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<b>Meeting:</b>	Audit and Governance Committee
<b>Subject:</b>	Preparation of the Annual Governance Statement
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<b>Sponsor:</b>	Paul Kelly
<b>Meeting Date:</b>	Friday 18 November 2022

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**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 and commence the process for doing so.

**2. Executive Summary:**

- 2.1 Under Regulation 6(1) of the Accounts and Audit Regulations 2015, 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.

**3. Recommendation:**

- 3.1 That the Audit and Governance Committee notes this report and the intended timeline for preparation of the Annual Governance Statement.

**4. Discussion:**

- 4.1 The Annual Governance Statement is included in the Statement of Accounts which are published according to the legislative timetable. For the 2021/22 financial year the final approval date for the Statement of Accounts was extended to 30 November. For a six-year period commencing in the 2022/23 financial year the approval deadline will be 30 September.
- 4.2 The system of internal controls comprises 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.
- 4.3 Since its inception as a statutory body, officers have continuously reviewed the policies and procedures that Transport for the North has put in place in relation to procurement, financial management and risk management in order to identify areas for improvement.
- 4.4 In carrying out this annual review, Transport for the North is required to comply with the guidance issued by CIPFA in its guidance "Delivering Good Governance". The Guidance sets out seven principles of good governance:
- Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law
  - Ensuring openness and comprehensive stakeholder engagement
  - Defining outcomes in terms of sustainable economic, social, and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the organisation's capacity including the capacity of its leaders and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

4.5 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 be carried out by a small team drawn from the Finance and Legal teams and the Risk Manager. The team will:

- Consider the extent to which TfN complies with the principles of good governance
- Identify systems processes and documentation that provide evidence of good governance
- Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- Identify any issues that have not been addressed and consider how they should be addressed
- Identify the individuals responsible for carrying out any identified action.

4.6 The Audit and Governance Committee has a key role to play in oversight of the work of the Review Team who will report back to the next meeting of the Audit and Governance Committee and a first draft of the Annual Governance Statement will be brought to a future meeting of the Committee for Members to review.

4.7 The review team will also consider the future governance challenges identified in the Annual Governance Statement prepared for 2022/23 and assess the extent to which these challenges have been met during the current financial year. Recent discussions with the Chair of the Audit and Governance Committee have highlighted the desirability of including both format and content within this year's review, and this will be addressed by the review team in consultation with the Chair.

The governance challenges which were identified in the 2021-22 Annual Governance Statement (both ongoing and completed) are reproduced in the table below. These will require further review and updating as to progress, and consideration will also need to be given to potential other areas for inclusion for 2022-23.

## 4.8

<b>Subject</b>	<b>Action</b>	<b>Progress</b>	<b>Target Completion Date</b>
Review of the Constitution	To review the Constitution to bring in changes flowing from the Blake-Jones Review and the wider Members' review of the role of Transport for the North.	The review was postponed to await the publication of the findings of the Williams Review.  Ad hoc review has been carried out, although more detailed ongoing review will be required.	Ongoing.
Review of TfN Boards and Committees with particular reference to the General Purposes Committee.	To review the function of all Boards and Committees and to develop the General Purposes Committee formatters that do not require full Board sign off but sit above the delegated powers of the Chief Executive.	The first meeting of the General Purposes Committee took place on 23 February 2022.	Ongoing.
Adoption of the Policy Development Framework.	Implement and embed the Policy Development Framework in Transport for the North decision-making processes.	TfN is implementing a Policy Development Framework to support internal decision-making processes and ensure consistent development of TfN policies and advice to the TfN Board.	31/03/22
Provision of hybrid meetings for all governance sessions.	New hybrid meeting hardware has been purchased and is undergoing final testing.	Test meeting will be arranged before final roll-out to Committees and Boards. Further work needs to be undertaken to address quoracy matters.	31/05/22
Board Reporting	Embed and refine the Monthly Operating Report to ensure alignment of quantitative and qualitative reporting.	Monthly Operating Reports produced and circulated to Members on an ongoing basis.	Completed. <i>(NB – Operating Report is now quarterly).</i>
Virtual Meetings in response to the Covid 19 Pandemic.	Enable remote attendance by both Members and the public at meetings of the Transport for the North Board and other Committees.	Virtual Meetings established for all Boards and Committees and Virtual Meetings Procedure Rules adopted.	Completed.

Review of Scrutiny function and in particular the policy of "Scrutiny First".	The review of the Scrutiny Committee took place over the previous 12 months; the Committee agreed to continue with the function and Scrutiny First policy.	Reports to TfN Board go through Scrutiny Committee first and now include comments from the Committee within them.	Completed.
Appointment of new Chief Executive & Chair.	To appoint a new Chief Executive and a new independent Chair of TfN Board and Partnership Boards.	Martin Tugwell appointed as Chief Executive in August 2021. Lord Patrick McLoughlin appointed as Chair in January 2022.	Completed.

## 5. **Proposed Timetable for carrying out the Review:**

- 5.1 Following this introductory report, a Draft Annual Governance Statement will be presented to the Committee for consideration and review. 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 May 2023.

## 6. **Corporate Considerations:**

### 6.1 ***Financial Implications***

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

### 6.2 ***Resource Implications***

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

### 6.3 ***Legal Implications***

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

### 6.4 ***Risk Management and Key Issues***

Risk management implications have been considered as a result of this report

### 6.5 ***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.

### 6.6 ***Equality and Diversity***

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

### 6.7 ***Consultations***

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

## 7. **Background Papers:**

- 7.1 None

## 8. **Appendices:**

- 8.1 None