

# Audit & Governance – Minutes

**Meeting:** Transport for the North Audit and Governance Committee  
**Date:** Friday 22 November 2019, 11:00am - 1:00pm  
**Venue:** Kramer Suite, Leeds Town Hall, The Headrow, Leeds, LS1 3AD

## Attendees:

Chris Melling, CM (Chair)	Independent Member
Cllr Keith Little, KL (Vice-Chair)	Cumbria County Council
David Pevalin, DP	Independent Member
Kevin Brady, KP	Independent Member
Cllr Chris Brewis, CB	Lincolnshire County Council
Cllr Liam Robinson, LR	Liverpool City Region

## Invitees:

Karen Murray, KM	External Audit, Mazars
David Morris, DM	Internal Audit, RSM, UK
Adam Timewell, AT	Rail North Partnership
Dominique Dawodu, DD	Sponsor Team, Department for Transport

## Officers:

James Lyon, JL	Democratic Services Officer
Iain Craven, IC	Finance Director
Gareth Sutton, GS	Financial Controller
Julie Openshaw, JO	Head of Legal
Haddy Njie, HN	Risk Manager

## Apologies:

Cllr Simon Blackburn	Blackpool
Cllr Mark Winnington	Staffordshire County Council

## 1.0 Welcome and Apologies

## Action

- 1.1 Colleagues were welcomed to the meeting.
- 1.2 Apologies for absence were noted.

## 2.0 Declarations of Interest

- 2.1 There were no declarations of interest.

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### **3.0 Minutes of the Last Meeting and Matters Arising**

- 3.1 The minutes of the meeting on 20 September 2019 were considered.

**RESOLVED:** To accept the minutes of the meeting held on 20 September 2019 as a true and accurate record.

### **4.0 Internal Audit Progress Report (R)**

- 4.1 David Morris, RSM Director, introduced himself to the Committee. He covered the Progress Report noting that the delivery plan was on track.
- 4.2 The findings from the RSM Sharepoint audit were presented. TfN's operating model, in particular the extent to which it is required to collaborate with and share data with partners and constituent members was discussed. In this context, dissemination of data is essential and the control mechanisms (including quarterly audits and internal technical controls) are robust.

However, concerns were raised by members over the number of sites, including duplicates, within the organisation; GS replied that in some cases this was to permit defined levels of security for different staff and facilitate sharing at different levels. DM added that the number of sites was not necessarily an issue provided that the processing remained consistent. The extremely low levels of personal data meant that GDPR breaches were a relatively minor risk.

**RESOLVED:** The committee noted the findings of the report and requested that the risks in relation to the sharing of data be reviewed at the point at which data-sharing is revisited in the internal audit cycle.

- 4.3 JO added that the organisation was in the early stages of procuring Modern.gov meeting management software which would further strengthen data and cyber security. Roll-out was expected to be at the start of the next financial year.
- 4.4 The NPR Governance audit final draft was complete and with IC for review and comment. IC added that the findings in relation to the NPR Governance review were as expected, with documentation around Terms of Reference and Governance requiring updates and that the final Memorandum of Understanding needs to align with the existing extensive and robust finance processes.

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**Action:** The review, and a draft Memorandum of Understanding will be presented to the next Audit & Governance Committee for comment before being provided to the TfN Board for approval in March 2020.

## **5.0 External Audit Progress Report (R)**

- 5.1 KM presented the External Audit Report noting that it was a mid-year update. Initial discussions had been held with GS & IC regarding the 2019/20 audit, and no concerns regarding progress were raised at this stage.
- 5.2 A consultation was underway with the National Audit Office with respect to a revised Code of Audit Practice that will come into effect in the 2020 / 2021 financial year. The proposals relate to the Value for Money opinion that auditors are required to prepare and is likely to increase the work that Mazars will need to undertake. This has implications for the audit fee that will be discussed with officers.

**RESOLVED:** That the external audit report be noted.

## **6.0 Budget Revision 2 & Mid-Year Treasury Management Update (R / P)**

- 6.1 The report covered information up to the end of September 2019. A version updated to the November month end would be presented to Board in January (originally the Board meeting had been scheduled for December but was moved due to the General Election).
- 6.2 Underspends have been generated from programme issues (notably IST) including delays in the contracting with TOCs for platform validators, and uncertainty regarding IST Phase 3. Delays in contracting earlier in the financial year for NPR activity had been a learning point for TfN in terms of planning and procurement timescales and this will be reflected in planning for the forthcoming year.
- 6.3 KB highlighted that TfN was at risk of reputational damage from underspends in relation to Phase 3 and felt that the reasons behind it should be explained in detail. The Committee also felt that, while the continual monitoring and re-forecasting of budgets was a strong point, the initial forecasting was flawed if these underspends were being generated.
- 6.4 IC has been in talks with DfT and HMT regarding the rollover of IST funds in the event of IST not proceeding as originally envisaged. At the moment, there are no reasons to suggest

that there would be an issue with this. It was also noted that the TfN Board was fully sighted on the delays on Phase 3 of the IST programme and that these were caused primarily by the failure of external parties to commit to the project.

- 6.5 The NPR budget has doubled over the previous year, with the majority of the expenditure being in relation to Network Rail activity. It was also noted that the funding allocation for NPR is ringfenced. The report noted the work underway to enable mobilisation of the programme team and support functions ahead of the new financial year when the funding envelope is expected to increase again.
- 6.6 GS finalised the report by stating that there were no issues to report with regards to the Treasury Management Strategy, with TfN being fully compliant with the investment rules set out in the approved strategy.

**RESOLVED:** That the budget revision report be noted.

## **7.0 Rail North Partnership Franchise Assets (R)**

- 7.1 AT introduced himself to the Committee. The item arose from a previous request from the Audit & Governance committee as to how the investment in assets made through IST Phase 1 was safeguarded.
- 7.2 AT confirmed that once the IST funded assets went into operation, they were "mainstreamed" into the franchise management operations carried out by Rail North Partnership, as set out in the report.
- 7.3 Annual updates were presented to DfT and clauses could be inserted to prevent de-designation of an asset.
- 7.4 LR asked how TOCS were managed to ensure that taxpayer-funded schemes did not end up increasing profits in the TOCs. AT conceded that there was the potential for this to occur, although it was difficult to isolate in the general run of TOC business.

**RESOLVED:** The Committee thanked AT for his report.

## **8.0 Corporate Governance Review – preparation of the Annual Governance Statement (R)**

- 8.1 GS covered the main points in the report noting the ongoing review and improvement of processes and the direction of continuing work (3.18).

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- 8.2 The need for each Committee to receive the correct information at the right time and in sufficient detail was mentioned and this led to a discussion on the role of both Audit & Governance and Scrutiny Committees. IC noted that there was a new Chair of Scrutiny Committee with Cllr Haslam taking over from Cllr Mitchell. Cllr Haslam is in the process of speaking to committee members on the future role of the Scrutiny Committee.
- 8.3 JO added that, as part of the Governance Review, the timing of meetings was being examined to ensure sufficient time between Scrutiny Committee and TfN Board meetings for all papers to be properly examined. She again mentioned the forthcoming roll-out of Modern.gov software which is intended to help address this.
- 8.4 The Committee requested that the link between TfN and the Constituent Authorities was stated and referenced more clearly in the Governance Statement.

**Action:** The Draft Annual Governance Statement will be brought to the next Audit & Governance Committee for consideration and review.

## **9.0 Exclusion of the Press and Public (V)**

- 9.1 To resolve 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 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).

## **10.0 Risk Review (R / P)**

- 10.1 HN explained some of the detail within the slides.
- 10.2 IST Phase 1 delays were being managed by having the Programme Management Team working alongside TOCs to find a supplier for platform validators and award the necessary contract. The risk inherent within Phase 2 had been downgraded due to the LTAs agreeing the acceptance criteria with an agreement expected by the end of 2019. Phase 3 remained an issue since TfN could not deliver the scheme set out in the OBC as the bus operators are not prepared to commit to using it. The TfN Board in January will consider a number of options that have been further developed since the September Board. CM noted that, regardless of the delivery scheme, the outcomes and outputs

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from the investment were still required and questioned the possibility of rolling out IST on a city-region or LTA scale.

- 10.3 Referencing NPR, the appointment of the independent expert, Richard George, had been completed and his initial findings were expected before Christmas. One item missing from the list was the Oakervee Review, with uncertainty around what HS2 infrastructure would arrive in the North and when – the Committee requested that this be added as a separate risk item.
- 10.4 The Strategic Rail risks remained as previously presented. In respect to the December timetable risk, TfN is working alongside Northern and TPE to ensure there is compliance legislation to continue the short-term use of the Pacers. The Blake-Jones review recommendations would need to be implemented alongside TRU work to mitigate as far as possible any disruption caused by the work.

**RESOLVED:** The Committee noted the report and thanked HN for her work.

#### **11.0 Any Other Business**

- 11.1 KL raised the issue of new legislation covering school buses which was being imposed by central Government with very little time for consultation or comments. Essentially, spare seating on school bus services run by the council are sold to other passengers where appropriate to form what is a de facto rural bus service and to help offset the cost of running them. However, Government is now requiring all such services to be compliant with disability legislation. Since none of the small buses being used to deliver these services are compliant, the communities reliant on these services now face losing them altogether or the Council will be required to deliver the service free of charge placing further strain on authority revenue budgets.
- It was noted that currently there was very little TfN could do about this although the concerns were recorded.

**The meeting concluded at 2:20pm**

r = report; p = presentation; v = verbal