

# Transport for the North Audit & Governance Committee – Minutes

**Meeting:** Transport for the North Audit and Governance Committee  
Consultation Call

**Date:** Friday 19 November 2021, 11:00 – 12:20

**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	Independent Member
Cllr Heather Scott	Tees Valley

## Invitees:

Campbell Dearden	External Audit, Mazars
Andrew Mawdsley	Internal Audit, RSM UK
Lisa Randall	Internal Audit, RSM UK

## Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Tasnim Maniza	Interim Risk Manager
Manjit Dhillon	Senior Lawyer
James Lyon	Legal Assistant

## Apologies:

Cllr Liam Robinson	Liverpool City Region
Karen Murray	External Audit, Mazars

## 1.0 Welcome and Apologies

**Action**

1.1 The Chair welcomed Members to the consultation call, apologies as noted above.

## 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 16 September 2021.

3.2 There were no comments arising from the minutes.

**RESOLVED:** To note the minutes of the consultation call held on 16 September 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

### **4.0 Monthly Operating Report (September 2021)**

4.1 Iain Craven advised that, due to timings of report publication for this meeting, this was the September report. However, the October report was now on the website. It was also noted that the long-delayed Integrated Rail Plan had now been published.

4.2 Progress as outlined in the report was positive, with considerable engagement with the new Great British Railways transition team, and the development of policies including decarbonisation, freight & logistics strategies, and the Major Roads Report.

4.3 Funding remained uncertain with the latest indication that it would be January before TfN received notification of its settlement.

4.4 The initial response to the IRP had been generally negative across the north. However, TfN was still working through the detail of the plan in order to provide a more substantive response at TfN board on 24 November. The current implications as understood by TfN would mean a change of governance as TfN's role changed from that of co-client to being a co-sponsor.

4.5 The Committee acknowledged that limited time had passed since publication but asked TfN to report back as to how the plan as published would impact TfN's risk register, the funding arrangements and business planning timelines.

**RESOLVED:** The report was noted, as were the significant implications of the publication of the IRP.

### **5.0 Internal Audit Update (R)**

To note the reports from RSM Risk Assurance Services

- Purchase to Pay
- Flexi-Time System
- Progress Report

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- 5.1 The reports were taken as read and a brief summary of the testing of the Purchase-to-Pay process and the Flexi-Time system was given. RSM thanked TfN for the support given throughout the audits and emphasised the assurance given in both reports.
- 5.2 Kevin Brady queried the operation of the controls within the Flexi-Time System in relation to the management of working from home. It was noted that TfN had adopted flexible working prior to the pandemic and therefore its systems and processes were set up to facilitate remote working. RSM provided a good level of assurance that the system had been well embedded and positively received within a relatively short space of time.
- 5.3 The Progress Report was noted as being on schedule with no issues of concern. A meeting would be held shortly between TfN and RSM to agree the internal audit programme for 2022/23 and Iain Craven asked the Committee if they had any specific requests for audit items to notify him.
- 5.4 Kevin Brady questioned the timing of the Follow Up Report detailing management actions; Andrew Mawdsley reminded the Committee that the Follow Up had taken place in April 2021 in order to then determine the timings of the audit plan for the remainder of the year.

**RESOLVED:** The reports, and the positive assurance contained within, were noted.

## **6.0 External Audit Progress Report (R)**

- 6.1 Campbell Dearden reminded the Committee that Mazars had recently issued their unqualified opinion on TfN's financial statements adding that only 9% of opinions had been given by that stage across the UK public sector and he thanked TfN's finance team for their work.
- 6.2 He advised that Mazars were yet to receive the guidance on the work required in relation to Whole of Government Accounts, which was now expected in December. However, TfN was below the threshold for detailed testing so the sign off was expected to be relatively quick.
- 6.3 The Value for Money statement was due for final issue by end of December, with Mazars expecting to issue a draft shortly with no concerns raised about the timings.

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

## **7.0 Preparation of the Annual Governance Statement**

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- 7.1 Manjit Dhillon reminded the Committee of the sequence of reports due throughout the year to review the Annual Governance Statement with reference to any changes in policy and procedure within TfN.
- 7.2 The review would also consider any impact arising from the recent publication of the IRP and the Committee would be kept apprised of the Statement throughout its review process, with the final report due for publication in May 2022.
- 7.3 Graham Bell asked if the report would present only the outcomes of the review or if it would also detail the challenges. Iain Craven advised that the normal process was to present the finished article as part of the financial statements, However, he noted that he would be happy to include and challenges that had arisen as that would be consistent with TfN's existing Scrutiny arrangements whereby TfN Board were advised of any comments or issues that had been identified by Scrutiny Committee in the reports that are presented to it.

**RESOLVED:** The report timelines were agreed by the Committee.

## **8.0 Financial Update (R) incorporating:**

- Year to Date Position
- Budget Revision 2
- Incremental Grant Claim
- Mid-Year Treasury Management Update
- Opting into PSAA Regime

- 8.1 Paul Kelly presented a slide pack covering the matters included in the report.
- 8.2 TfN's year-to-date position reflected an underspend of £2.95m, mostly accrued from delays in the NPR programme caused by the delay in the publication of the IRP.
- 8.3 Budget Revision 2, compiled in the previous 2-3 weeks, built on Revision 1. However, there remained a significant degree of uncertainty in terms of draw-down against committed budget while the outcomes of the IRP were worked through. TfN had put in place a virement process to ensure that funding could be transferred to projects known to be viable and ensure that, as far as possible, the budgeted spending profile was maintained.
- 8.4 Iain Craven added that Budget Revision 2 would be presented to TfN Board on 24 November. However, the dependencies on the outcome of the IRP were such that a clearer picture would be presented in Budget Revision 3 due in January.
- 8.5 Cllr Heather Scott requested that a comment be made at TfN Board advising on the situation known to-date on the outcomes of the IRP

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and the potential impacts on TfN's finances as well as a note to Board that Revision 2 had been seen by Audit & Governance Committee.

- 8.6 The incremental grant claim, ringfenced in-year funding from DfT intended to accelerate existing specific programmes, had not yet been finalised and the Committee were simply asked to note that it had been applied for.
- 8.7 TfN had been fully compliant with its Treasury Management Strategy and Paul Kelly advised that security and liquidity remained the primary focus of TfN's strategy since yields were so low as to be negligible.
- 8.8 The Committee were also asked to note TfN's intention to continue to procure its external audit services via Public Sector Audit Appointments (PSAA) and this intention would be taken to TfN Board on 24 November for approval. Iain Craven advised that the arrangement had saved a significant amount of work and the Committee provided unanimous support for proceeding with the procurement via PSAA.

**RESOLVED:** The reports were all noted along with the intention to provide a verbal update at TfN Board on 24 November alongside the information already circulated to Members.

## **9.0 Risk Review**

- 9.1 Iain Craven advised of the recent changes in staffing that had caused some issues with collating and revising the risks and summarised the updates and changes. It was hoped that a more comprehensive update, taking into account the outcomes of the IRP, would be given at the next meeting. However, it was noted that the risks to-date had been dominated by delays to the IRP while future risks would be largely based on more material aspects of programme delivery and organisational impact.
- 9.2 The Committee noted the significant challenge of rewriting large parts of the risk register to map it across to TfN's new operating model as and when that was known; Graham Bell offered any support required to assist with this task and his offer was noted with thanks.
- 9.3 Kevin Brady picked up on this point, reflecting that the transition from the risks listed currently to the revised risks needed to be clearly outlined alongside TfN's limited control of mitigations for many of them and any change of role and/or ambition for the organisation. Iain Craven agreed noting the intention to take the revised register to TfN Board in March and he briefly acknowledged the specific risks within the register which would need updating.

9.5 The ongoing delay to TfN's funding settlement was also noted as a significant risk, with uncertainty likely until mid-January.

9.6 **RESOLVED:** The risk register was noted alongside the intention for a significant revision.

## **10.0 Future Meetings**

10.1 The Chair proposed five meeting dates for 2022 asking the Committee for any responses and advising that holding appointments would be sent out shortly.

10.2 The intention was to hold three of the meetings virtually and the remaining two in person, one in Manchester and one in Leeds. The proposal was that the meetings in July and November would be in-person due to the need to recommend the accounts to TfN Board (July) and to sign off the Annual Governance Statement (February).

10.3 Kevin Brady asked if hybrid meetings could be considered; Iain Craven advised that currently they were not an option for public-facing meetings partly for technical reasons and partly in terms of quoracy and at this time in-person meetings should be considered as having no dial-in option.

**RESOLVED:** The Committee agreed the dates in principle with time allocated to allow diary checks before appointments were sent out.

**The meeting concluded at 12:20**