
Meeting: Audit and Governance Committee
Subject: Annual Governance Statement
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Meeting Date: 17 February 2023

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 2022/2023.
- 1.2 Under Regulation 6 (1) of the Accounts and Audit Regulations 2015 (the "Regulations"), 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. The Regulations are supplemented by the advice provided by the Chartered Institute of Public Finance and Accountancy ("Delivering Good Governance" the "CIPFA Guidance") and the principles set out below reflect that guidance.

2. Recommendations:

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

3. Main Issues:

- 3.1 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 was extended to 30 September from the "normal" approval date of 31 July. This poses some issues in terms of addressing the past Governance position for Transport for the North rather than the future challenges but given the need to include in the Statement of Accounts these documents will need to coincide.
- 3.2 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.
- 3.3 In carrying out this annual review, Transport for the North is required to comply with the CIPFA Guidance. The Guidance sets out seven principles of good governance, which are set out below for ease of reference:
- 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

3.4 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 primarily be carried out by the Legal and Finance teams but will also involve other officers as necessary. The issues that will be addressed will include:

- Considering the extent to which TfN complies with the principles of good governance
- Classifying systems processes and documentation that provide evidence of good governance
- Identifying the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation involved in compliance
- Establishing changes to the organisation and how the governance of Transport for the North will adapt to deal with these; and
- Identify the individuals responsible for carrying out any identified action

3.5 There have been some extensive changes in the basic functions and composition of Transport for the North over the last 12 months which will be considered carefully in producing the next Annual Governance Statement. These include:

- New funding allocation
- Introduction of the Centre of Excellence
- Rail reform and associated transfer of work out of Transport for the North
- Alteration of Transport for the North's role from Co-client to Co-sponsor for HS2 project; and
- Appointment of new executive and other officers

The Audit and Governance Committee has a key role to play in oversight of the preparations of the Annual Governance Statement and a comprehensive draft will be provided to the next meeting of the Audit and Governance Committee (in July 2023) for Members to review.

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.

Finally, the review will address how the Annual Governance Statement is presented so that it is in an accessible and user-friendly format. The intention is to streamline the content and adopt a structure that is easier for stakeholders to understand and connect with.

3.6 **Timetable**

Following this introductory report and input from various officers, a Draft Annual Governance Statement will be presented to the Committee for consideration and review in July 2023. 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 September 2023.

Concerns have been raised about the timeline adopted in previous years and whether the Annual Governance Statement should be prepared earlier in the year to encompass future planning rather than simply looking at compliance over the past year. The current timetable is in line with the Regulations and also with CIPFA Guidance. This is also tied to the submission of Transport for the North's Accounts, but Transport for the North are aware that this process may need to be accelerated in future years.

4. **Corporate Considerations:**

4.1 ***Financial Implications***

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

4.2 ***Resource Implications***

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

4.3 ***Legal Implications***

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

4.4 ***Risk Management and Key Issues***

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

4.5 ***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.

4.6 ***Equality and Diversity***

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

4.7 ***Consultations***

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

5. **Background Papers**

5.1 None

6. **Appendices**

6.1 None