

Audit & Governance Committee Minutes

Friday 08 March 2024

Virtual

Present:

Attendee	Local Authority
CLlr Joanna Baker-Rogers	South Yorkshire Mayoral Combined Authority;
Graham Bell (Chair)	Independent Member
Kevin Brady	Independent Member
Jo Reed	Independent Member
Richard Thomas	Independent Member

Invitees In Attendance:

Ian Gilroy	External Audit
Alex Hire	Internal Audit

Officers in Attendance:

Name	Job Title
Andrea Shepherd	Executive Assistant
Paul Kelly	Finance Director
Julie Openshaw	Head of Legal
Danny Chapman	IT and Information Manager
Daniella Della-Cerra-Smith	Risk Manager
Caroline Young	Senior Project Manager
Joanne Barclay	Senior Solicitor

Item No:

Item

1 **Welcome and Apologies**

- 1.1 The Chair welcomed everyone to the meeting and extended a warm welcome to Ian Gilroy, representing Mazars. As only one elected member was present the meeting proceeded as a Consultation Call of the Finance Director.

2 **Declarations of Interest**

- 2.1 There were no declarations of interest.

3 **Minutes from the Previous Meeting**

- 3.1 The minutes from the previous consultation call were approved as a true and accurate record of the meeting held on Friday 15 December 2023.

Matters Arising

- 3.2 The Chair confirmed there is currently no Vice Chair of the Committee. Some Members of the Committee have expressed reasons as to why

they are unable to take on the position at this stage. The matter is therefore still outstanding and will be deferred to the July meeting.

4 Corporate Risk Review

- 4.1 Mr Thomas had submitted comments prior to the meeting which have been shared. The Risk Manager went through the Risk Register and updates which had been made including the forthcoming timeline of events.
- 4.2 Ms Reed asked whether there could be explicit recording of on-going actions in the risk register; for example, the last attendance at a meeting or the last engagement if there are on-going actions. The Risk Manager said assurance can be gained through the deep dive process which will ensure that there is a tracking of progress, and the Assurance Report also shows evidence.
- 4.3 Mr Brady conveyed that he felt there was a lack of specific risks around the political environment and horizon scanning in terms of the general election; he asked if there are any mitigations that TfN needs to think about in terms of global impacts. He also asked about Control and Actions for T-683 and asked about its current relevance, given the national announcement from Government about HS2 and whether TfN should still be investing resources in this area.
- 4.4 The Risk Manager replied that Risk 879 is linked to the political environment and discussions are taking place at Chief Executive and Director level. In terms of HS2, there are still discussions around rail and this risk will not be retired at this stage due to the proposals for Network North and HS2. The Partnership and Programme Manager reiterated that HS2 remains on the risk register because it links into the Northern Powerhouse Rail programme. The Finance Director said TfN has yet to fully understand the implications of the recent announcement.
- 4.5 Cllr Baker-Rogers asked whether there is reference on the risk register to the fact that the Government will soon switch off the analogue phone network. The Risk Manager responded that it is not yet on the register but will be reviewed in due course. The IT Manager confirmed that we do not use analogue phones at TfN. Cllr Baker-Rogers asked that it be added to show that we have shown consideration. The Finance Director suggested this was considered at the next functional risk review.
- 4.6 The Chair highlighted that there is a danger that risks begin to appear outdated when they refer to an organisation 2 – 3 years ago; for example, risk 310. If the wording of the risk is altered to a changed influence, it alters the thinking at a corporate level about the threat and could also alter the risk scoring. An organisation may not necessarily want to retain the original ambition about influence over an outcome, and it is important to recognise things have changed, and ambitions have changed. The tone of the risk register needs to remain reflective of the organisation as it changes positions.
- 4.7 Mr Thomas commented that a risk to an organisation is maintaining risks which stagnate. He stated that each time a risk is assessed from the

- outset, questions should be asked as to whether it has changed or been actioned and if it hasn't, ask whether it is worth still monitoring it.
- 4.8 The IT Manager gave an update on the eight Cyber controls, their actions and progress made.
- 4.9 Cllr Baker Rogers queried whether TfN has a Whistleblowing Policy linked to cybercrime and whether it has been used.
- 4.10 The IT Manager confirmed that there is a policy in place although it has not been used as yet.
- 4.11 Cllr Baker Rogers asked whether the business continuity plan is tested on a regular basis. The IT Manager confirmed that there is an extra level of control in place; all TfN documents have to be given a classification.
- 4.12 Cllr Baker Rogers asked whether TfN has considered undertaking an independent audit of cybercrime processes and procedures from someone who can take a holistic view of the whole system. The IT manager replied that parts of this have been covered in recent RSM audits and through the annual penetration audit. TfN could consider a separate audit in the future if the risk profile were to change.
- 4.13 Ms Reed asked whether, when consultations are carried out, and personal data is used, we use external parties to do the consultation so that the GDPR risk is outsourced or whether TfN handles the data itself.
- 4.14 The Head of Legal confirmed if TfN asks a service provider to form a contract with TfN and personal data is being processed, the contract sets out how they can process the data; procedures are in place in order to protect the data.
- 4.15 Mr Brady appreciated the deep dive cyber presentation and stated that; it had provided substantial assurance.
- 4.16 Mr Thomas asked about training, indicating that the human element can often be the weakest link. The IT Manager replied that TfN has regular training quizzes and that emails are sent to staff with regard to issues to look out for, and there is mandatory staff training on the intranet.
- 4.17 Mr Thomas commented that he preferred actual dates to be used in plans rather than the term "on-going". The IT Manager said that dates were set initially and then they are often extended as time goes on. Mr Thomas asked whether TfN was accredited with ISO27001 to provide an external badge. The IT Manager indicated that it has been gained previously.
- 4.18 The Chair indicated that his challenge is around complacency – looking at the assessment and the scoring and position against other risks, there is a challenge. Cyber risk is always in the top 5 emerging risks, and it appears that cyber, from a TfN perspective, is a middle of the road risk. He suggested that management should ask why it is at the top of other people's priority and not ours; it is not the assessment of an external actor who is looking at transport infrastructure generally. There is a danger in the way the risk is presented in this report, which suggests that everything is satisfactory, whereas the outside world suggests that matters are not satisfactory, and this is a challenge that the organisation

should be prepared to respond to. The IT Manager agreed that it is very important and that is why the penetration testing is done in order to ensure that there is that extra cover.

- 4.19 Ms Reed asked whether the level of the financial risk has been measured correctly for insurance purposes, if there was a possibility of a cyber-attack as that does tie into the size of the risk. The IT Manager responded that the cyber insurance and the relevant backup and disaster recovery points in place are measured correctly and fit for purpose in the event of a DR situation.

Resolved:

- 1) That the Committee notes the updates to the Corporate Risk Register, subject to members' comments
- 2) That the Committee notes the deep dive on Corporate Risk 876 (Cyber Security).

5 Quarterly Operating Report October-December 2023

- 5.1 The Partnership and Programme Manager introduced the QOR, noting that it is an evolving report and, in the future, will be more sharply focused, providing greater assurance around performance and being easier to read. The January to March report is under development and will be published in mid-April.
- 5.2 Ms Reed asked whether the underspend in relation to analytical support to the DfT is a crystallised underspend, in that it was not agreed until late so will not roll over to following years and be accumulated.
- 5.3 The Finance Director replied that is a ring-fenced budget for 2 years and is underspent as it took part of the year to be finalised. The products are still being delivered and there will be an element of that grant that will not be used, so it will be returned. He confirmed that a delay in programmes being achieved does put pressure on subsequent years of ring-fenced budget, and a conversation about this is taking place with the DfT. He added that it is important to begin procurements early.
- 5.4 The Finance Director confirmed that the Operating Report can be shared with this Committee via a link once it has been published. The Partnership and Programme Manager indicated that the report will be published on TfN website going forward.

Resolved:

That the Quarterly Operating Report was noted

6 External Audit Update

- 6.1 Members received the presentation on the revised audit completion report from Mr Gilroy.
- 6.2 The Chair asked about the ability to complete the contracted activity given the on-going delay with the 22/23 year, and whether there is anything to say this will repeat for 23/24. Mr Gilroy replied that it is too early to say, because the nature of the issue in respect of the pensions for 22/23 was very specific.

- 6.3 Cllr Bakers Rogers requested further information about the material difference found for the pensions. The Finance Director explained that with the exception of the year ending March 2023, we have always based pension adjustments on the draft information that is available in February using estimated actuarial reports based on estimated head count. The external auditors review this and there has never been a material variation until this year; it was due to the net increase of staff between the estimated headcount and the actual headcount. In future, TfN will obtain two sets of reports, one based on February figures, and one based on actual, so we will be able to establish earlier whether there is a material adjustment.

Resolved:

That the External Audit report be noted.

7 Approval of the 2023 Accounts

- 7.1 The Finance Director explained the background to submitting the statutory accounts for approval.
- 7.2 Mr Thomas asked how fraud would be reported to the Committee and who would investigate any fraudulent activity.
- 7.3 The Finance Director indicated that TfN has never suffered a fraud, but the process is detailed in the Constitution. TfN does have an anti-fraud policy that has recently been reviewed.

Action: At the next meeting, responsibility for fraud investigation will be confirmed.

Resolved:

That the Committee note the intention of the external auditor to provide an unqualified, clean audit opinion and recommended the Statement of Accounts be submitted to Board on 20 March for approval.

8 Internal Audit

- 8.1 The Chair thanked Ms Hire for sharing the background information relating to this agenda item. The risk report narrative provided additional signposting around the reports providing a complete picture.
- 8.2 Ms Hire presented the progress report and highlighted the key points within the internal audit plan for 24/25.
- 8.3 The Chair asked whether there had been enough time between the co-sponsorship audit and the TAME audit and whether any of the actions from the first audit affect how the second audit is to be approached.
- 8.4 Ms Hire agreed to consider this off-line and said that timings can be rearranged if necessary. The Risk Manager indicated that the timing should not be an issue. The Finance Director commented that the first item is about governance and the second item is more about the product and whether it is producing what it should do.
- 8.5 The Chair asked about the wording of the TfN Offer review and whether we have the capability to deliver the offer and what will be the output of the audit. He asked if the expectation will be to reconsider the direction

of travel based on the outcome of the review. The Finance Director stated that the TfN offer is good value for money solution (for DfT) and an obvious area for growth for TfN and hopefully the audit will support that.

- 8.6 Mr Brady commented that the 3 proposed audits are the right ones. asked whether there could be more substance added to the specification of the TfN Offer audit prior to the next meeting.
- 8.7 The Risk Manager replied there is a deep dive on the TfN Offer in July so it would fit well in terms of timing.
- 8.8 Ms Hire then went through the report on mental health and well-being; substantial assurance in this area was provided with one action of refresher training for line managers.
- 8.9 Ms Hire provided an update on the IT Access Management Security review.
- 8.10 Mr Thomas asked about DBS checks on staff and whether TfN has ever considered that this be done; some organisations enforce that all members of staff have this done on them regardless of their field of work. Ms Reed commented that if the correct controls are in place no one should be able to do anything fraudulent.
- 8.11 The Head of HR provided assurance that a review and assess process is undertaken to ascertain whether a DBS check is required for each role. The Finance Director agreed that controls are not person specific and that Mr Thomas' points will be considered in order to be satisfied all necessary checks are being carried out.

Resolved:

That the Internal Audit reports be noted.

9 Review and Preparation of the Annual Governance Statement

- 9.1 The Senior Solicitor presented the report highlighting the main differences from last year including the partnership arrangements. An updated chart was shared setting out the governance structure for TfN. A draft annual governance statement will be prepared as part of the publication of the draft accounts for May 2024.

Resolved:

The Committee noted and supported the further work to be undertaken in relation to the annual review of the effectiveness of internal controls for 2023/24 and that the additional work will be included in the final draft Annual Governance Statement, and noted and supported the future enhancements to the 2024/25 Annual Governance Statement.

10 Monitoring the Effectiveness of the Audit and Governance Committee

- 10.1 The Senior Solicitor presented the report which detailed the proposed process for undertaking the monitoring and included the two proposed surveys for Committee members and Senior Officers. Members and Officers will be asked to provide responses to the surveys by mid-April. The responses will be reviewed and reported back to the Committee. If

any assistance is required, the Senior Solicitor can be emailed separately.

10.2 It was noted that Mr Thomas had provided his support in terms of the development of the surveys and thanks were given.

10.3 The Chair indicated that some of the points can be answered factually, others required more detail; therefore, some questions could have been covered offline rather than sending out to members

Resolved:

That the Committee note and support the process and timeline to complete the survey, and the next steps once the surveys have been completed and returned to officers.

11 Treasury Management Strategy

11.1 The Finance Director presented the paper. He noted that there is an obligation to report, but there are no material changes.

Resolved:

That the Committee note that there are no material changes to the Treasury Management Strategy for 2024/25.

12 Date and Time of Next Meeting

The next meeting of the Committee will be held as a Consultation call on Friday 19th July 2024 11:00am – 13:00pm