
Transport for the North Board– Item 5.2

Subject: Audit & Governance Committee Annual Report

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Sponsor: -

Meeting Date: 31 July 2019

1. Purpose of the Report:

- 1.1 This report updates Transport for the North Board on the work undertaken by the Audit & Governance Committee over the last year.
- 1.2 The report provides a summary on the Committee’s activity against its terms of reference, and its findings against its areas of scrutiny.
- 1.2 The report concludes with a recommendation for the Board to approve the statutory Statement of Accounts as presented to Board at this meeting.

2. Executive Summary:

- 2.1 The Transport for the North constitution prescribes the requirement for an Audit & Governance Committee.
- 2.2 This Committee is comprised of not less than four elected members appointed by the Transport for the North Board, and three independent members recruited on the basis of relevant skills.
- 2.3 The Committee’s terms of reference are appended to this report for reference, but the Committee’s principal purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks.
- 2.4 Since its inception elected and independent members have been appointed to the Committee which has met formally five times, with a Chair appointed from its independent members.
- 2.5 The creation of Transport for the North as a newly formed statutory entity in April 2018 has guided the work that the Committee has undertaken during the year, including gaining assurance as to the existence and efficacy of underlying processes and controls.

- 2.6 This report notes the progress the Committee has made in discharging its functions and contains a recommendation with regards the approval of the statutory Statement of Accounts.

3. Audit & Governance Committee Progress Report

- 3.1 At Transport for the North's inaugural meeting of the 5th April 2018, the Constitution was approved prescribing the requirement for an Audit & Governance Committee to support Members in their oversight of Transport for the North's affairs.
- 3.2 Transport for the North Board was asked to appoint elected members whilst a recruitment exercise was undertaken for three independent members. The results of this exercise were later affirmed by Transport for the North Board with appointments being made.
- 3.3 Over the year the Committee has met formally five times. Meetings have been attended by Department for Transport representatives, along with Transport for the North's internal and external audit providers (RSM and Mazars respectively).

Work Plan

- 3.4 Over the year the Committee has agreed a number of standing items that should be brought before the Committee by officers. These include:
- The Corporate Risk Registers;
 - Financial Reporting; and,
 - Constitution Reviews.
- 3.5 The Committee also requires that instances, or suspicion, of fraud and corruption are reported to the Committee directly.
- 3.6 In addition to this, the Committee also approved the internal audit programme of activity. This programme has been designed to provide the Committee with the assurance it requires that Transport for the North has implemented a control framework that appropriately manages risk.
- 3.7 The Committee has received regular updates from internal audit against this plan, and also updates from external audit as they have progressed the statutory audit.
- 3.8 The Committee's activity vis-à-vis its terms of reference is presented in matrix form in Appendix 2.

Internal Audit Activity

- 3.8 Over the course of the year RSM were appointed as Transport for the North's internal audit provider following a competitive procurement exercise.
- 3.9 The Committee agreed the audit programme for the year, concentrating on the implementation of core control frameworks.
- 3.10 RSM were able to provide the following level of assurance in these key areas:

Area	Assurance Level			
	Substantial	Reasonable	Partial	None
Core Financial Controls: Payment Authorisations	✓			
Core Financial Controls: Payroll Processing	✓			
Procurement Processes	✓			
Risk Management: Risk Register Deep Dive	✓			
Corporate Governance: SDC Programme	✓			
ICT Cyber Security		✓		

- 3.11 The Committee is able to provide Transport for the North Board with assurance from these reports that the necessary core controls expected of a public body have been implemented in the areas reviewed.
- 3.12 The Committee has tracked progress against agreed management actions throughout the year.

External Audit Activity

- 3.13 During the year the Committee approved the appointment of Mazars via the Public Sector Audit Appointment process.
- 3.14 Mazars conduct the external audit, as required by statute. This audit considers whether the Statement of Accounts presents a 'true and fair view' of Transport for the North's affairs, and also gives a value-for-money opinion.
- 3.15 The Committee has received progress reports from officers and Mazars throughout the year regarding progress in the completion of the accounts and their subsequent audit and has formally reviewed the draft unaudited accounts in session twice.
- 3.16 The committee was notified the impact of issues arising in Phase 3 of the IST programme. Having discussed this matter with the Finance Director and Mazars we are content with the approach that has been adopted within the financial statements. The Committee will continue

to monitor activity on the IST Phase 3 through its ongoing risk monitoring arrangements.

- 3.17 In common with a number of other local public sector bodies, Transport for the North was impacted by a court ruling at the beginning of July which relates to the quantum of its pension liabilities. Immediately following this, a revised actuarial valuation was provided through the Greater Manchester Pension Fund and the changes were not material to the accounts.
- 3.18 Whilst Mazars will not formally report their audit findings until release of the ISA 260 audit opinion to Transport for the North Board, the Committee has sufficient comfort to recommend the accounts to Board for approval.

Risk

- 3.17 One of the first exercises that the Committee undertook was a review of Transport for the North's Risk Management Strategy. Subsequently, the Committee has a standing agenda item in relation to risk.
- 3.18 During the year the Committee has reviewed both corporate and programme risks and provided feedback with regard to the presentation of the information provided.

Next Steps

- 3.19 The work programme for 2019/20 will include the following:
- Consider the outputs produced by the Internal Audit plan for 2019/20.
 - Monitor Transport for the North's risk management activity.
 - Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework
 - Consider the assurance framework that is being developed as part of the 2019/20 business plan and the extent this adequately addresses risks and priorities including governance arrangements in significant partnerships.
 - Review the whistle blowing and anti-fraud and corruption policies.

4. Conclusion:

- 4.1 Having reviewed the findings of internal audit and the submissions of officers, the Committee can provide assurance to the Board that in the areas reviewed Transport for the North has implemented a sound control framework that appropriately manages risk.
- 4.2 Having reviewed the Statement of Accounts and received representation from officers and external audit, the Committee

commends to the Board the Statement of Accounts as contained in this pack.

5. Recommendation:

- 5.1 It is recommended that the Board approve the Statement of Accounts for financial year 2018/19.

6. Appendices:

- 6.1 Appendix 1 - Transport for the North Audit & Governance Committee terms of reference
- 6.2 Appendix 2 - Terms of Reference and Activity Matrix

List of Background Documents:

The following background papers were considered in preparation of this report –

Transport for the North Constitution:

<https://transportforthenorth.com/wp-content/uploads/Item-5.1-Appendix-1-Constitution.pdf>

Internal Audit Reports to the Audit & Governance Committee:

Payment Authorisation, Expense, Procurement Cards:-

<https://transportforthenorth.com/wp-content/uploads/Item-7.0-2-Payment-Authorisation-Processes-Expenses-and-use-of-Procurement-Cards.pdf>

Payroll:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.4-Core-Financial-Controls-Payroll-5.18.19-FINAL-T4N.pdf>

Procurement Framework:-

<https://transportforthenorth.com/wp-content/uploads/Item-6.2-Procurement-Framework-3.18.19-FINAL-T4N.pdf>

Risk Management:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.1-Risk-Management-Risk-Register-Deep-Dive-1.19.20-FINAL-T4N.pdf>

Framework for Corporate Governance:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.2-Framework-for-Corporate-Governance---SDC-Programme.pdf>

ICT – Cyber Security:-

<https://transportforthenorth.com/wp-content/uploads/Item-8.3-IT-Audit-Cyber-Security-Controls-4.18.19-FINAL-T4N.pdf>