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# Transport for the North Audit & Governance Committee Minutes

<b>Date of Meeting</b>	Friday 17 February 2023
<b>Time of Meeting</b>	11.00am
<b>Venue</b>	Microsoft Teams

## Attendees

### Members:

Graham Bell (Chair)	Chair
Cllr Keith Little (Vice Chair)	Vice Chair
Kevin Brady	Committee Member
David Pevalin	Committee Member
Campbell Dearden	Invitee
Karen Murray	Invitee
Alex Hire	Invitee

### Officers in Attendance:

Paul Kelly	Interim Finance Director
Daniella Della-Cerra-Smith	Risk Manager
Emma Young	Senior Lawyer
Tim Foster	Head of Policy Strategy and Research
Andrea Shepherd	Executive Assistant
Katie Day	Director of Strategy and Communication

## 1. Welcome and Apologies

- 1.1 The Chair welcomed Members to the meeting. Apologies were received from Cllr Jonathan Owen.
- 1.2 Acknowledgements and thanks for work contribution were given to Cllr Little and Mr Pevalin as it is their final meeting. Cllr Little and Mr Pevalin emphasised the importance of the Audit and Governance Committee.
- 1.3 Mr Kelly thanked both members on behalf of TfN and indicated an intention to build on their legacy.
- 1.4 The Chair asked for Members thoughts regarding how the Committee can fill the membership gaps. Mr Kelly stated that a cyclical arrangement needs to be considered with individual tenures overlapping. The Committee were informed that a recruitment process is due to start for independent members with potential candidates needing to be identified at the General Purposes Committee (GPC) or TfN Board. He added that it may be beneficial to target potential members who hold specific skill sets going forward.

Mr Brady agreed with the cyclical approach and suggested that a combination of targeted and broader adverts be used during the recruitment process would make sense.

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- 1.5 Cllr Little stated that he will raise the issue of recruitment at the forthcoming Board meeting.

## **2. Minutes of the Previous Meetings**

- 2.1 The minutes of the meeting held on 21 September 2022 were considered for their accuracy.
- 2.2 Ms Hire advised that Mr Ciaran Barker of RSM, attended the November meeting.
- 2.3 Mr Brady raised the issue regarding the transfer of information outside the organisation as part of the ECVI Deep Dive. Mr Brady was assured by the IT department that there was not a concern transferring information to him outside of the TfN network.

### **RESOLVED:**

That subject to the inclusion of Mr Barker's attendance the minutes of the Audit & Governance Committee held on 21 September 2022 be noted.

## **3.0 Quarterly Operating Report Oct - Dec 2022**

- 3.1 Members received the report from the Interim Strategy and Programme Director

The Chair noted that the Chief Executive's summary was powerful and a great way of articulating how TfN is seeking to deliver better outcomes and value.

Mr Foster explained that the report is now being published quarterly rather than monthly and that the Quarter 3 report included preparation for the next Strategic Transport Plan, due to be considered at the March Board.

Mr Foster indicated that five KPIs had been achieved seven were on track and two have been flagged as delayed.

- 3.2 Mr Kelly explained the proposed budget is, due to TfN's restructure, at a more sustainable level for 2023/24. Overall, there is approximately £8 million of non-ring-fenced grant activity. A major change this year, is incremental funding to extend TfN's services to Local Transport Authorities (LTAs) and other Subnational Transport Bodies (STBs). TfN has been allocated £710,00 a year, for 2 years, to develop this further.

The budget and business plan will be approved by the Board in March 2023.

Cllr Little acknowledged that the budget appears to be in an improved position.

Mr Kelly reiterated that following a challenging time, TfN is now in a position to influence and drive the agenda as opposed to responding to it.

- 3.3 The Chair indicated that a lot of the risk narrative is about existential risk and the KPIs are activity orientated rather than outcome orientated. More could be done through the KPIs to bring the values and outcomes

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to life. Mr Kelly agreed that a review of KPIs will be considered for the next Business Plan.

**RESOLVED:**

That the report was noted.

**4.0 Corporate Risk Review**

4.1 Members received the report from Ms Della-Cerra-Smith who highlighted recent key changes and updates to the Corporate Risk Register. She explained that some previous risks have been closed or reduced whilst the rail and Co-Sponsorship risks have been merged and now fall under Rail risk.

4.2 On the issue of staff retention Mr Kelly stated that TfN is a high-profile organisation and that individuals delivering the service become high-profile themselves, hence losing people could become a normal for TfN. He acknowledged that as a relatively small organisation, it will be a challenge to retain people.

The Chair brought attention to the HR Turnover measure and suggested that as this is an important issue turnover of specific roles could be looked at in more detail.

Mr Brady reiterated how important the staffing deep dive will be in June; with current staff turnover high at 30.5%. Mr Brady asked whether staff surveys or exit interviews have been carried out.

4.3 Mr Brady then queried TCR02 (political environment) and TCR13 (funding). Ms Della-Cerra-Smith said although the probability has reduced for TCR02, the impact is still the same if the risk was to reoccur. The funding risk is still red overall due to funding sustainability issues beyond 2024/25.

The Chair stated that it would be useful if it was made clear to Board that although the risks may be reducing in some areas, there remains a lot of uncertainty in terms of the risk landscape TfN is working in, for example having had three Prime Ministers in 12 months.

4.4 Ms Della-Cerra-Smith then highlighted the Risk Management Strategy Updates including an action that came out of the RSM risk maturity review to include the factors that are to be considered when escalating risks to Operating Board; these have now been documented in the strategy.

Ms Della-Cerra-Smith went through the proposed Deep Dive schedule for the forthcoming year noting it could alter according to changes to risk.

Mr Brady suggested bringing the Great British Railways item forward on the schedule ahead of Fraud and Centre of Excellence. This was supported by Cllr Little.

The Chair was keen that Audit and Governance cover Fraud over the forthcoming calendar year but not necessarily as part of a Deep Dive. The Chair reiterated how helpful he found the deep dive to be at the last meeting.

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Mr Kelly supported the suggested rearrangement and suggested that fraud and anti-fraud could be considered more thoroughly as part of the Annual Governance review.

- 4.5 Ms Day reiterated that working on the Centre of Excellence will be business as usual going forward, and that bringing it to Audit and Governance to view how it is coming together would be helpful, followed by an audit in 2024/25.

**RESOLVED:**

- 1) That the updates to the Corporate Risk Register be noted
- 2) That the update to the Risk Management Strategy be noted
- 3) That following consideration of the deep dive schedule:
  - a) That the Schedule timeline be rearranged
  - b) That Fraud/Anti-Fraud be considered more closely as part of the Annual Governance Review
  - c) That the audit of the Centre of Excellence be carried out in 2024/25

**5.0 Treasury Management Strategy Report**

- 5.1 Members received the report from Mr Kelly who stated that the level and complexity of treasury management within TfN has diminished due to the reduced level of funding. He explained that The Treasury Management Strategy has been simplified but retains a level of complexity if needed in the future.

**RESOLVED:**

That the Treasury Management Strategy for 2023/24 be noted.

**6.0 Internal Audit Update**

- 6.1 Members received the report from Ms Hire who highlighted the key points within the Progress Paper.

She informed the Committee that the Ethnicity, Diversity and Inclusion report has been finalised since the publication of the Committee papers and will be submitted to the next meeting.

Ms Hire then highlighted the points in the GDPR Audit Report. Ms Young assured the Committee that required actions are underway and will be fulfilled by 31 March 2023.

Mr Brady accepted that the report was advisory but expressed concern at the handling of GDPR across the organisation. He was pleased that assurance had been gained from the management actions and the tight timelines for achieving them, but requested a further review needs to be undertaken soon.

The Chair highlighted how the relationship between audit and risk can add value to the Committee and the Board in terms of providing visibility; the audit was able to show an area of exposure, that was not previously

reflected on the corporate risk register and this needs to be recognised in the risk narrative. An update at the July meeting was requested.

Ms Hire reiterated how important the training will be. She explained that the framework gives TfN an understanding of where the data is and demonstrates how the information is captured.

Ms Young stated that TfN receives a number of access requests for personal data and information, and they are dealt with expediently; TfN takes information law seriously.

The Report is in draft at this stage with management responses being sought.

Ms Hire outlined the audit plan for 2023/24. She explained that the relevant risks are linked to each of the areas of audit.

Mr Brady indicated that he was happy with the proposal made. He suggested that Value for Money may be a challenge and questioned whether there is any work that would need to be done in advance to show that the framework is fit for purpose.

The Chair asked what the marginal benefit of an internal audit is, in terms of value for money.

Mr Kelly commented that there are some interesting value for money decisions that need to be made and that assurance is needed in order to know that things are working well. He stated that the internal audit work can dovetail into the work being done with TfN's external auditors, Mazars. TfN has agreed that RSM remain for the 2023/24 period to maintain continuity and efficiency; if RSM is successful at the next stage of procurement in 6 months' time, TfN would be comfortable.

The Chair indicated Business Continuity was scheduled for 2024/25 but suggested this could be brought forward in order to move on from the pandemic disruption.

Ms Hire concluded that areas that could add value will be focused on going forward.

**RESOLVED:**

That the report be noted and the audit plan for 2023/24 was approved.

**7.0 External Audit Update**

7.1 Members received the report from Ms Murray summarising the work that Mazars has carried out for TfN over the year. The Committee were informed that the report will be presented on TfN's website.

7.2 Ms Murray went through the accounts audit, highlighting where the Auditors had reached at the end of November 2022. She stated that all the information required to conclude the pension review had been received and TfN accounts had been prepared to a good standard.

Ms Murray indicated Mazars focused on the process / arrangements in place in order for TfN to deliver "Value for Money" as opposed to whether

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they actually did deliver Value for Money i.e., it is not about outcomes but about arrangements that are in place to underpin what TfN do.

- 7.3 The Chair noted that this was an annual review and asked how TfN calls upon Mazars expertise throughout the year.

Ms Murray replied that Mazars do have a regular dialogue with the Finance Director in terms of how things are looking from a financial perspective. If at any stage there is evidence that things are going off track, Mazars would intervene and point out the significant weakness and what would need to be done to rectify it.

Mr Kelly stated that the red risk on funding is about sustainability. There has been a cost reducing exercise and the funding now needs to align with it. The Department for Transport has influenced the reduction in the reserve by reducing funding allocations in year. Use of reserves and planning assumptions will be discussed with the Department prior to March Board.

- 7.4 Mr Brady asked if TfN has a funding allocation for the next 2 years and lives within its means, will the same statement still occur next year or would the pressure ease.

Mr Kelly said for the next 2 years TfN would need support from reserves and is in a position to do that.

**RESOLVED:**

That the report be noted.

**8.0 Annual Governance Statement Review**

- 8.1 Members received the report from Ms Young who outlined the key points within it. She explained that there is a statutory obligation to prepare an Annual Governance statement each year that is presented with the accounts in the autumn. She further explained that this is an historic account showing what TfN has done in the last 12 months and ensuring it is compliant.

The next draft will be presented at the July Audit and Governance Committee Meeting, and it will be signed off at the September Board with the accounts.

The Risk Deep Dives will be reflected in the statement.

- 8.2 The Chair agreed that there needs to be evidence that controls are operating as intended rather than there just being a list of controls. He queried the timeline and asked whether the report could be circulated earlier than the July meeting, so comments/feedback could be given.

- 8.3 The Chair acknowledged that this is Ms Young's last meeting and extended best wishes for the future.

**9.0 Date and time of the next meeting**

Thursday 13 July 2023 at 1.00pm-3.00pm via Microsoft Teams.