

Transport for the North Audit & Governance – Minutes

Meeting: Transport for the North Audit and Governance Committee

Date: Friday 12 June 2020, 11:00am - 2:00pm

Venue: MS Teams remote meeting

Attendees:

Chris Melling, CM (Chair)
Cllr Keith Little, KL (Vice-Chair)
David Pevalin, DP
Kevin Brady, KP
Cllr Chris Brewis, CB
Cllr Liam Robinson, LR
Cllr Mark Winnington, MW

Independent Member
Cumbria County Council
Independent Member
Independent Member
Lincolnshire County Council
Liverpool City Region
Staffordshire County Council

Invitees:

Karen Murray, KM
Andrew Maudsley, AM
Lisa Randall
Nicole Watson

External Audit, Mazars
Internal Audit, RSM, UK
Internal Audit, RSM, UK
Department for Transport

Officers:

James Lyon, JL
Iain Craven, IC
Gareth Sutton, GS
Paul Kelly, PK
Julie Openshaw, JO
Deborah Dimock

Democratic Services Officer
Finance Director
Financial Controller (leaving 19.06.20)
Financial Controller
Head of Legal
Solicitor

Apologies:

Cllr Simon Blackburn
Haddy Njie, HN

Blackpool
Risk Manager

1.0 Welcome and Apologies

Action

1.1 Colleagues were welcomed to the meeting.

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- 1.2 Apologies for absence were noted. Cllr Liam Robinson advised that he would have to leave the meeting early due to a family matter.
 - 1.3 IC informed the Committee that GS would be leaving TfN on 19 June and his replacement, PK was already in post and attending the call.

2.0 Declarations of Interest

- 2.1 There were no declarations of interest.

3.0 Minutes of the Last Meeting and Matters Arising

- 3.1 The minutes of the meeting on 28 February 2020 were considered.

RESOLVED: To accept the minutes of the meeting held on 28 February 2020 as a true and accurate record.

4.0 Monthly Operating Report (R)

- 4.1 IC presented the Monthly Operating Report which was taken as read.
He noted that the document was presented one month in arrears and provided a verbal update on the ongoing discussion with DfT on NPR funding which had been largely resolved, with £40m funding fully committed through to year-end and TfN seeking to draw down on the balance (up to £59m) throughout the year.
- 4.2 IC noted that TfN had undertaken a review of the immediate Covid-19 impacts upon its programmes and that the annex (p25) contained a summary of the issues / risks that had been identified.
- 4.3 KL asked about statutory deadlines in funding and spending, noting that some activity had slipped backwards due to the pandemic. IC replied that deadlines were being considered on a case by case basis, and although NPR in particular had re-phased sifting and SOC work, the spending was still in year and therefore aligned with the funding available.

RESOLVED: The committee noted the report.

5.0 Covid-19 Update (P)

- 5.1 IC presented a slidepack detailing both the immediate impact on operations and the anticipated longer-term risks due to the pandemic, adding that some of the information

was an updated version of the Monthly Operating Report and some was taken from the Risk Register.

- 5.2 Absenteeism remained low with little direct impact, and the opportunity that TfN had taken in the weeks prior to lockdown to adapt the Business Continuity Plan to what was known about Covid-19 had contributed greatly to a relatively seamless transition to remote working, with flexible working arrangements remaining in place to account for childcare, etc.
- 5.3 In the longer term, there remains a risk that future Business Cases might be constrained by reduced funding, with greater emphasis put on individual BCRs rather than looking at the transformational benefits of the “whole network”. Some national policies tied into future infrastructure are being delayed.
- 5.4 TfN has diverted some resources away from front-line projects to focus on the Economic Recovery Plan in expectation that a stimulus plan would be put into effect by government to ameliorate the impact of Covid-19 upon the economy.
- 5.5 LR raised a point on the Government’s messaging around use of public transport during the pandemic, noting that it had been consistently very negative with pleas to avoid using buses and trains. His concern was that unless addressed imminently, it could stigmatise the use of public transport in the future.

He further highlighted that bringing passenger levels back to pre-Covid levels was critical for the viability of the railways, the nationwide economic recovery and also the climate change agenda and it could be a reputational risk for TfN potentially impacting on a significant part of the TfN’s rail agenda overall.

IC replied that the Strategic Rail team were already well-advanced with their recovery plans and he would invite them to present at the next Audit & Governance meeting. The Committee accepted this.

Action: That the Strategic Rail team be invited to present their rail recovery plan at the next Audit & Governance Committee, Friday 16 July 2020.

6.0 Year End Statutory Accounts (P)

- 6.1 GS began by detailing the Constitutional role of the Committee in the annual accounts process, and how the

reports presented would support the Committee in discharging that role.

This meeting was the first of two sessions where the accounts and supporting information would be presented to the Committee, with a follow on meeting to be held on the 16th July at which the Committee would be asked to endorse the Accounts.

GS proceeded to present the Financial Outturn report, explaining that this report detailed financial performance against budget and was prepared on a simpler basis to the annual Accounts.

GS highlighted that the Financial Outturn position was heavily influenced by capital programme issues, principally around the pause and subsequent cancellation of the IST Phase 3 ABBOT scheme.

- 6.2 In presenting the Accounts to the Committee, GS used an explanatory presentation to highlight key issues reflected in the financial statements. Time was also spent rehearsing with the Committee the rules that determined how the Accounts were prepared and what the key financial statements were designed to show. GS concluded by providing a reconciliation between the financial position as presented in the Accounts and the Financial Outturn position.
- 6.3 GS highlighted the impact of the Phase 3 ABBOT scheme of the Accounts and took time to explain how the assets previously recognised for this activity had been written out of the balance sheet.
- 6.4 GS also highlighted a further increase in the net estimated future pensions liability recognised in the Accounts and the principal reasons for this increase, noting the similarity to increases in the previous year, and explaining key differences in approach between the actuarial valuation that is used to determine annual contribution rates, and the approach required under accounting standards to calculate the net asset or liability for disclosure in the Accounts.
- 6.5 The Committee received the report and thanked GS both for the report and presentation provided and for his contribution in the past. Audit & Governance Committee wished him well and welcomed the new Financial Controller, Paul Kelly.

RESOLVED: That the Year End Accounts be noted in advance of formal approval at the following Committee meeting on Friday 16 July 2020.

7.0 Acceptance of the Annual Governance Statement (R)

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- 7.1 DD explained that although the Annual Governance Statement is included in the Financial Statements, the law requires that it is separately approved, and therefore it is considered as a separate agenda item.
- 7.2 DD noted that previous versions of the statement had been presented to the Committee in the past and highlighted the changes and improvements made to the Statement including the reworking of the Gifts & Hospitality Policy and the Whistleblowing Policy to bring them into line with best practice. Further changes had been made to encompass the alterations in the law surrounding virtual meetings as a direct result of the pandemic.

RESOLVED: The Committee welcomed the report, raised no questions or points and recommended that the Statement be presented to TfN Board on 29 July.

8.0 External Audit – Progress Report (R)

- 8.1 KM of Mazars briefly presented the report noting that Mazars expect to have the audit of TfN completed in advance of the TfN Board on 29 July, although she noted that statutory deadlines had been extended as a result of the pandemic.
- 8.2 KM noted that the ability to finalise the TfN audit to timetable was dependent on the audit of the Greater Manchester Pension Fund, although she advised that there were no specific risks in this regard at present.

RESOLVED: The Committee noted the progress of the external audit.

9.0 Internal Audit Reports (R)

- 9.1 The 2019/20 plan had been completed.
- 9.2 AM reported that the 2020/21 progress audit has been deferred to the September meeting due to lockdown as the audit would ideally be carried out on site rather than remotely. The Committee discussed bringing this audit forward.
- 9.3 The follow up report was a look-back at 2019/20, intended as an aide memoire.

RESOLVED: The Committee noted the reports and tasked the Finance Director and Internal Audit to explore earlier completion of the follow up audit.

10.0 Risk Review (R / P)

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- 10.1 IC presented the updated Risk Register, advising the Committee that it would be further updated as the pandemic situation progressed and to reflect the passage of time, re-presented at July Audit and Governance and then presented to TfN Board on 29 July.
- 10.2 Covid19 risks had been considered by TfN and had been presented in the risk register both a new Corporate Risk in its own right, and as a factor exacerbating other pre-existing risks.
- 10.3 The Strategic Rail team and area of work remains the most fundamentally affected part of TfN operations with major questions around future viability, required subsidy. The risks had moved from being primarily about franchise commitments and the progress of the Transpennine Route Upgrade to fundamental concerns regarding the operation and development of the railway as a result of the pandemic.
- 10.4 KV enquired if there was specific ownership of the Covid-19 risk with the Director Team; IC replied that the overall owner for Covid19 risks was the CEO, but that Directors all took responsibility for departmental risks. He added that this would be clarified in a future update to the Risk Register.

RESOLVED: The Committee noted the report and thanked HN for her work in compiling it.

11.0 Next Committee Dates (V)

- 11.1 The Committee agreed the next dates until the end of the 2020/21 financial year, namely:
Thursday 24 September 2020
Thursday 19 November 2020
Thursday 18 February 2021

Action: Diary invites would be sent out for the approved dates.

12.0 Any Other Business (V)

- 12.1 No other items of business were raised.

The meeting concluded at 1:40pm

r = report; p = presentation; v = verbal