

Transport for the North Audit & Governance Committee – Minutes

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

Date: Friday 25 February 2022

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 Liam Robinson	Liverpool City Region
Cllr Heather Scott	Tees Valley

Invitees:

Campbell Dearden	Mazars
Karen Murray	Mazars
Lisa Randall	RSM UK

Officers:

Iain Craven	Finance Director
Paul Kelly	Financial Controller
Julie Openshaw	Head of Legal
Kevin Willans	Head of IT
Daniella Della-Cerra-Smith	Risk Manager
James Lyon	Legal Officer

1. Welcome and Apologies

1.1 The Chair welcomed Members to the consultation call. There were no apologies to note.

2. Declarations of Interest

2.1 There were no declarations of interest.

2.2 Chris Melling advised that this would be his last meeting as the Chair of Audit & Governance Committee and that Item 10 on the agenda would discuss the

appointment of a new Chair. This meeting was also the last that Iain Craven would be attending before leaving TfN and Chris Melling advised that Paul Kelly, current Financial Controller, would become Interim Finance Director and section 151 officer. The Committee thanked Iain Craven for his work over the previous 5 years and welcomed Paul Kelly to the role.

3. 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 19 November 2021, however they were accepted with no comments.

RESOLVED: To note the minutes of the consultation call held on 19 November 2021 as a true and accurate record prior to formal approval at the next in-person meeting.

4. Monthly Operating Report (January 2022)

4.1 Paul Kelly highlighted the financial information within the Monthly Operating Report (MOR) and provided further details on the funding settlement received on 14 February.

4.2 The financial summary within the MOR was reported against Budget Revision 3. The main differences in the revisions were due to changes in the ringfenced budget of NPR as a result of the delay to the IRP. It was noted that DfT had indicated it would fund the close-out costs of the NPR programme.

4.3 Unspent Core funding had either been moved into the following year or been reassigned through the virement process to support the business plan; in 2021/22, this had amounted to approximately £0.5m of virement.

4.4 The funding settlement information was taken from the report that had been submitted to TfN Board Call on 23 February 2022, noting that TfN had received a 1-year allocation of £6.5m Core funding with an additional ringfenced grant of £1.5m to support the TAME modelling function. The in-year funding increment awarded in January 2022 was also referenced as funding that would be spent in the 2022/23 financial year.

4.5 The Core funding allocation included £0.4m as an estimate of the costs of TfN providing the co-sponsor role within the NPR programme.

4.6 Cllr Heather Scott reiterated the disappointment expressed on the TfN Board Call on 23 February 2022, however remained positive as the Rail North Partnership funding would continue for another year.

4.7 Paul Kelly updated the Committee on the considerations of TfN in managing the budget against its intended activities and its staffing, advising that a restructure, potentially involving redundancies, would be necessary. The use of Reserve funds was also referenced as a funding source over the next three years to mitigate cost pressures.

RESOLVED: The Committee noted the updates contained in the MOR and again voiced their concern at the decrease in funding and the single-year settlement.

5. Internal Audit Update

- Cyber Security Audit
- Progress Report

- Internal Audit Plan
- RSM'S conformance with the IIA standards and codes of practice

- 5.1 Lisa Randall outlined the audit on Cyber Security noting that it followed on from a report issued in November 2020 which had raised a high priority action to perform penetration testing on the IT infrastructure. It was noted that the failure to follow up on this from the previous audit was due to disruption caused by the pandemic, but that good communication and engagement had taken place with the IT department throughout the audit. Kevin Willans emphasised that although the penetration testing remained a priority action, the closure of the offices had greatly reduced the risk of any cyber security threat.
- 5.2 Kevin Brady queried the phrasing of a sentence describing the review process; Kevin Willans clarified, and Lisa Randall confirmed that the phrasing was correct in the action that it described.
- 5.3 Graham Bell referenced correspondence that he had had with both the Risk Manager and the Head of IT querying some of the aspects of the audit and the risk review (covered under Item 9) and thanked TfN for the timely and detailed responses to his questions.
- 5.4 The Progress Report covered and summarised the audits performed over the previous year and was provided for information purposes.
- 5.5 The Internal Audit Plan focussed on a risk deep dive to consider the reliance of the risk management strategy in informing the internal audit strategy and had raised no issues. The proposed items for audit were listed within the report and covered a representative scope. The Committee was asked for comments and approval of the audit plan.
- 5.6 Graham Bell asked if September was an appropriate timeline for the GDPR audit; Julie Openshaw responded that TfN could bring the audit forward and increase the scope if necessary. The Committee agreed that the GDPR audit should be prioritised. Kevin Brady agreed, noting that the risk audit could be pushed back until the review of the Risk Register was complete.
- 5.7 The final paper detailed an external review of RSM's practices and standards which had provided a high assurance on the quality of work undertaken and was provided for clarity and transparency on audit practices.

RESOLVED: The Internal Audit reports were noted, and the audit plan would be adjusted to prioritise the GDPR audit.

6. External Audit Progress Report

- Progress Report
- Annual Report

- 6.1 Karen Murray took the reports as read noting that the 2021/22 audit work was completed as far as possible. Karen indicated there was a delay in guidance from the National Audit Office in relation to TfN's Whole Government Accounts which affected all public sector organisations. It was expected that once the system was open for submission, TfN, as a below-threshold organisation, could be signed off relatively quickly. Mazars informed the Committee that they would bring their Audit Strategy Memorandum to the next meeting.

- 6.2 Graham Bell questioned the Value for Money statement appended to the report noting the ongoing funding concerns. Karen Murray assured the Committee that the audit had provided confidence in this area.
- 6.3 The Annual Report summarised at a high level the work done on the audit including the Value for Money work and provided assurance that TfN had in place appropriate governance to manage risk and its financial position. There remained uncertainty about the potential level of funding in the next CSR but Iain Craven noted that TfN would continue to do everything in its power to manage the current financial circumstances with a view to sustainability.
- 6.4 Cllr Keith Little commented that the Committee may be called upon to provide assurance at the next TfN Board meeting as to the financial position and this was agreed.

RESOLVED: The reports were noted, and the Committee thanked Mazars for the diligence in compiling them.

7. Treasury Management Strategy

- 7.1 Paul Kelly covered the paper briefly, highlighting the main changes made since the previous year. It was also noted that a full review would be conducted for the following year as the business had fundamentally changed post IRP.
- 7.2 Paul Kelly re-emphasised that security and liquidity would always be prioritised over yield and that forecasted interest rates and reduced cash balances did not indicate too much opportunity for material increases in the forthcoming years. There were no questions arising.

RESOLVED: The Committee noted the proposed Treasury Management Strategy for 2022/3.

8. Preparation of the Annual Governance Statement

- 8.1 Julie Openshaw invited feedback and comment on the draft document.
- 8.2 The AGS was an update from the previous year's statement again based on the CIPFA guidelines and the seven principles of the CIPFA Code. The main updates centred around a greater emphasis for the Diversity & Inclusion policy, updates on TfN's engagement including hybrid meetings and a revision of the Strategic Transport Plan to embed Decarbonisation across all TfN's programmes.
- 8.3 Feedback either directly or by email following the meeting was welcomed; however there were no questions arising at this time.

RESOLVED: The Committee received the report and expressed satisfaction at the progress made on updating the Annual Governance Statement.

9. Risk Review

- 9.1 Daniella Della-Cerra-Smith introduced herself to the Committee as the new TfN Risk Manager.
- 9.2 The Committee was updated on the significant changes required to the risk register to move the narrative away from the previous emphasis on NPR risk and risks caused by the delay to the IRP to focus on the new risks presented

by TfN's change in status from co-client to co-sponsor of the NPR programme and the reduction in funding.

- 9.3 Risk reviews with individual business areas would be conducted as part of the business planning process and the refresh of the document. Part of the refresh would include the introduction of a new 5 x 5 risk matrix to replace the current 4 x 4 matrix as part of a reassessment of the risk levels. TfN had sought and obtained permission from the Board to delay the presentation of the Risk Register from the March meeting to the July meeting in order to complete the refresh.
- 9.4 Cllr Keith Little acknowledged the challenges and the new risks facing TfN and he welcomed the appointment of Daniella Della-Cerra-Smith as the new Risk Manager.
- 9.5 Kevin Brady requested a more detailed conversation on the 5 x 5 risk matrix at the next meeting, in particular to discuss the timelines behind the risks and this was agreed. David Pevalin added that he too would welcome a more comprehensive discussion, either within the Committee or in a private session.

RESOLVED: That the approval of Board to defer presentation to the July Board meeting be noted;

That the committee had no objection to the proposed amendments to the risk evaluation process and noted that a more in-depth review of the process will be provided at the next Committee meeting.

10. Appointment of New Committee Chair

- 10.1 Julie Openshaw advised that a report would be presented to the next in-person meeting inviting the Committee to nominate and approve a new Chair, and that Cllr Keith Little would chair that initial item on the agenda.
- 10.2 Cllr Keith Little informed the Committee that Graham Bell had expressed an interest in taking the role of Chair and this would be taken at the next meeting.
- 10.3 The Committee thanked Chris Melling for his 4 years of service as an independent member and Chair of the Audit & Governance Committee.

RESOLVED: The matter would be the first substantive item on the agenda for the next meeting.

11. Future Meeting Dates

- 11.1 The Chair thanked all for attending and their contributions. He reminded Members that the next meeting would be held in-person in Manchester on Friday 10th June 2022 at a venue to be confirmed.

The meeting concluded at 12:10