

Audit and Governance Committee - Minutes

Meeting: Audit and Governance Committee
Date: 13 June 2019

Attendees:

Chris Melling (Chair)
Cllr Keith Little – (Vice Chair)
Cllr Chris Brewis
David Pevalin
Kevin Brady

Independent Member
Cumbria County Council
Lincolnshire County Council
Independent Member
Independent Member

Invitees:

Louise Maqsood
Karen Murray
Lisa Randall

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

Transport for the North Officers:

Iain Craven
Gareth Sutton
Haddy Njie
Deborah Dimock
Oyetona Raheem

Finance Director
Financial Controller
Risk Manager
Legal Officer
Democratic Services Officer (DSO)

Apologies:

Cllr Simon Blackburn
Cllr Liam Robinson
Cllr Mark Winnington

Blackpool Council
Liverpool City Region
Staffordshire County Council

1.0 Welcome and Apologies

1.1 Apologies

Apologies for absence were duly noted.

1.2 Quorum

It was noted that the meeting was quorate.

1.3 A change was agreed to the order of agenda items to enable item 10 to be considered after immediately item 6.

2.0 Declarations of Interest

2.1 There were no declarations of interest.

3.0 Minutes from the Previous Committee

3.1 The minutes of the Committee held on 01 March 2019 were considered.

RESOLVED: To approve the minutes of the Audit and Governance Committee held on 01 March 2019 as a correct record.

4.0 Actions Log from the Previous Meeting

4.1 The completed actions were duly noted.

4.2 **Update on Spending Review:** Iain Craven reported that TfN submission that would be submitted by mid-July had been prepared on the basis of 3-year spending review. He gave further explanations on the basic underlines for the submission.

4.3 Cllr Brewis noted that uncertainty of finances was the single biggest risk to TfN and suggested that individual members of TfN to lobby their MPs for support in this regard.

RESOLVED: To note the progress on outstanding actions.

5.0 Year End Statutory Accounts

5.1 Gareth Sutton presented the progress on the production of TfN's first statutory Statement of Accounts and the associated external audit.

5.2 The Committee had a detailed review of the report and the three appendices namely:

- a. The Draft Statement of Accounts as laid open to public inspection;
- b. A supporting presentation that provides explanation on the content of those accounts; and,
- c. A copy of the Financial Outturn report to further support understanding of the accounts.

5.3 It was noted that the draft Statement of Accounts was published by the deadline of 31 May. The next Committee to be held on 10 July would need to review the final accounts and recommend to the TfN Annual Meeting on 31st July for approval.

5.4 Karen Murray advised that if there were any issues raised by members of the public on the accounts, there were specific guidelines to be followed for dealing with such issues.

5.5 During discussion on TfN investment on the Integrated and Smart Travel (IST) programme, clarifications were sought on how investment was valued and recorded. Gareth Sutton gave explanations on how the investments would be valued and depreciated in the books of the Train Operating Companies to which TfN was awarding grant monies.

- 5.6 The pension deficit was discussed, and the differences between the valuation methodology used by the actuaries in calculating TfN's contribution rates (which are considered to be adequate) and the balance sheet calculation required by accounting standards (which show a deficit) were brought to its attention. Information was also provided that showed TfN's position to be consistent with that of partner authorities.
- 5.7 Kevin Brady asked for clarification on how TfN was ensuring that investments done via third parties were being delivered as TfN/DfT expected. Iain Craven explained that the assets that were purchased through TfN grants became Franchise Assets which are monitored and managed through the Rail North Partnership. In addition, attention was drawn to the role of the Rail North Committee which was a Committee of TfN Board responsible for monitoring the franchise agreements with the Train Operating Companies (TOCs).
- 5.8 Kevin Brady sought further clarification on how the governance arrangements for monitoring performance of TOCs could provide sufficient assurance to the Committee on grants to third parties. It was suggested and agreed that a report detailing the assurances should be presented to the next Committee.

David Pevalin requested that the report should include the robustness of the governance arrangements for monitoring issues such as pricing and tendering.

Action: Iain Craven

RESOLVED: To note the progress made on the production of the Annual Statement of Accounts and external audit process.

6.0 Corporate Governance Review – Annual Governance Statement

- 6.1 The report which was presented by Deborah Dimock was taken as read.
- 6.2 It was noted that the draft Annual Governance Statement had previously been circulated for Members' comments. Deborah Dimock confirmed that comments received have been incorporated into the final version.

RESOLVED: To recommend the Annual Governance Statement to the TfN Annual Meeting on 31st July for approval.

10.0 External Audit – Progress Report

- 10.1 Karen Murray presented the external audit report which was taken as read. She added that audit work to date had not raised any issues or concerns that needed to be brought to the attention of the Committee.

- 10.2 The Committee was pleased to note the positive comments from the external auditors.

RESOLVED: To note the External Audit report.

7.0 Review of Constitution

- 7.1 Deborah Dimock presented the proposed amendments to the constitution. She gave detailed explanations on each of the newly proposed amendments that were different from those that had been discussed previously. She added that further changes would be needed to the constitution to recognise the recommendations from the Williams' Rail Review.

- 7.2 Included in the proposed changes was a reduction in the number of Members required to achieve quoracy at Board and Committees; a recommendation to allow public speaking at Scrutiny Committee (subject to providing notice in advance and limited to three minutes of speech); new ToR/Rules of Procedure for Partnership Board (PB) to reinforce that its meetings were private strategic consultation meetings; making it clearer that Rail North Committee Members must be TfN Board Members (or substitute Board Members) as a sub-committee to TfN Board; and co-options to LEP and Delivery Partners representatives to the TfN Board to be changed to a blanket approval for the organisation rather than the individual.

- 7.3 Cllr Little asked if the Audit and Governance Committee would get to see the changes after Williams' Rail Review before they were presented to TfN Board. Deborah Dimock replied in the affirmative and that further amendments would be presented to the TfN Board around September 2019.

RESOLVED: To recommend the proposed amendments to the TfN Annual Meeting on 31st July for approval.

8.0 Internal Audit Report – Progress report for June 2019

- 8.1 Lisa Randall presented the internal audit progress report which summarised the work that have been completed from the internal audit plan for 2019/20.

- 8.2 The Committee noted the five appendices to the report which addressed the following issues:

8.1 - Risk Management – Risk Register Deep Dive

8.2 - Framework for Corporate Governance – Strategic Development Corridors Programme

8.3 - IT Audit – Cyber Security

8.4 - Key Controls Core Financial Controls – Payroll

8.5 - Annual Summary 2018/19.

8.3 Chris Melling asked for when the ongoing work on IT audit would be completed. Lisa Randall said the work would be completed on time to meet the paper circulation deadline for the next Committee in July. Because the next Committee was less than a month, it was proposed and agreed that the IT audit report should be presented to the Committee in September 2019.

8.4 Kevin Brady asked if there was a timeline for the review of the Risk Management Strategy. Haddy Njie advised that the Strategy was due for review every two years and that the next review would be done in September 2019.

8.5 Discussion was held on the risk register which Lisa Randall said had been updated with the new timetable change. It was proposed that some work should be done on the Strategic Rail team and the December 2019 timetable proposal.

RESOLVED: To note the reports from External Audit.

9.0 FPR Internal Audit Actions Log

9.1 The report of the Procurement Manager on progress made by TfN to comply with audit recommendations, was considered.

9.2 The Committee noted the comprehensive actions log which demonstrates that substantial progress had been made to implement the recommendations.

RESOLVED: To note the progresses that have been made to comply with Internal Audit recommendations.

11.0 Future Meeting Dates

RESOLVED: That the next meeting of the Committee will be held on Wednesday, 10 July 2019 from 11am – 1pm at Leeds.

12.0 Exclusion of Press and Public

RESOLVED: That the public be excluded from the meeting during consideration of the following items of business because it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, there will be disclosure of confidential information as defined in s100A(2) of the Local Government Act 1972 (as amended) and exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

13.0 Corporate Risk Update

- 13.1 Haddy Njie made a presentation to the Committee on the progress of Transport for the North's transformational programmes. During the presentation, HN outlined and summarised the remit of TfN's four transformational programmes; the progress of each programme; and the key risks relating to each programme and the planned mitigation strategies in place.
- 13.2 Detailed discussion was held on the principal risk in relation to the IST project. A paper on IST Phase 3 will be going to the Partnership Board and further updates will be provided on the matter at the next Committee.
- 13.3 Kevin Brady sought clarification on the programme management around ToCs performance monitoring, the issue of operators not signing up to the IST and what the plans were to mitigate the risks.
- 13.4 Iain Craven explained that the franchise agreement and December timetable change risks were focused on the two TOCs (Northern and TransPennine Express). The risk within IST was about bus operators signing up to the ABBOT technology for delivering the IST programme.
- He added that following the problems experienced by passengers after the May 2018 timetable change, there have been assurance processes put in place across the industry to prevent a recurrence of the timetable issues in May 2018.
- 13.5 Regarding IST, Iain Craven noted that the principal issue was to get a proper commitment from the big bus operators to participate as this is required both for the system to have sufficient volume of transactions to make it viable, but also to deliver the customer proposition. He noted that TfN, unlike TfL, had no powers of compulsion, and neither did its partner bodies and that TfN could not proceed to expend significant sums of money if it did not have an appropriate level of certainty that the operators would use the resultant system.

RESOLVED: To note the presentation from the Risk Manager.