

Transport for the North Audit and Governance Committee Meeting

Report Item 8

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

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Sponsor: Iain Craven

Meeting Date: 22nd November 2019

1. Purpose of the Report:

- 1.1 The purpose of this report is to advise Members of the need for Transport for the North to carry out a corporate governance review and to prepare an Annual Governance Statement for the financial year 2019/2020.

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 the review in its Annual Governance Statement (AGS).
- 2.2 The AGS is prepared by officers and presented to the Audit and Governance Committee for consideration. Ultimately, Transport for the North Board is required to approve the statement alongside the Annual Statement of Accounts.
- 2.3 The AGS must be published in draft format by June 2020. This paper represents the first stage in conducting the required annual review, with a further paper to be brought to the Committee's 28th February meeting.
- 2.4 A draft AGS will be shared with Committee members in Quarter 1 of the new financial year, with comment invited.

3. Discussion:

Background

- 3.1 Under the provisions of the Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 Transport for the North is required to carry out an annual review of the effectiveness of its internal systems of control and to publish a report of that review.
- 3.2 This report must be published before the beginning of June in each year along with the Statement of Accounts and Narrative Statement. Accordingly, the AGS represents a qualitative assessment of TfN's approach to ensuring value-for-money, to be considered alongside the quantitative assessment provided by the Statement of Accounts.
- 3.3 Since 2018/19 was Transport for the North's first year as a Sub-National Transport Body this will be only the second annual review of its systems of internal control and second Annual Governance Statement.
- 3.4 In carrying out this annual review TfN is required to comply with the guidance issued by CIPFA in its guidance "Delivering Good Governance". The Guidance sets out principles of good governance:

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

B Ensuring openness and comprehensive stakeholder engagement

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

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

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

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

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

In 2018/19 the AGS was prepared by officers with Committee members invited to comment via email. To ensure that the Committee members are fully engaged in the process this year, officers have begun the review process earlier, with a view to presenting progress

on actions identified in the 2018/19 process and identifying issues that may be commented upon in the 2019/20 statement.

3.5 It is intended that this paper sets out:

- The requirements of the review process;
- Progress against the action plan presented in the 2018/19 AGS;
- Emerging issues for inclusion in the 2019/20 AGS; and
- The indicative timeline for considering the contents of the AGS.

The Internal Control Environment

3.6 The system of internal controls are all the measures taken together which TfN has put in place to safeguard the expenditure of public money and to ensure value for money. Internal controls test whether expenditure decisions are appropriate and ensure compliance against adopted process and governance. Controls then ensure transparency to invite oversight.

3.7 TfN's internal control environment is similar to other public bodies such as transport, combined, and local authorities. However, TfN's unique governance arrangements differentiate itself from partner bodies.

3.8 Accordingly, whilst internal controls include documents and processes that are familiar to most public bodies - including financial regulations and contract procurement rules which are set out in the Constitution - they also include governance structures which determine how decisions are made and activity is reported on.

3.9 The internal control environment also includes the risk management framework through which TfN ensures that risks to its operations are identified and managed, and how oversight is exercised by the Audit and Governance Committee and other Boards.

3.10 TfN's control environment is also designed to enforce transparency to support oversight of its affairs. This includes transparency on the findings of independent audits, but also transparency on decision-making and contracting and expenditure.

The Review Process

3.11 Since TfN's Inaugural Meeting we have continuously reviewed the policies and procedures that we have put in place in relation to decision-making, procurement, financial management and risk management in order to identify areas for improvement.

3.12 The Annual Governance Statement approved by Board in 2018/19 highlighted the processes, procedures, and governance arrangements

adopted by TfN in its first year of operations, explaining how they discharge TfN's obligations to value-for-money, and presented an action plan for 2019/20 and beyond.

3.13 This action plan included:

1. Reviewing the Constitution;
2. Reviewing the Rail North Partnership with the Secretary of State for Transport; and,
3. Developing the Scrutiny function.

3.14 The plan also committed to reviews of the effectiveness of TfN's management of key corporate risks, and it should be noted that the objectives of the review process are fluid and require officers and the Committee to continually assess the internal control environment as the organisation and its activities develop.

3.15 To assess its progress against the 2018/19 action plan and consider emerging issues for the 2019/20 AGS, a small officer review group has been constituted. This group is made up of Gareth Sutton, Financial Controller; Haddy Njie, Risk Manager; Deborah Dimock, Solicitor.

3.16 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 actions

3.17 The Audit and Governance Committee have a key role to play in oversight of the work of the group, and the group will report back to the next meeting of the Audit and Governance Committee on the 28th February.

Work Undertaken to-Date

3.18 The 2018/19 AGS identified the following actions as being necessary:

Subject	Action	Responsible Officer	Target Completion Date

Review of the Constitution	Undertake a full review of the Constitution to clarify decision making procedures	Head of Legal	31/07/19
Review of the Rail North Partnership with the Secretary of State	Implement the recommendations of the Blake/Jones Review into the Rail North Partnership	Strategic Rail Director	30/06/2020
Developing the Scrutiny Function	Providing training and development for the Scrutiny Committee to enable it to fully develop its role of Scrutiny First	Head of Legal	30/06/2020
Key Corporate risks	Review the effectiveness of TfN's management of the highest rated Corporate risks	Finance Director	Ongoing

3.19 To deliver upon this action plan, over the course of the year officers have:

1. Reviewed the Constitution with partners, with the adoption of a revised Constitution by TfN Board in June 2019;
2. Contributed to the Blake-Jones review, with further work likely following the conclusion of the Williams Review;
3. Engaged training providers to support the development of the Scrutiny function;
4. Reissued the Risk Management Strategy;
5. Instigated independent reviews into the governance of the NPR programme;
6. Instigated independent reviews into the future delivery model for rail functions;
7. Instigated internal reviews into the efficacy of TfN's whistleblowing policies; and,
8. Undertaken an internal review into the efficiency of authorisation of expenditure processes.

3.20 Following initial meetings of the review group, and in line with reported corporate risks, officers are focusing attention on the following areas:

1. The implementation and embedding of TfN's Assurance Framework;

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2. Reporting into TfN Board in support of informed decision-making; and,
 3. Programme governance, including the relationship of programme teams to wider TfN support functions.

- 3.21 It is intended that these issues be discussed with the Committee in session, and that the Committee consider other areas for the group to review.

4. Proposed Timetable for carrying out the Review:

- 4.1 Following this introductory report, a further report will be brought to the Audit and Governance Committee at its meeting of the 28th February and 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 2020.

5. Recommendation:

- 5.1 It is recommended that the Audit and Governance Committee receive the report.
- 5.2 It is recommended that Committee members consider areas that should be reviewed as part of the annual corporate governance review process.

6. Appendices:

- 6.1 Appendix A: Annual Governance Statement 2018/19

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

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

Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
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Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	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
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Legal

Yes

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

Finance

No

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

Resource

No

Consideration	Comment	Responsible Officer	Director
Resource	TfN HR Team has confirmed there are no	Stephen Hipwell	Dawn Madin

	new resource implications.		
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Risk

No

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

Consultation

Yes

Consideration	Comment	Responsible Officer	Director
Consultation	A suitable consultation has been carried and the results are included in the report.	Deborah Dimock	Julie Openshaw