

# Audit & Governance Committee Minutes

**Wednesday 21 September 2022**  
**Virtual**

**Present:**

<b>Attendee</b>	<b>Local Authority</b>
Graham Bell (Chair)	Independent
Cllr Keith Little	Cumbria;
Cllr Liam Robinson	Liverpool City Region;
Cllr Hans Mundry	Warrington;
Kevin Brady	Independent

**Partners in Attendance:**

Andy Rhind	DfT
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**Invitees In Attendance:**

Campbell Dearden	External Audit
Karen Murray	External Audit
Alex Hire	Internal Audit

**Officers in Attendance:**

<b>Name</b>	<b>Job Title</b>
Paul Kelly	Interim Finance Director
David Spilsbury	Financial Controller
Daniella Della-Cerra-Smith	Risk Manager
Julie Openshaw	Head of Legal

**Item  
No:**

**Item**

**1. Welcome and Apologies**

- 1.1 The Chair welcomed Members to the meeting and was grateful that the meeting could be rearranged allowing the Committee to meet before the Board meeting on 29 September.

Apologies were noted from David Pevalin and Cllr Jonathan Owen.

**2. Declarations of Interest**

- 2.1 There were no declarations of interest.

**3. Minutes from the Previous Meeting**

- 3.1 The minutes of the meeting held on 14 July 2022 were considered for their accuracy.

- 3.2 The Finance Director updated on the following matters:

- Pt 8.3 The Chair wanted to ensure there was a clear link between the Risk Register and the internal audit plan in terms of highlighting controls and processes to manage and mitigate risk and he thanked RSM for their work – **a meeting was held with the internal audit function.**
- Pt 10.4 Mr. Brady inquired that now risks relating to NPR business case have closed, does co-sponsor arrangements with the department remain as risks? **TCR11 is a theme within the corporate risk register, which was created in May and includes 2 risk factors relating to co-sponsorship. Risk reviews have also been held to review and identify risks relating to co-sponsorship at functional/project level.**
- Pt 10.5 Mr. Brady asked, in relation to the co-sponsorship arrangement, who owns the sponsor board? Is it TfN led? **DfT and TfN are co-sponsors although the funding would be provided by the Department.**
- Pt 10.6 Mr. Brady thought the risk register did not tease out how full member buy-in would be achieved for the STP2 related risk. **TRC03 Risk 881 amended. Risk description and mitigation actions to be more explicit.**
- Pt 10.7 Mr. Brady raised that there was challenge in terms of the TAME opportunity for TfN on how we free up resource to explore the opportunity and how do we follow those opportunities and aspirations without impacting on grant deal with department? **New mitigation action was raised relating to the TfN Working Group to define TfN as a Centre of Excellence.**
- Pt 10.8 Mr. Brady thought TCR13 – Funding mitigations were clear for value for money and case for funding but no reference to underpinning principle of devolution and that subsidiarity to the North. **A new action was raised for Risk 878 in relation to exploring future funding opportunities.**
- Pt 10.9 Cllr Little raised the risk around the relationship with the Department. Currently have no Secretary of State. Uncertain what the government wants the relationship to be between us and other Strategic Transport Bodies. **Risk 879 probability, current and target position, has been increased based on the uncertainty of the current political environment.**

**Resolved:**

That the minutes of 14 July be formally approved as a true and accurate record.

**4. Risk Review**

- 4.1 Ms. Della-Cerra-Smith presented the updated changes to the Risk Management Strategy and corporate risk register and highlighted new risks that had been identified. Mr Brady expressed thanks; a comprehensive presentation and impressed with the whole approach. The Chair echoed the same and thought it was a very relevant set of documents practically when read alongside the business plan.

- 4.2 Mr Brady asked about the Centre of Excellence concept and how capacity can be built. He also enquired as to whether the risk register suggests that the autumn submission might mitigate the risk around the arrangements for Northern Powerhouse Rail (NPR).
- 4.3 Mr Kelly explained that the Department have recognised the importance of providing clarity on the role of the Centre of Excellence and how it will support Local Transport Authorities (LTA's) and other Subnational Transport Bodies (STB's) in areas such as the Common Analytical Framework.
- 4.4 Mr Foster indicated that one of the critical, early messages to the Department was that TfN want to be a Centre of Excellence and there is a huge amount of added value that TfN could bring, particularly to LTA's and STBs, but it needs to be done via a sustainable, clear, coherent funding settlement, rather than receiving lots of small pots over time.
- 4.5 In response to the question on the co-sponsorship arrangement Mr. Foster explained that the process is being led by DfT with TfN supporting and is being governed by a joint sponsorship board between TfN and DfT officials. He further explained at a meeting in August, it was decided to wait until the new Government was in place, in order to give the DfT time to liaise with Ministers first, on a range of options that they are comfortable with, before it comes back to TfN Board. Both sides will need to agree before taking it forward.
- 4.6 He stated that the Board has given a clear stance on what it expects to see from the sponsorship arrangement and are actively talking to the Department about several issues including NPR and HS2. Lord McLoughlin has written to the new Prime Minister and Secretary of State on both issues.
- 4.7 Mr Brady enquired as to how this position will be reflected in the risk register. The Chair explained that the risk register is unable to capture all of that but will provide clarity around the frame within which uncertainty is being considered.
- 4.8 There is currently an audit taking place looking specifically at risk management maturity. Feedback will be provided over the next few weeks.

**Resolved:**

That the Committee notes updates to the report and the risk management strategy and provides assurance to the Board on 29 September 2022 that efficient and effective risk management practice and processes are in place.

**5. Business Planning**

- 5.1 Mr Kelly thought it would be useful for the A & G Committee to formally see the Business Plan. Mr Foster has joined the meeting today to answer any questions. Members received the report of Mr Kelly who together with Mr Foster highlighted the key aspects of the report.
- 5.2 The Chair believed the plan was informative and highlighted that the list of KPIs in the risk register goes through to March 2023 but there are less

- on the Business Plan. Mr Kelly will review the Plan and update the Committee.
- 5.3 Mr Brady asked how the Business Plan influences the Committee's work plan going forward and asked whether the Business Plan is fully captured in the risk register? He also raised the issue of Electric Vehicle Charging Infrastructure (EVCI) which has not been discussed by the Committee so far, nor is it on the risk register, even though it is in the Business Plan. Mr Kelly stated that this is an omission and will be picked up.
- 5.4 Cllr Little stated that EVCI was problematic for transport authorities and enquired as to whether TfN are working with individual contractors, companies or providers or looking to ask Government for support. He explained that the North of England are behind with regards to EVCI and there is a need for a closer relationship between TfN, LTA's and the Government on this, in order for the North to catch up. He requested that this be brought back to the November meeting.
- 5.5 Cllr Mundry believes that the North are drifting into an ad hoc way of looking at our transport. He stated that rather than being a Transport for the North, it appears that Districts and Governments are doing their own thing, with TfN trying to co-ordinate. He stated that TfN need to find a way of having an overview of everything that is going on and link everybody together so that there is an overall Northern plan and a succinct way of putting it all together. He stated the need for proper infrastructure and a plan for the future. The Chair said from a strategic perspective, that speaks about the wider risk of TfNs relevance and on-going viability.
- 5.6 Mr Foster explained that there are three dimensions to what Cllr Mundry has set out. He explained that the Department is looking at guidance for local transport plans and for the first time, wants to define the role of STB's and specifically for TfN as a Statutory Transport Body; TfN are feeding into that process in areas such as Decarbonisation and EVCI. Secondly, as TfN updates and refreshes the Statutory Transport Plan (STP2) for the North, it provides the opportunity to set out, areas of work where the North is going to decide to take a collective view about things and what it is that TfN as an organisation is doing to support LTA's. The new STP2 will give an opportunity to be more specific about these things.
- 5.7 On the issue of funding and the Business Plan for the next two financial years, he outlined the messages that TfN will look to give the DfT in the autumn. He explained that there is no long-term certainty from the Department on funding and the organisation needs to ensure that its finances and funding are provided on a sustainable basis alongside a clear view, agreed with the Board and the Department, about TfN's role and remit.
- 5.8 Members stated that a Northern view and a streamline of regular funding is required. They expressed their frustration with the current process, where Local Authorities bid against each other for money to try and do

projects within their areas. They expressed a need to combine resources in order to achieve a northern vision. The Chair requested that these points be revisited at the next meeting.

**Resolved:**

- 1) That the Committee notes the content of the 2022/23 Business Plan.
- 2) That EVCI to be brought to the November Audit & Governance meeting.
- 3) That the Northern transport vision to be picked up at the November Audit & Governance meeting.

**6. Internal Audit Update**

- 6.1 Ms Hire presented the report, documenting progress against the current audit plan. She explained that she has been liaising with Mr Kelly regarding the follow up review that was presented at the July meeting. The risk maturity review is ongoing and the GDPR review is due to start on 7 November.
- 6.2 She further explained that the audit plans will continue to reflect TfNs risk profile. The Health & Safety framework review is being reconsidered due to the change in office working, as when the plan was initially being developed the majority of staff worked regularly from the office.
- 6.3 The Chair stated that the audit plan focuses on control and effectiveness; more can be done in terms of creating the linkage between risk themes and the audit plan. An area that could be looked at in terms of control, is project and programme level control.
- Ms Hire said she and Mr Kelly will look at that area in terms of scoping for an audit review.
- 6.4 The Payroll Report reviewed key controls with regards to payroll, starters, terminations, and month end reviews and there are no actions from this audit. Data analytics was also included and there are no anomalies or concerns. The Chair stated that he was pleased to see that the testing covered leavers, as this process is often where errors can occur. The Chair thanked Ms Hire for the detailed level of testing that had been done. It supports our assurance that is subsequently passed on to Board.

**Resolved:**

That the Committee notes the Internal Audit reports.

**7. External Audit Update**

- 7.1 Ms Murray presented the External Audit Report. She explained that there is a small amount of work outstanding relating to pension assurance; they are waiting for the pension fund auditor to provide assurance on the work that they have done. She stated that this should be received by the end of the month. Ms Murray also stated that there is a review of the narrative report still outstanding; this was outstanding when the report was drafted but has now been finalised and the audit is complete. Members were informed that the accounts were of good quality and

supported by good working papers and cooperation from the Finance team.

- 7.2 Cllr Little highlighted the changes within the Finance Team since the departure of former Finance Director Mr Iain Craven. Cllr Little gave thanks on behalf of the Board for the continuity of work provided.
- 7.3 Mr Brady raised the issue around the risk of financial sustainability going forward with Members expressing concern that this is a significant risk. Mr Brady stated that this needs to be kept at the forefront of the Committee's minds going forward. He explained that this was able to be mitigated against last year but was concerned that this would not be the case this year.
- 7.4 Mr Kelly explained that the timeline for the submission has been extended to November with TfN wanting to try and get the accounts signed and published by the end of September, but this will now be later. He proposed that the Committee approve the accounts subject to the receipt of the audit reports for the pension fund and explained that his recommendation to the Board would be the same. He explained that in the unlikely event that the pension audit report is not "clean" on receipt, and the accounts needs to be adjusted, the process would need to start again.
- 7.5 On the issue of financial sustainability Mr Kelly explained that the Memorandum of Understanding (MOU) was in place that underwrites the activities and costs of TfN. He also highlighted that there is a reducing level of reserves from earlier core grant allocations. The Committee were informed that encouraging discussions are taking place with the Department regarding incremental services. He stated his belief the outlook is positive compared to a year ago and the Department are being supportive.
- 7.6 The Chair raised the issue of leavers and data and system access which he believes is potential data loss prevention. He requested that the risk register be reviewed from a management perspective and whether anything could be added on data loss. Ms Della-Cerra-Smith indicated that data loss is covered in the cyber security section.
- 7.7 Mr Dearden expressed his thanks to Mr Spilsbury and Mr Kelly and their team for a smooth audit and very few audit findings.

**Resolved:**

That the Committee notes the External Audit Completion report.

**8. Draft Audit & Governance Committee Annual Report to the TfN Board**

- 8.1 Members received the report from Mr Kelly who highlighted the points of the report. He explained that he hoped that the accounts can be approved subject to a letter saying that there are no adjustments to the accounts going forward.

**Resolved:**

That the Committee recommends submission of the report to the TfN Board.

## **9. Year End Statutory Accounts**

- 9.1 Members received the report from Mr Spilsbury who explained to Members that the final accounts for the year will go forward to the Board on 29 September for approval.
- 9.2 The Chair acknowledged that there was value for money read across activities and responsibilities in the report. He also queried why the challenges associated with quoracy were highlighted (page 70 of the accounts).
- 9.3 Mr Kelly noted that it was an amendment to what was previously seen by the Committee; elected membership has been changed from 3 to 4 and non-executive was extended, acknowledging that there are 1 or 2 roles to fill. Mr Kelly would like to discuss with Chair going forward how the cycle of membership can be implemented to support the delivery of the committee's remit.
- 9.4 The Chair asked that Mr Kelly double check against the Audit Committee Report and the governance statement within the accounts, to ensure that terminology and wording is the same in each document.

### **Resolved:**

That the Committee notes the draft Statement of Accounts and recommends to the TfN Board meeting on 29 September that they be considered for approval.

## **10. Date and Time of Next Meeting**

Friday 18<sup>th</sup> November 11:00 – 13:00  
consultation call