plan have been reassessed and lowered as TfN retains a high level of control over the risks.
- 10.5 A review of the Strategic Rail risks was noted to be under way, and the risk register was expected to change slightly before its submission to TfN Board due to updates on the TransPennine Route Upgrade integration risk and the ongoing East Coast Main Line and Manchester Corridor timetable discussions.
- 10.6 Kevin Brady requested a further addition to the Risk Register, a “direction of travel” indicator to convey the information at a glance as to whether the risk had increased or decreased since the previous report. Iain Craven indicated that this would be addressed.

RESOLVED: The Committee noted the report and once again commented on its comprehensive nature and clear format and noted that the “direction of travel” indicator would be addressed.

The meeting concluded at 12:15