



# TRANSPORT FOR THE NORTH

## Investment Programme Assurance Review

Internal audit report 7.20/21

Final

9 February 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING



# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by management, we have been able to complete the work in line with the agreed scope.

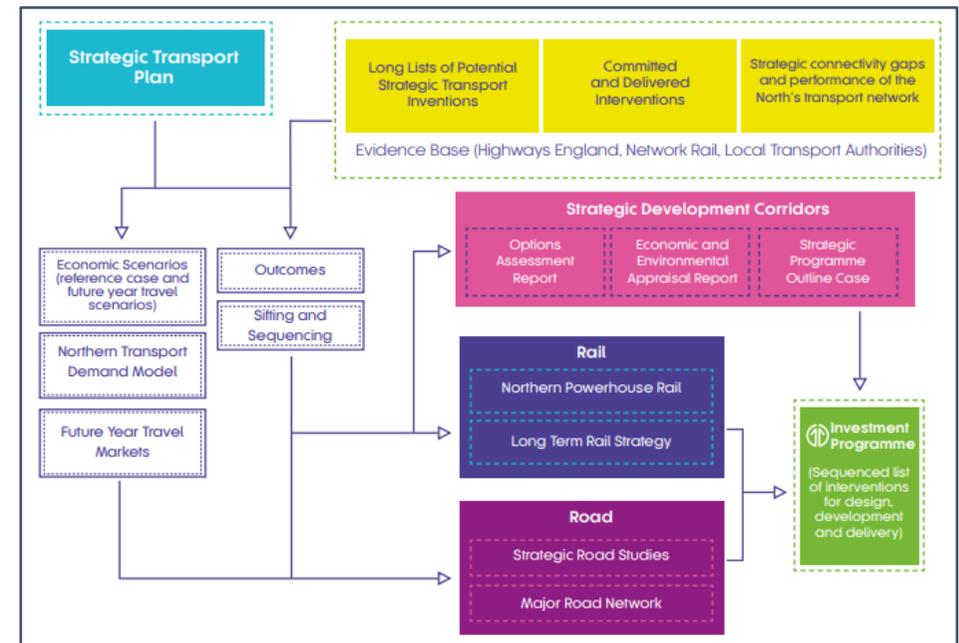
## Background

Transport for the North's (TfN's) initial Investment Programme, published within the Strategic Transport Plan (STP) in February 2019, set out TfN's advice to the Government on the long-term priorities for enhanced pan-Northern transport connectivity. The Investment Programme has a horizon year of 2050, to align with the STP, and sets out TfN's view of the appropriate pipeline of investment in strategic transport to deliver its plans. This will enable TfN and its partners to secure funding and delivery of the different transport schemes; and aims to provide greater certainty for Local Transport and Highway Authorities to deliver complementary investment.

To support this, the TfN Business Plan for 2019/20 identified a need to 'commence work on sequencing of the Investment Programme, building on the business case development work being undertaken on Northern Powerhouse Rail, Trans-Pennine Route Upgrade, the Strategic Development Corridors (SDCs), and the work programmes delivering the Long-Term Rail Strategy'. This was designed to then lead on to a review and update of the Investment Programme.

At the start of 2020, the qualitative sequencing process was undertaken to develop a delivery timeline for approximately 230 projects/schemes in the Investment Programme. This was not a ranking or prioritising exercise, but it was designed to create realistic, time-defined delivery milestones based on a number of factors, including economic, sustainability and social outcomes, as well as deliverability, affordability and political acceptance. These criteria were assessed with input from a range of sources, including input from partners, reference to the established Strategic Transport Plan and Investment Programme, and wider research/data.

The process for developing the first stage of the Investment Programme was set out in the following diagram (as included in various update reports provided to Board and Committee meetings):



The qualitative sequencing process was completed in spring 2020 and the sequencing framework placed the schemes into one of three delivery time periods. These are as follows:

- Pre-2027
- 2027-2033
- Post-2033

Once the sequencing framework had been agreed, three sequencing strategies were produced, based on the differing funding scenarios that may arise (these three sequencing strategies/delivery programmes, were approved by TfN Board in July 2020), as follow:

- Strategy 1 (S1): More funding (£11.2bn) and a more rail focused investment programme. This is likely to be the most challenging to deliver within the pre-2033 period.
- Strategy 2 (S2): More funding (£9.8bn) with a higher level of earlier investment in road schemes over the period up to 2033.
- Strategy 3 (S3 BAU): Business-As-Usual (£6bn).

TfN has also produced four future travel scenarios that illustrate how different outcomes across economic growth, land-use policy, technology uptake, behaviour trends and national climate change policy might affect different travel demand outcomes in the North. The scenarios have been reviewed in light of the Covid-19 pandemic, making adjustments as a result of significant changes to patterns of travel (such as increases in working from home or active travel stimulus) and economic activity.

It is intended that the three sequenced versions of the delivery programme will be tested using TfN’s suite of economic and transport models, which will be used to make a recommendation to the TfN Board (this quantitative assessment process is referred to as the ‘Investment Programme Benefits Analysis’).

In 2020, TfN made a decision to pause work on the Investment Programme between summer 2020 and spring 2021. This was reported through the appropriate governance groups, and in the Budget Revision 1 Report taken to the July 2020 TfN Board. The primary reason for this was to manage resources within TfN’s Modelling and Analytics Team (which is currently focused on the Northern Powerhouse Rail Business Case), and to allow time for further development and testing of the transport modelling tools.

In an update report to the Operational Board Team (OBT) in December 2020, management reported that the Investment Board Benefits Analysis (IPBA) work will start in April 2021 following a competitive procurement process to appoint the main supplier. A Strategic Programme Outline Case (SPOC) will subsequently be prepared in-house in spring 2022 for approval by the TfN Board in summer 2022. Management envisage that the SPOC will form a substantive part of the next Strategic Transport Plan due to be prepared in 2022/23.

Our audit was designed to consider the reporting of information in relation to the Investment Programme to senior management and Board members. This also included consideration of way in which Investment Programme risks and actions are monitored, and the Assurance Framework that supports this.

## Conclusion

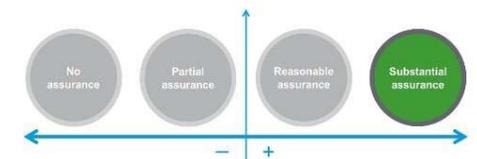
Through our work we confirmed that established processes are in place for providing updates on the Investment Programme to TfN senior management and Board members; (this includes updates provided historically for the qualitative sequencing process and updates relating to the forthcoming Investment Programme Benefits Analysis (IPBA) process). In addition to this, through our sample testing we confirmed that the information provided in the project documentation and Board/Committee update reports was consistent with source records and supporting evidence for those actions and activities we tested.

Further to the above, we also obtained evidence to confirm that an Assurance Framework is being developed by management to set-out the structures and processes that will support the delivery of the Investment Programme following the completion of the forthcoming IPBA process.

One management action is included in this report, which relates to the mapping of actions between the Northern Transport Charter, the Investment Programme and the Business Plan KPIs. However, this matter has not impacted upon our assurance opinion provided below.

### 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 this area are suitably designed and are being consistently applied.



## Key findings

### The following key findings were identified during our review:



By reference to relevant meeting minutes and supporting papers, we confirmed that updates in relation to the Investment Programme have been undertaken in accordance with the TfN governance structure during the last 12 months. This includes updates in relation to the qualitative sequencing process and the proposed plans relating to the IPBA. This also includes reporting of the decision to pause the Investment Programme between summer 2020 and spring 2021.



An action plan was maintained by the Project Team during the qualitative sequencing process between July 2019 and May 2020, which was used to monitor the completion of the identified actions during the sequencing process (the action plan was referred to and updated during weekly project management calls). Management are proposing to develop a new action plan for the IPBA process when the process commences in spring 2021. In addition to the action plan, the Project Team also used a risk register to monitor the risks relating to the qualitative sequencing process (the risk register was updated/maintained between spring 2019 and spring 2020). Following on from this, a further risk register has also been developed in relation to the IPBA process, which captured any ongoing risks from the qualitative sequencing exercise (this was developed in summer 2020). The new risk register will be used to support delivery of the IPBA process going forward.



We selected a sample of completed actions and activities recorded in the different Investment Programme update reports and monitoring documents, and we performed testing to determine whether each action/activity was supported by relevant evidence demonstrating the existence or completion of the stated action/activity (our sample related to actions/activities recorded in the last six months). No exceptions were noted as part of this testing.



The Northern Transport Charter (NTC) sets a future direction for TfN built around four strategic ambitions. The NTC includes a series of ‘actions’ and ‘changes’ that are essential to realise the strategic ambitions. As part of the audit, we reviewed all seven of the actions included in the NTC to determine whether each action was linked or was relatable to the information included in the Investment Programme document and the TfN Business Plan 2020/21. The information was relatable to common themes across the three documents in the majority of cases, however, we noted that there is currently no process in place for providing updates against the actions/changes included within the NTC, and there are no documented links between the NTC actions, the Investment Programme objectives and the Business Plan KPIs. A management action relating to this matter is included in Section 2 of this report.



At a corporate level, TfN has established procedures in place for the assessment and reporting of risk information across the organisation. We obtained a copy of the most recent Corporate Risk Register available at the time of our review (as presented to the Audit and Governance Committee in November 2020), and we confirmed that some of the risks and the related controls were linked to the activities being undertaken in relation to the Investment Programme. For example, one of the risk themes included in the Corporate Risk Register is: ‘Delivery of Robust and Compelling Evidence to Support Investment Programmes’. We also confirmed that the Corporate Risk Register update report provided to the Audit and Governance Committee in relation to the above risk contained a detailed narrative to describe the status of the risk as that point, which made specific reference to the work undertaken on the Investment Programme.



TfN’s Key Performance Indicators (KPIs) are outlined in the published Business Plan for 2020/21. These include four KPIs that make specific reference to the Investment Programme. We obtained a copy of a recent Monthly Monitoring Report (as reporting to the November 2020 Audit and Governance Committee meeting), and we confirmed that the report contained a specific update on the Investment Programme. In addition to this, we also confirmed that the Monthly Monitoring Report referred to above contained an update on each of the four Investment Programme-related KPIs included in the 2020/21 TfN Business Plan.



An ‘Assurance Framework’ is being developed by TfN to support the Investment Programme, which will be finalised following completion of the IPBA process. We confirmed that updates in relation to the Investment Programme Assurance Framework have been provided to TfN senior management during the last 12 months. In addition to this, we obtained a working copy of a draft TfN ‘Assurance Framework’ document which is being developed by management to set-out the structures and processes that will support the delivery of the Investment Programme following the completion of the IPBA process (development of the Assurance Framework document commenced in January 2020, however, the document was put on hold due to the decision to pause work on the Investment Programme between summer 2020 and spring 2021).

As the Assurance Framework document was still in a state of development at the time of our review (January 2021), we were unable to test the approval or application of the document. However, by reference to the draft document, we were able to confirm that an assurance framework is being developed to support the Investment Programme going forward. As such, no management action has been raised in our report relating to this matter.



### **Area of good practice for consideration**

We noted that the action plan maintained by the Project Team during the qualitative sequencing process that took place between July 2019 and May 2020, included a ‘lessons learned’ tab to record areas that could be enhanced moving forward. Whilst we acknowledge that management are proposing to develop a new action plan for the IPBA process commencing in spring 2021, we would consider it good practice to retain the ‘lessons learned’ tab to identify additional areas that could be enhanced during this process. In addition, management should consider recording how any lessons learned have been actioned to enable clear monitoring through to completion.

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Links to the Northern Transport Charter			
<b>Control / Process</b>	<b>Links between the Northern Transport Charter, the Investment Programme and the TfN Business Plan</b>		<b>Assessment:</b>
	<p><u>Northern Transport Charter:</u></p> <p>The Northern Transport Charter (NTC) sets a future direction for TfN framed around four strategic ambitions. The NTC also identifies a series of ‘actions’ and ‘changes’ that are essential to realise the strategic ambitions (these actions/changes are specifically stated in the NTC document).</p> <p><u>Investment Programme:</u></p> <p>A publicly available ‘Investment Programme’ document was produced in 2019/20 prior to the start of the Programme, which set out the plans relating to the development and delivery of the Programme.</p> <p><u>TfN Business Plan:</u></p> <p>TfN’s Key Performance Indicators (KPIs) for the current period are outlined in the published Business Plan for 2020/21. These include four KPIs which make specific reference to the Investment Programme. Updates against the KPIs are included in Monthly Operating Reports presented at Board/Committee level.</p>		<p><b>Design</b> Partial</p> <p><b>Compliance</b> N/A</p>
<b>Findings / Implications</b>	<p>We noted that there is currently no process in place for providing updates on each of the actions/changes stated in the Northern Transport Charter (NTC). In addition to this, we noted that no documented process has been undertaken to formally map or link the actions included in the NTC to the Investment Programme objectives/actions and the TfN Business Plan.</p> <p>As part of our audit, we reviewed all seven of the actions included in the NTC to determine whether each action was linked or was relatable to the information included in the Investment Programme document and the TfN Business Plan 2020/21. The information was relatable to common themes across the three documents in the majority of cases, however, in the absence of clear documented links between each of the documents, it may be difficult for stakeholders to obtain assurance that actions are being undertaken to deliver the objectives of the NTC.</p> <p>In addition to the above, we noted that the four Investment Programme-related KPIs included in the TfN 2020/21 Business Plan make reference to the ‘Assurance Framework’. Through the work undertaken during the audit, we are aware that the development of the Assurance Framework is dependent on the outcomes of the Investment Programme Benefits Analysis process and, as such, the Assurance Framework will not be fully developed until spring 2022.</p>		

We recognise the reason for the delay in the development of the Assurance Framework, however, we note that the one of the update comments reported in the November 2020 KPI update report stated that: ‘The update of the Investment Programme following the qualitative sequencing process, and applying the developing Assurance Framework, has been achieved’.

We recognise that management have delivered against the main elements of the Investment Programme-related KPIs, however, there could be greater clarity regarding the consistency of the message in terms of the development of the Assurance Framework. Therefore, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which these are reported on in the future (this is especially the case given the level of uncertainty experienced to date in terms of funding and delivery timeframes).

<b>Management Action 1</b>	<p>A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.</p> <p>In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting).</p>	<p><b>Responsible Owner:</b> Tim Foster, Interim Strategy and Programme Director</p>	<p><b>Implementation Date:</b> To be confirmed as part of 2021/22 Business Plan</p>	<p><b>Priority:</b> Medium</p>
----------------------------	---	--	---	------------------------------------

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions raised as a result of this audit.

Area	Agreed actions		
	Low	Medium	High
Progress updates and reporting	0	0	0
Actions plans and risk logs	0	0	0
Links to the Northern Transport Charter	0	1	0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>

# APPENDIX B: SCOPE

## Scope of the review

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

### Objective of the area under review

To ensure that information reported in relation to the TfN Investment Programme is consistent with supporting records and the current status of activities.

An 'Assurance Framework' is currently being developed to support TfN's Investment Programme. Once in place, the Assurance Framework will consist of a general set of rules, processes and governance that TfN will use on a day-to-day basis to manage its activities in relation to the Investment Programme. This represents a change in direction from TfN's initial proposal to develop a more traditional Assurance Framework that seeks to provide assurance on the management of the organisation's strategic risks.

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

Our review was designed to consider the progress made in relation to the TfN Investment Programme and the reporting of the Programme to senior management and Board members. The following areas were specifically covered during the review:

- Whether routine progress updates have been provided to relevant TfN Committees/Boards in relation to the work undertaken to develop the Investment Programme;
- Whether action plans and risk logs are in place to support the development of the TfN Investment Programme. Where appropriate we undertook testing to confirm the completion of actions that have been recorded as complete in the Investment Programme action plan/update reports; and
- Whether the planned activities included in the Northern Transport Charter are traceable to operational plans and/or actions already completed in relation to the TfN Investment Programme.

Where appropriate we have also considered the level of update reporting and monitoring undertaken in relation to the TfN Investment Programme.

### Limitations to the scope of the audit assignment:

- We have undertaken an assessment of the adequacy of aspects of the control framework and we have performed limited testing to confirm its operation in practice;
- The scope of the work was limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review;

- We did not consider any other areas than those specifically stated within the areas for consideration above;
- Testing was completed on a sample basis only;
- We have not provided an opinion on the design of the governance framework that supports delivery of the Investment Programme;
- We have not commented on the achievability of the Northern Transport Charter or the TfN Investment Programme objectives;
- We have not commented on decisions made in regard to funding or the utilisation of funds;
- We have not provided assurance that all relevant investment schemes and projects have been identified. Furthermore, we have not commented on the prioritisation of schemes/projects;
- We did not seek to confirm the achievement or delivery of strategic objectives;
- The results of our work were reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Due to the exceptional circumstances resulting from the Covid-19 pandemic, our audit was carried out remotely through the use of secure portals for the transfer of information, and through electronic communication means.

**Debrief held** 3 February 2021  
**Draft report issued** 5 February 2021  
**Responses received** 9 February 2021

**Final report issued** 9 February 2021

**Internal audit contacts** Lisa Randall, Head of Internal Audit  
[lisa.randall@rsmuk.com](mailto:lisa.randall@rsmuk.com)  
07730 300 309

William Simpson, Manager  
[william.simpson@rsmuk.com](mailto:william.simpson@rsmuk.com)  
07800 617 012

Andrew Mawdsley, Assistant Manager  
[andrew.mawdsley@rsmuk.com](mailto:andrew.mawdsley@rsmuk.com)  
07734 683 992

**Client sponsor**  
**Distribution**

Iain Craven, Finance Director  
Iain Craven, Finance Director  
Tim Foster, Interim Strategy and Programme Director  
Owen Wilson, Major Roads Strategy Manager

**rsmuk.com**

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.

Our report is prepared solely for the confidential use of Transport for the North and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

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

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.