

TRANSPORT FOR THE NORTH

Internal Audit Progress Report

10 June 2021

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1 Key messages

The internal audit plan for 2021/22 was approved at the February 2021 Audit and Governance Committee meeting. As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

This report provides an update on progress against that plan and summarises the results of our work to date.



One audit assignment has been completed since the last Audit and Governance Committee meeting. This relates to the Follow Up (1.21/22) review which resulted in a 'good progress' opinion. All reports are referred to at Appendix A. [\[To discuss and note\]](#)



Fieldwork dates have been agreed for the internal audit reviews for 2021/22. Scoping meeting to discuss the focus of these reviews are currently taking place. [\[To note\]](#)



No changes have been made to the internal audit plan 2021/22 since the last Audit and Governance Committee meeting. [\[To note\]](#)

2 Reports

2.1 Summary of final report being presented to this committee

This section summarises the report that has been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
Follow Up (1.2021/22) In our opinion management has demonstrated good progress in implementing agreed management actions. Of the 16 management actions reviewed we have confirmed that: <ul style="list-style-type: none">13/16 (81%) management actions were confirmed as being fully implemented/superseded at the time of the audit; and3/16 (19%) management actions that were due for implementation were ongoing and management actions have been restated with revised target implementation dates or updated management actions have been made. This comprises of two 'medium' priority and one advisory actions. We noted that progress had been made against one action assessed as ongoing and two actions were on hold due to the changeover of TfN's Chief Executive Officer (CEO). This factor has been taken into consideration when deciding the overall progress opinion.	Good Progress			13 of 16 actions completed

2.2 Themes arising from control observations in 2021/22 reports

	Advisory	Low	Medium	High
Planning	0	0	0	0
Policies and / or procedures	0	0	0	0
Non-compliance with policies / procedures	0	0	0	0
Design of the control framework	0	0	0	0
Training / awareness for staff	0	0	0	0
Management or performance information	0	0	0	0
Lack of segregation of duties	0	0	0	0
Poor record keeping	0	0	0	0
Risk Management	0	0	0	0
Governance weaknesses	0	0	0	0
Information technology	0	0	0	0
Management actions from previous audit reports	1	0	2	0
Total	1	0	1	0

All actions to date relate to management actions from previous audit reports raised in the Follow Up (1.21/22) report. Themes will continue to be analysed throughout 2021/22 following the completion of each audit assignment.

Appendix A – Progress against the internal audit plan 2021/22

Assignment and Executive Lead	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2021/22 / change control)	Actual Audit and Governance Committee
		L	M	H		
Follow Up (1.20/21) (Finance Director)	Good Progress	13 of 16 actions completed			July 2021	June 2021
Governance Effectiveness (Finance Director)	Fieldwork in progress	n/a			July 2021	n/a
Risk Management (Finance Director)	Due to commence 12 July 2021	n/a			September 2021	n/a
Purchase to Pay Framework (Finance Director)	Due to commence 4 October 2021	n/a			December 2021	n/a
Flexi-Time (Director of Business Capabilities)	Due to commence 18 October 2021	n/a			December 2021	n/a
IT Audit: Cyber Security or GDPR Governance (Finance Director)	Due to commence 17 January 2022	n/a			March 2022	n/a

Appendix B – Other matters

On-going liaison

Ongoing liaison has taken place between RSM and Iain Craven to discuss audit assignment scopes for 2021/22 and ongoing developments at TfN. In addition, RSM's Matt Humphrey met with Iain Craven and Hady Njie in April 2021 to discuss potential support that RSM can provide to TfN in regard to risk management and risk appetite arrangements.

Updates, briefings and invites

The following updates, briefings and invites have been issued since the last Audit and Governance Committee meeting:

- Employment Matters (March and April 2021) – this is summarised below and we have incorporated a link to the full newsletter for further reading;
- Refreshing internal audit report – assurance levels (April 2021);
- Cyber-crime is on the rise - how can you protect your business (April 2021);
- We invited management at TfN to our:
 - Coronavirus Job Retention Scheme webinar on 11 February 2021;
 - North West post-Budget webinar on 4 March 2021;
 - Employment Matters Event that took place on 30 March 2021; and
 - The Perfect Storm - Are Covid-19 claims heading our way? Webinar provided by Gallagher's on 14 April 2021.

Employment Matters – March 2021 - <https://www.rsmuk.com/ideas-and-insights/employment-matters>

Can an employer dismiss an employee for failing to wear a face mask? - All employers have a duty to maintain the health and safety of their staff, so most will have included a general health and safety clause in their employees' contracts or handbook. It will be wiser for it to be in the contract than in a non-contractual handbook. Some sectors, such as construction, with heavy health & safety obligations will already include directions on wearing PPE on site which up to now would be aimed at protecting the worker themselves from harm. However, wearing a face mask is primarily (although not exclusively) to protect others. The Government is conducting further research into the effectiveness of masks in the workplace and the type of mask used, with a multi-layered approach likely. Guidance on these new challenging questions is emerging through Employment Tribunal decisions. However, every decision will depend on its own facts and so none will provide comprehensive guidance.

P11D and benefit in kind reporting – it's almost that time of year again - P11Ds are forms which employers must submit to HMRC each tax year to report the value of reportable benefits they have provided to employees and directors, where the benefits are not covered by a formal payrolling arrangement with HMRC, or are not dealt with under a PAYE Settlement Agreement ('PSA'). The deadline for submitting P11Ds is 6 July following the tax year and a copy of each employee's form P11D, or the information it contains, must be given to the employee by the same date. HMRC can charge penalties where P11Ds are submitted late or incorrectly. HMRC can also charge interest and penalties where Class 1A NIC, the employer's NIC due on chargeable benefits, is paid late. If an employer is chosen for a HMRC Employer Duties Review this will invariably look at P11D compliance, often over several tax years.



Return to the office – the role of coronavirus testing - It could be as many as 1 in 3 coronavirus cases are asymptomatic. An in-work testing regime could be introduced to identify these cases more readily and help to keep workforces safe from coronavirus. Testing could also give employees peace of mind about coming back to work with their colleagues, some of whom could be vaccinated, and some may not. Employers may even find they are able to get government support with testing. For employers that are not eligible for government support or who may have invested or intend to invest in testing our Employment Tax can advise on whether there is tax relief.

What do you need to do to be ready for the new tax year? - a few things that you may want to think about and plan for; IR35, Employment Allowance, National Minimum Wage (NMW) and National living wage (NLW) changes in rates, Final Submissions, Scottish Student Loans.

Uber drivers are workers but where does that leave the statutory employment status test now? - The Supreme Court has decided that Uber drivers are workers, ending a multiyear court case and confirming that Uber drivers are entitled to worker's rights including holiday pay and national minimum wage. The decision will impact the business models of many in the gig economy, but it has not settled the ongoing debate on how employment status is assessed or whether tax and legal employment status will be aligned.

UK employees working in Europe post Brexit - As an employer operating in a pre-Brexit environment, you will have been used to the free movement of people across the EU. Staff going on business trips, commuting between countries or undertaking more formal overseas postings have been commonplace arrangements. Whilst these have always brought with them various considerations regarding such aspects as tax, social security and healthcare, for employers, the post-Brexit certainly brings additional considerations: EU Social Security, Tax, Healthcare and Posted Worker Directive.

Budget 2021: Employment tax - Unsurprisingly the Chancellors announcements did not include any significant changes to employment taxes. The tax information and impact notes did, however, include a technical change to the new off payroll working administrative rules (IR35) which are being introduced from 6 April 2021, and some welcome easements and extensions to previous exemptions introduced because of the coronavirus; IR35, employer provided cycles and cyclists equipment, Coronavirus antigen tests, employees' home office equipment and company vans and cars.

Employment Matters – April 2021 - <https://www.rsmuk.com/ideas-and-insights/employment-matters>

Firing and rehiring – what is it and does it need further legislation to curb it? - Over the course of the last year, many employers have benefitted from the furlough scheme, saving on wage costs and staving off redundancies. However, as the furlough scheme winds down and the economy begins to reopen, employers will be planning how they adapt beyond the pandemic. In some cases, this may mean some workforce restructuring to get the right 'organisational fit' and possible contractual changes. However, it is not that simple for employers. There are legal processes which must be followed and the employer will need good reasons for making the contractual changes. If an employee has at least 2 years' continuous employment, they have the right not to be unfairly dismissed. If the employer wishes to make changes to their terms of employment which the employee is not agreeing to, before dismissing and offering re-employment on the new terms, the employer must have gone through a reasonable process. The employee must be given their contractual notice of dismissal before they commence work on the new terms.



Salary sacrifice for pension contributions – are you using it? - This is an arrangement where an employee agrees to a reduction in their contractual gross earnings (by an amount equal to their employee pension contributions) and in exchange, the employer agrees to pay increased employer pension contributions instead. Employer pension contributions to registered pension schemes were specifically excluded from the OpRA rules and using salary sacrifice for pension contributions continues to generate NIC savings for employees and employers when implemented correctly. The main advantage is the ongoing annual employer and employee Class 1 NIC savings. Employees should consider the wider effect a reduction in their salary can have on, for example, their entitlement to the State Pension, and other contributions-based state benefits, tax credits, and statutory maternity pay. It is best practice for employers to bring this to employees' attention as part of the implementation process. Our specialists can provide advice on such arrangements and assist you with all aspects of implementation.

Permanent Hybrid working – Where are we now? - As lockdown eases and people start considering how they want to return to their offices the chancellor has warned bosses that staff may quit if they are not allowed to work from the office once the UK emerges from the current lockdown. Many employers are now faced with some strategic decisions around how to operate their organisations effectively in a post coronavirus world, having successfully run their businesses remotely for over a year now. Some large employers have started to set out their stall with some large global investment banks suggesting quite strongly that working from home will not be their long-term norm. Instead indicating they prefer a strategy that involves more of a return to their offices where they can collaborate freely and easily in person and build Company culture. On the other hand, other large global organisations, and some tech companies have indicated that they will offer work from home forever and will not expect their employees to return to offices at all; allowing full flexibility for UK based and global working. Whilst there are a number of considerations for home and hybrid working, either in the UK and globally there are also significant benefits to balance with the risk and governance issues. Allowing flexibility can be very powerful for employee engagement and being flexible on global location can open up the global talent pool, particularly for niche skills.

Post assignment surveys

We are committed to delivering an excellent client experience every time we work with you. Your feedback helps us to improve the quality of the service we deliver to you. Currently, following the completion of each product we deliver we attached a brief survey for the client lead to complete.

We would like to give you the opportunity to consider how frequently you receive these feedback requests; and whether the current format works. Options available are:

- After each review (current option).
- Monthly / quarterly / annual feedback request.
- Executive lead only, or executive lead and key team members.



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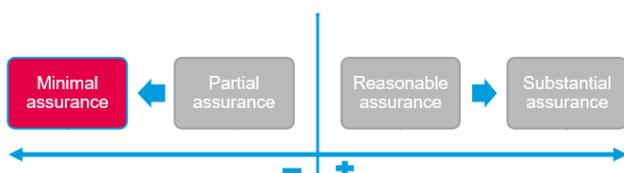
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ASSIGNMENT REPORT REFRESH 2021/22

Internal audit assurance levels

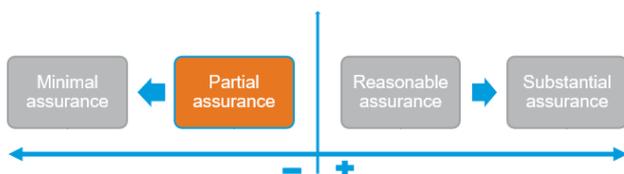
We always appreciate feedback from clients; and one of the consistent comments we are asked about is the use of the term 'no assurance' as one of our opinions. Having considered this and acknowledging that there is always some degree of control in place, we have updated our wording to change 'no assurance' to 'minimal assurance'. This change will be effective from audit plans that commence after 1 April 2021.

As you will be aware, each assurance level is illustrated with a graphic, which is accompanied by the formal wording which we include in our reports. For 'minimal assurance' (previously 'no assurance') this is represented by a red graphic. As we are making this subtle change to the wording, we have also taken the opportunity to refresh the graphics we use for all of our assignment assurance levels (see below).



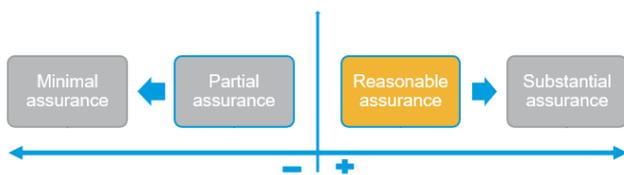
Taking account of the issues identified, the board can take **minimal assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



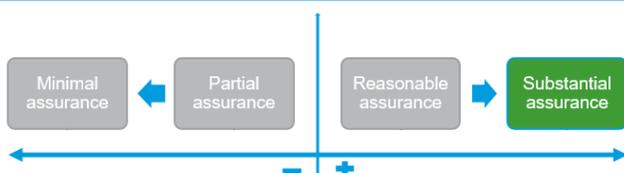
Taking account of the issues identified, the board can take **partial assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take **reasonable assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Taking account of the issues identified, the board can take **substantial assurance** that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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