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**Meeting:** Audit and Governance Committee

**Subject:** Preparation of the Annual Governance Statement

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**Sponsor:** Iain Craven

**Meeting Date:** Friday 19 November 2021

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**1. Purpose of the Report:**

- 1.1 To advise Members of the need for Transport for the North to prepare an Annual Governance Statement for the financial year 2021/2022.

**2. Executive Summary:**

- 2.1 Under Regulation 6(1) of the Accounts and Audit Regulations 2015, Transport for the North is required to carry out an annual review of the effectiveness of its system of internal controls and to publish a report of this review in its Annual Governance Statement.

**3. Recommendation:**

- 3.1 That the Audit and Governance Committee notes this report and the intended timeline.

**4. Discussion:**

- 4.1 The Annual Governance Statement is included in the Statement of Accounts that are published according to the advised timetable. For the years ending March 2021 and March 2022 the approval date has been extended to 30 September from the "normal" approval date of 31 July.

- 4.2 The system of internal controls are all the measures taken together which Transport for the North has put in place to safeguard the expenditure of public money and to ensure value for money. These include Transport for the North's financial regulations and contract procurement rules which are set out in the Constitution. It also includes the risk management framework through which Transport for the North ensures that risks to its operations are identified and managed. The controls also include the oversight exercised by the Audit and Governance Committee.

- 4.3 Since the Inaugural Meeting officers have continuously reviewed the policies and procedures that Transport for the North has put in place in relation to procurement, financial management and risk management in order to identify areas for improvement.

- 4.4 In carrying out this annual review, Transport for the North is required to comply with the guidance issued by CIPFA in its guidance "Delivering Good Governance". The Guidance sets out seven principles of good governance:

- A) *Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law*
- B) *Ensuring openness and comprehensive stakeholder engagement*
- C) *Defining outcomes in terms of sustainable economic, social, and environmental benefits*

- D) Determining the interventions necessary to optimise the achievement of the intended outcomes
- E) Developing the organisation's capacity including the capacity of its leaders and the individuals within it
- F) Managing risks and performance through robust internal control and strong public financial management
- G) Implementing good practices in transparency, reporting and audit to deliver effective accountability

- 4.5 In carrying out the review, officers will assess TfN's activities against the seven principles of good governance and provide evidence of the way in which Transport for the North has conducted itself in accordance with these principles. The review will be carried out by a small team made up of the Financial Controller, the Risk Manager, and the Senior Solicitor. The team will:
- Consider the extent to which TfN complies with the principles of good governance
  - Identify systems processes and documentation that provide evidence of good governance
  - Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
  - Identify any issues that have not been addressed and consider how they should be addressed
  - Identify the individuals responsible for carrying out any identified action.
- 4.6 The Audit and Governance Committee has a key role to play in oversight of the work of the Review Team who will report back to the next meeting of the Audit and Governance Committee and a first draft of the Annual Governance Statement will be brought to a future meeting of the Committee for Members to review.
- 4.7 The review team will also consider the future governance challenges identified in the Annual Governance Statement prepared for 2020/21 and assess the extent to which these challenges have been met during the current financial year. The challenges previously identified are set out in the table below:

4.8	<b>Subject</b>	<b>Action</b>	<b>Progress</b>	<b>Target Completion Date</b>
	Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North	The review was postponed to await the publication of the findings of the Williams Review	Held in abeyance. The Rail reform White Paper has now been published and the implications are still being worked through.
	Adoption of the Assurance Framework	Implement and embed the Assurance Framework in Transport for the North decision-making processes	Further development of the decision-making process has been held in abeyance pending the anticipated White Paper on devolution	Held in abeyance
	Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis	Completed
	Virtual Meetings in response to the Covid 19 Pandemic	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board other Committees	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted	Completed

4.9 The review will also look at the highest rated risks identified in the corporate risk assessment and review the effectiveness of Transport for the North's management of these risks.

## **5. Proposed Timetable for carrying out the Review:**

5.1 Following this introductory report, a Draft Annual Governance Statement will be presented to the Committee for consideration and review. The final Annual Governance Statement will be brought to the Committee for approval and recommendation to TfN Board before it is published at the end of May 2022.

## **6. Corporate Considerations:**

### ***Financial Implications***

There are no financial or resourcing implications as a consequence of this report.

### ***Resource Implications***

There are no resourcing implications as a consequence of this report.

### ***Legal Implications***

The legal implications have been considered and are included in the report.

### ***Risk Management and Key Issues***

There are no risk management implications as a result of this report

6.5

***Environmental Implications***

This report does not constitute or influence a plan or programme which sets the framework for future development consents of projects listed in the EIA Directive and therefore does stimulate the need for SEA or EIA.

6.6

***Equality and Diversity***

A full impact assessment has not been carried out because the report does not propose any new strategy or service provision.

6.7

***Consultations***

No consultation has been carried out since no new policies are being proposed.

**7. Background Papers**

7.1

None

**8. Appendices**

8.1

None