



TRANSPORT FOR THE NORTH

Framework for Corporate Governance: **Strategic Development Corridors Programme**

FINAL

Internal audit report: 2.19/20

31 May 2019

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1 EXECUTIVE SUMMARY

1.1 Background

We originally agreed with management that the review of governance during 2019/20 would focus on the Legal Services Department and the governance arrangements within this team. From discussion with management during our work on site, we established that a wider governance review would be more beneficial due to the size and nature of the Legal Services team as referred to below:

The organisation's Legal Services Department exists as a support service within the organisation and consists of one Solicitor employed on a temporary basis, and the following three permanent staff members:

- Head of Legal Services;
- Legal & Democratic Services Officer; and
- Democratic Services Officer.

We have therefore, in agreement with management, amended the scope of our review to focus on the wider corporate governance arrangements in place within the organisation and the role of the Legal Services Department within this context. On this basis we have not solely considered the governance arrangements of the Legal Services Department.

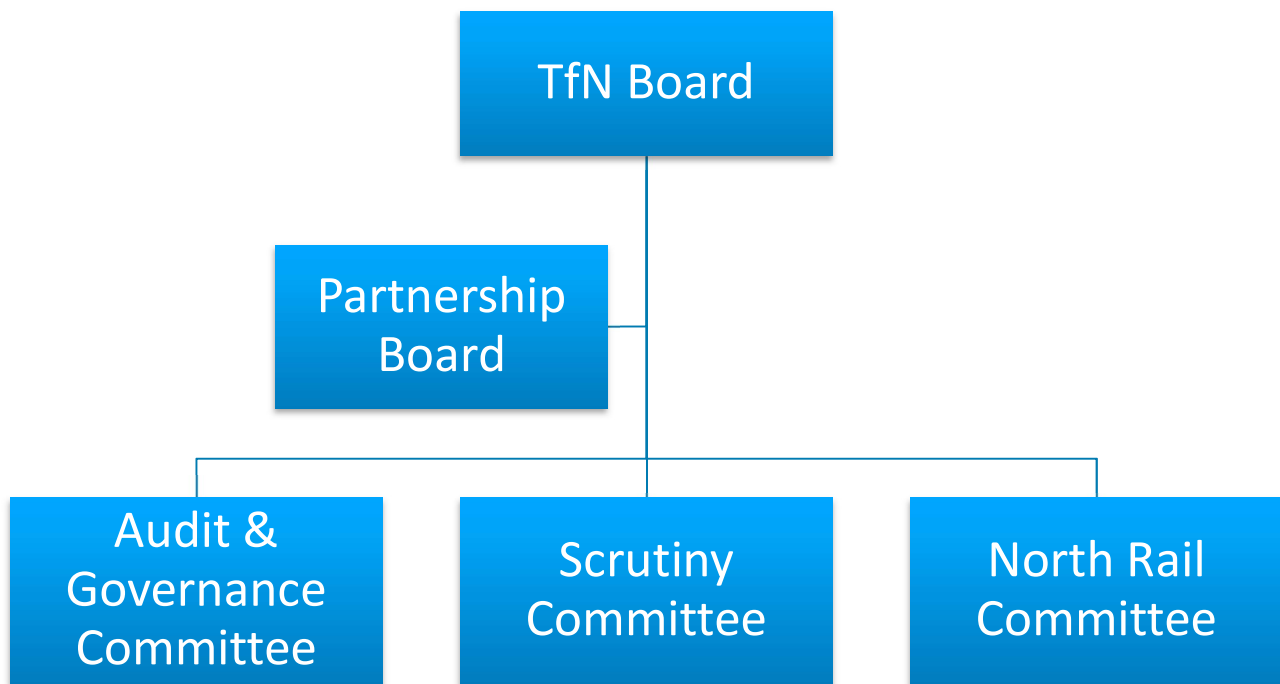
We have selected the Strategic Development Corridors (SDCs) as an example programme, and have tested to establish whether reporting and decision making structures are in place both internally within TfN and within the wider corporate governance framework.

TfN became recognised as a corporate body on 1 April 2018. A documented Constitution for TfN was established and adopted at the first TfN Board (also known as the TfN Members' Board) meeting held on 5 April 2018. The TfN Board is the ultimate decision making body for TfN and has delegated responsibilities to the following Committees:

- Scrutiny Committee;
- Audit and Governance Committee; and
- North Rail Committee.

A Partnership Board also exists as an advisory body to the TfN Board, consisting of representatives from TfN, the Department for Transport ("DfT"), Highways England, Network Rail and HS2.

The reporting lines between these governing bodies are illustrated by the below diagram:



An internal governance and reporting structure also exists within TfN, working at a more operational level for each of the organisation's four programmes:

- Strategic Rail;
- Integrated and Smart Travel (IST);
- Major Roads Network (MRN); and
- Northern Powerhouse Rail (NPR).

Working groups exist for projects within each programme, which report directly into the Strategic Transport Plan Programme Board. An Executive Board also exists across TfN to serve as a decision making and advisory body in relation to programme operations.

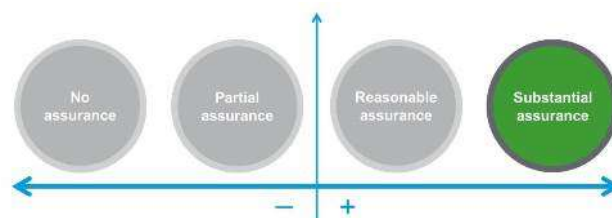
The Operating Board Team (OBT) is an additional internal body within TfN, dealing directly with organisational factors and staffing, including but not limited to, ICT and Finance.

1.2 Conclusion

As a result of our testing, we consider TfN to have an appropriately designed corporate governance framework in place. From review of documentation we consider the advice provided by the Legal Services Department to be adequately recorded within Committee and Board reports, and that decisions have been made in line with TfN's Constitution.

Internal audit opinion:

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

Governance and reporting structures

- The Constitution for TfN was amended and approved at the TfN Board meetings held on 28 June and 6 December 2018. The Constitution includes Terms of Reference and authority delegations for the TfN Board and its delegated Committees. From review of meeting minutes for the last 12 months (April 2018 to date), we consider the following bodies to have adhered to key aspects of their Terms of Reference (including frequency of meetings, quorum requirements, and consideration of required agenda items as specified within the Terms of Reference):
 - TfN Board (for example review of the budget and Strategic Plan);
 - Partnership Board (for example consideration of the business plan and business cases);
 - Audit and Governance Committee (for example consideration of reports from internal and external audit); and
 - Scrutiny Committee (for example discussion and challenge of key functions of TfN).
- We also reviewed minutes from the last 12 months of the meetings of the following internal governing groups within TfN and further established these to be adhering to key aspects of their Terms of Reference:
 - Executive Board (for example receiving an update in relation to TfN operations); and
 - Strategic Transport Plan Programme Board (for example receiving programme updates).
- The Operating Board Team (OBT) consists of the Chief Executive Officer (CEO), the Finance Director, the Legal Services Officer (Monitoring Officer) and other officers may attend meetings by invitation of the Chief Executive. The Board exists to facilitate the effective management of TfN and meets on a monthly basis. From review of meeting minutes from the last 12 months, we confirmed OBT to be compliant with key aspects of its Terms of Reference in terms of meeting frequency and quoracy.

Timeliness, consistency, volume and nature of reporting

- We were informed by management that the Legal Services Department does not produce or issue its own specific reports. The Department is required to provide advice and input into programme reports. We obtained the standard Board report template utilised by TfN and confirmed that this includes a section for stating whether or not legal implications have arisen in relation to a proposal. We obtained an example of a completed programme report (for the Integrated Smart Travel Programme), presented to the Board in December 2018 and confirmed that this utilised the standard report template, and that the relevant fields in relation to legal implications had been completed.
- We were informed that project boards exist for all programmes, to discuss operational matters and provide guidance for any arising issues. These project boards then report into the Strategic Transport Plan (STP) Programme Board at each monthly meeting, and a report is produced by Programme Officers to be sent to the Executive Board.

- We were informed that reporting to the STP Programme Board varies across programmes as there is no standard reporting template in place. The Senior Strategy Officer informed us that a template was in the process of being produced, with the intention for this to also be rolled out for reporting to the Executive Board. On this basis we have not proposed a management action in relation to this matter as work is planned in this area.
- We obtained a copy of the new standard report template (in its current form at the time of testing, April 2019), and confirmed that this is designed to capture the following information:
 - Risks and issues update.
 - Work package lead reports including progress against commitments, issues / concerns and successes / lessons learned.
 - Governance forward look ahead.
- A Meeting Schedule is in place for the Executive Board and Scrutiny Committee to ensure that papers are submitted within a timely manner. Currently, papers are required to be submitted to the Chief Executive Office approximately 10 working days before each meeting date, to allow papers to be circulated five days prior to each meeting. Reminder emails are sent to advise of the deadlines for papers to be submitted in a timely manner.

Decision making

- We selected an example SDC project, Strategic Programme and Outline Cases (SPOC), and tested to establish whether clear reporting lines were evident throughout the TfN governance structure. We confirmed that a timeline is in place for SPOC, stating deadlines for review of SPOC at governing bodies. We confirmed that SPOC had been reported at the following meetings in line with the SPOC timeline:
 - Central Pennines Project Board held on 17 December 2018.
 - Executive Board held on 10 January 2019.
 - STP Programme Board held on 22 January 2019.
 - Central Pennines Project Board held on 23 January 2019.
 - Scrutiny Committee held on 24 January 2019.
 - Executive Board held on 28 January 2019.
 - Partnership Board held on 7 February 2019.

Appropriateness and effectiveness of governance structures

- As TfN had been registered as a corporate body for 12 months at the time of testing (April 2019), the Constitution has been reviewed more frequently than on an annual basis due to amendments made; review has taken place by the Executive Board, the OBT, the Scrutiny Committee, the Audit and Governance Committee, and the Board, during the course of the last 12 months in order to ensure that the structure prescribed by the Constitution is appropriate and effective.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Governance and reporting structures	0	(3)	0	(3)	0	0	0
Timeliness, consistency, volume and nature of reporting	0	(0)	0	(0)	0	0	0
Decision making	0	(0)	0	(0)	0	0	0
Appropriateness and effectiveness of governance structures	0	(0)	0	(0)	0	0	0
Total					0	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

APPENDIX A: SCOPE

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objectives of the area under review

To ensure the corporate governance arrangements within TfN are appropriately structured to enable effective oversight and decision making.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

- Governance and oversight structures for the reporting and monitoring of activities within TfN, including at a Board, Executive, Programme and operational level.
- Timeliness and consistency of reporting, including reporting at both departmental level and reporting in the context of the wider corporate structure.
- The volume and nature of information reported to the different management groups/committees within TfN and the role of the Legal Services Department within the context of the wider governance structure.
- Processes used within TfN for assessing the appropriateness and effectiveness of its governance structure and decision-making processes.

Limitations to the scope of the audit assignment:

- We undertook an assessment of the adequacy of aspects of the control framework and we performed limited testing to confirm its operation in practice;
- We did not seek to verify the accuracy of information provided to senior management and Board members;
- Any testing undertaken during the review was performed on a sample basis only;
- Our work does not provide any guarantee against material errors, loss or fraud or provide absolute assurance that material error, loss or fraud does not exist; and
- We do not endorse a particular means of managing information to senior management and Board members. It remains the responsibility of Board members and management to agree and manage information needs and to determine what works most effectively.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Deborah Dimock, Solicitor.
- Kirsten Keen, Major Roads Planning and Scheme Development Officer.
- Helen Graham-Parrish, Project Manager – PMO.
- Robin Miller-Stott, Senior Strategy Officer.

Documentation reviewed during the audit:

- TfN Constitution
- Legal Services Department Organisational Chart
- Corporate Meeting Agenda Items 2019-20
- Audit & Governance Committee minutes September 2018 – March 2019
- TfN Board minutes April 2018 – February 2019
- Partnership Board minutes April 2018 – February 2019
- Scrutiny Committee minutes May 2018 – January 2019
- Operating Board minutes February – April 2019
- Executive Board minutes January – March 2019
- TfN Board and Committee Template Report
- Executive Board Reports 8 November 2018, 10 January and 21 February 2019
- Strategic Transport Plan Programme Board minutes December 2018 and January 2019
- Project Boards Terms of Reference
- Strategic Transport Plan Programme Board Terms of Reference
- Strategic Development Programme Meeting Pack

Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature across our client base.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	75%	✓
Reasonable assurance	25%	-
Partial assurance	0%	-
No assurance	0%	-
Management actions	Average number in similar audits	Number in this audit
	2.95	0

The benchmarking data demonstrates that TfN is performing well when compared with other organisations across our client base where we have carried out similar reviews.

FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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