

# Transport for the North Audit & Governance Committee Meeting – Item 10

**Subject:** Corporate Governance Review and Preparation of the Annual Governance Statement

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**Sponsor:** Iain Craven

**Meeting Date:** 28 February 2020

## **1. Purpose of the Report:**

1.1 The purpose of this report is to update Members of the corporate governance review and the preparation of an Annual Governance Statement for the financial year 2019/2020.

## **2. Executive Summary:**

2.1 Members were previously advised that under Regulation 6(1) of the Accounts and Audit Regulations 2015, TfN is required to carry out an annual review of the effectiveness of its system of internal controls and to publish a report of the review in its Annual Governance Statement.

2.2 This report provides a progress report on the carrying out of the review and identifies the governance challenges for the forthcoming year.

## **3. Discussion:**

3.1 In carrying out the review we have assessed our activities against the six principles of good governance and provided evidence of the way in which TfN has conducted itself in accordance with these principles during 2019/20. The review team have:

- Considered the extent to which TfN complies with the principles of good governance
- Identified systems processes and documentation that provide evidence of good governance

- Identified the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation identified
- Identified any issues that have not been addressed and considered how they should be addressed
- Identified the individuals responsible for carrying out any identified actions

### 3.2 Review against CIPFA Principles

In carrying out this annual review the review team has considered the extent to which Transport for the North can demonstrate that its activities during 2019/20 complied with the CIPFA principles and identifies the following improvements:

*A: Behaving with integrity, demonstrating strong commitment to ethical values and respect for the rule of law*

We have reviewed the Officers Code of Gifts and Hospitality and provided further guidance to officers.

We have reviewed the Whistleblowing Policy in line with best practice and will be adopting a new Whistleblowing Policy in 2020/21. TfN has signed up to Protect (formerly Public Concern at Work) and received their training.

*B: Ensuring openness and comprehensive stakeholder engagement*

During 2019/20 we have procured webcasting equipment and as of September 2019 all Board Meetings are now webcast on the Transport for the North internet site.

Transport for the North has also brought together a Members Working Group to ensure the views of TfN's constituent authorities and their communities are heard and understood via their elected representatives. This engagement has contributed to the development of the Northern Transport Charter.

We have developed a new Operating Report providing qualitative and quantitative performance information in a concise report to support scrutiny and challenge.

Transport for the North has undertaken to engage fully with its Constituent Authorities and has established officer reference groups for all its major work programmes where officers from the different Local Authorities across the region have an opportunity to help formulate TfN's policies and proposals at an early stage.

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*C: Defining outcomes in terms of sustainable economic, social and environmental benefits*

The STP outlined how the climate and environment will be factored in the design and development of transport interventions and plan. A “Pathway 2050” has been developed to collaborate with partners and the government to deliver the ambitions of the STP and local transport plans in tackling carbon impacts and reductions from transport.

The Northern Transport Charter outlines an ‘Inclusive and Sustainable North’ as a key TfN priority. This recognises that TfN’s investment programme must:

contribute towards a reduction in carbon emissions;  
minimise the impact on the historical and natural environment; and,  
wherever possible, seek to deliver environmental enhancements.

TfN’s TAME function is also developing an Analytical Framework which consists of a series of analytical and modelling tools such as NELUM (Northern Economic and Land Use Model), NoHAM (Northern Highways Assignment Model) and NorTMS (Northern Transport Modelling System). The tools contribute to the provision of evidence to support the promotion of the economic and social evidence-based analysis of TfN’s transformational programmes.

The Analytical Framework reflects TfN’s commitment to evidence-based decision making and will form part of TfN’s Assurance Framework. The Assurance Framework will provide for a standardised decision-making process on the sequencing of future interventions, providing comfort to the Department and Partners that TfN has fit-for-purpose decision making processes.

*D: Determining the interventions necessary to optimise the achievement of the intended outcomes*

Transport for the North is committed to improving the standard of service provided by the railway network in the North and, under a partnership with the Secretary of State, manages the performance of the franchised railways in the region, Northern Rail and TransPennine Express. Through rigorous monitoring of the performance of these railways Transport for the North has held their management to account and been instrumental in ensuring that the Northern Rail Franchise was taken back into public control.

During 2019/20 the Members of Transport for the North, in partnership with the Secretary of State, have carried out a review (the Blake/Jones Review) looking at the role and remit of TfN with a view to achieving greater devolution of decision making to the north and ensuring that

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the interests of the travelling public are placed at the heart of decision making.

TfN continues to actively engage with its constituent members and has throughout the year held a number of sessions of the Member Working Group. This Group has contributed to the development and publication of the Northern Transport Charter which reasserts TfN's ambitions for devolution of decision-making to the North.

Transport for the North re-assesses ongoing projects to ensure that they continue to deliver the intended outputs. Where this is no longer the case as became clear with the IST Phase 3 project, TfN redesigned the project to achieve different benefits but aligned to its ambitions.

*E: Developing the organisation's capacity including the capacity of its leaders and the individuals within it*

Employee well-being forms a core element of TfN's learning and development programme with the management of mental health at the heart of this activity. TfN has adopted a Mental Health First Aiders Protocol. Well-being events are held on a quarterly basis and Mental-Health First Aiders are on hand at both our operational bases in Leeds and Manchester.

*F: Managing risks and performance through robust internal control and strong public financial management*

To strengthen the robustness and greater risk reporting and governance, TfN will implement and embed a fit-for-purpose risk management system which enables directorate and programme teams to timely capture, escalate and report risks for better informed decision-making.

Robust people management policies and procedures have also been adopted and embedded within TfN in relation to code of conduct, recruitment and selection, probationary management, performance management, conduct and capability and absence management. This framework of policies and procedures for managing individual performance, conduct, capability and attendance at work.

Programme Boards for all major projects regularly review progress, financial expenditure and the risks of the programme. Where it becomes clear that the project will no longer deliver the intended outcomes a review will be undertaken. In the case of IST Phase 3 this led to the project being re-designed and re-focused on different objectives meeting the same overall ambition.

*G: Implementing good practices in transparency, reporting and audit to deliver effective accountability*

All policies and proposals developed by TfN are considered first at Officer Reference Groups made up of officers from all the Constituent Authorities, then by the internal Operating Board of TfN Directors. Policies and proposals are then considered by the Executive Board comprising the Chief Executives or their nominees of all the Constituent Authorities before being reported to the Transport for the North Board.

All major work programmes also have Programme Boards which are attended by representatives of the DfT where the progress of these programmes is regularly reviewed against agreed milestones and where major funding decisions are determined.

TfN operates under Memorandum of Understanding with the Secretary of State for Transport and Officers of TfN meet with representatives of DfT at regular Sponsorship Meetings where all funding decisions are discussed.

During 2019/20, TfN has introduced new monthly monitoring reports bringing together performance and financial information to provide greater transparency in relation to ongoing operations.

### 3.3 **Internal Audit**

RSM have been appointed as Transport for the North's internal auditors. The Audit and Governance Committee agreed an audit programme concentrating on the implementation of core control frameworks and were able to provide the following level of assurance in these key areas.

Assurance Level				
Area	Substantial	Reasonable	Partial	None
Core Financial Controls:				
Payment Authorisations	√			
Procurement Processes	√			
Risk Management				
Risk Management Deep Dive	√			

Corporate Governance				
SDC Programme	√			
ICT Cyber Security		√		

### 3.4 **The Audit and Governance Committee**

The Audit and Governance Committee agreed the annual audit plan and during the year the Committee tracked progress against agreed management actions.

On the basis of the reports of internal audit the Committee was able to provide assurance to the TfN Board that the necessary core controls expected of a public body have been implemented in the review areas.

The Committee's work programme for 2019/20 includes the following:

- To consider the outputs produced by the Internal Audit Plan for 2018/9
- To monitor TfN's risk management activity
- To review corporate governance arrangements against the Code of Corporate Governance and the good governance framework
- To consider the Assurance Framework and the extent to which this adequately addresses risks and priorities including governance arrangements in significant partnerships
- To review the whistleblowing and anti-fraud and corruption policies.

3.5 The review team have also considered the governance challenges identified in the Annual Governance Statement prepared for 2018/2019 and assessed the extent to which these challenges have been met during the current financial year. The challenges previously identified are set out in the table below:

#### **Governance Challenges identified for 2019/20 onwards – Progress Report**

<b>Subject</b>	<b>Action</b>	<b>Progress</b>	<b>Target Completion Date</b>
Review of the Constitution	Undertake a full review of the Constitution to clarify decision making procedures	Amendments to the Constitution were approved and adopted from the Annual Council on 31/07/19 to address the issues which had been identified	July 2020

		<p>through the Constitution Review.</p> <p>The Constitution will be further reviewed to address the issues raised through the Blake Jones Review of the Rail North Partnership and to address other issues identified during the year including the adoption of the new Whistleblowing policy</p>	
Review of the Rail North Partnership with the Secretary of State	Implement the recommendations of the Blake/Jones Review into the Rail North Partnership	Implementation of the recommendations of the Blake/Jones Review will be incorporated within the wider governance review being carried out to establish The Northern Charter	July 2020
Developing the Scrutiny Function	Providing training and development for the Scrutiny Committee to enable it to fully develop its role of Scrutiny First	A Scrutiny Committee training provider was engaged during the year with a view to training being provided for Members during 2020/21	July 2020
Key Corporate Risks		The Risk Management Strategy was reissued during the year with continual	

		<p>recognition and management of risks</p> <p>Since procurement is a key corporate risk a review into the efficiency of TfN's internal commissioning processes was undertaken leading to a move to e-commissioning processes</p>	
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3.6 The review team has also identified the following governance challenges for 2020/21

**Governance Challenges for 2020/21 and beyond**

<b>Subject</b>	<b>Action</b>	<b>Responsible Officer</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 and the Northern Charter.		
Adoption of the Assurance Framework	Implement and embed the Assurance Framework in TfN decision making processes		
Board Reporting	Refine reporting processes to ensure alignment of quantitative and qualitative reporting		

Whistleblowing Policy	To adopt and embed a new Whistleblowing Policy		
Developing the Scrutiny Function	To engage with Members of the Scrutiny Committee to identify their development needs and to further develop the Scrutiny function so that it can effectively hold Transport for the North to account.		

3.7 The review team will also look at the highest rated risks identified in the corporate risk assessment and reviewed the effectiveness of TfN's management of these risks.

#### **4 Proposed Timetable for carrying out the Review**

4.1 Following this report the draft Annual Governance Statement will be circulated to Members of the Committee for them to individually comment on the Statement. 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 2020.

#### **5. Recommendation:**

5.1 That the Audit and Governance Committee note the report.

#### **6. Appendices:**

6.1 None.

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**List of Background Documents:**

Annual Governance Statement 2018/2019

**Required Considerations**
**Equalities:**

Age	No
Disability	No
Gender Reassignment	No
Pregnancy and Maternity	No
Race	No
Religion or Belief	No
Sex	No
Sexual Orientation	No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Equalities	A full Impact assessment has not been carried out because the report does not propose any new strategy or service provision	Deborah Dimock	Julie Openshaw

**Environment and Sustainability**

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Sustainability / Environment – including	A full impact assessment has not been carried out because the report does	Deborah Dimock	Julie Openshaw

considerations regarding Active Travel and Wellbeing	not propose any new strategy or service provision		
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### Legal

Yes

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Legal	The legal implications have been considered and are included in the report.	Deborah Dimock	Julie Openshaw

### Finance

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Finance	TfN Finance Team has confirmed there are no new financial implications.	Gareth Sutton	Iain Craven

### Resource

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Resource	TfN HR Team has confirmed there are no new resource implications.	Stephen Hipwell	Dawn Madin

### Risk

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Risk	A risk assessment has been carried out and the key risks are included in the report.	Deborah Dimock	Julie Openshaw

**Consultation**

Yes

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	No consultation has been carried since no new policies are being proposed.	Deborah Dimock	Julie Openshaw