

TRANSPORT FOR THE NORTH

Internal Audit Progress Report

15 July 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.



We have not issued any final audit assignment reports since the last Audit and Governance Committee meeting held in June 2021. The fieldwork for the Governance Effectiveness review has been completed and the final report will be presented to the next Committee meeting. The schedule for 2021/22 is 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

2.2 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 (Director of Business Capabilities)	Fieldwork completed.	n/a			July 2021 / September 2021 ¹	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 (Director of Business Capabilities)	Due to commence 17 January 2022.	n/a			March 2022	n/a

¹ This review incorporated the use of a questionnaire issued to TfN Members and Senior Officers to gain insight into TfN's governance arrangements. The questionnaire closing date was extended until mid-June in agreement with management to provide the opportunity to obtain as many responses as possible.

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.

Updates, briefings and invites

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

- Employment Matters (June 2021) – this is summarised below and we have incorporated a link to the full newsletter for further reading;
- We invited management at TfN to our:
 - RSM NED Network - The Good Board; and
 - Embracing the future of work - hybrid working event taking place 19 July 2021.

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

Managing diversity and inclusion within your business. It is now widely accepted that diversity within businesses creates a competitive advantage. Therefore, HR and business leaders have a large part to play in ensuring conversations around diversity and inclusion (D&I) in the workplace remain high on the agenda. Firms committed to inclusivity may have established employee diversity forums and be regularly running sessions/drop ins to raise awareness of topical issues in this area and keep the conversation alive for their employees. Regularly educating people on diversity in the workplace is a way to remain proactive as an employer. That could be running webinars and podcasts, making sure voices are heard and inviting speakers to share their stories.

A summary of the June 2021 HMRC Bulletin. HMRC has recently released its e-bulletin with the latest updates on support for employers as we continue through the pandemic, as well as other key areas. HMRC has updated its policy paper 'Covid 19: how HMRC will continue to support customers and the economy'. The outline suggests that as the threat of the pandemic starts to reduce some employers will still be impacted greatly and they will make efforts to work with them to meet their needs while collecting tax in line with legislation. For June 2021 the government will continue to pay 80 per cent of the employees usual wage, capped at £2,500 per month. In July 2021 this will reduce to 70 per cent and a cap of £2,187.50 before August and September 2021 reducing to 60 per cent and a cap of £1,875. Employers will need to continue to pay furloughed employees the 80 per cent cap of £2,500 so this will mean funding the difference as the government's support reduces. Employers must also continue to pay the associated tax and National Insurance to HMRC throughout. If employers have asked their employees to work from home the employees may have additional expenses they can claim for. Employers may pay these expenses back, however if they can't the employee is entitled to claim tax relief to help with these extra costs. HMRC has an online service where employees can claim quickly and is now taking claims relating to periods up to 5 April 2022. HMRC is contacting employers where deductions for employees are being incorrectly recorded on the full payment submission following the update to guidelines. Employers could be made aware of issues by Generic Notification Service (GNS), post or telephone call. It's wise to remind yourself how these loan repayments should now work if unsure to avoid mistakes.

Undertaking labour supply chain due diligence for off-payroll workers. With the additional complexities created by the new IR35 rules from 6 April 2021, the need to undertake due diligence on labour supply chains for tax and NIC purposes is more important than ever. Failure to do so could result in unexpected income tax and NIC liabilities. Where off-payroll workers provide their services via third parties such as agencies or umbrella companies it is crucial to understand the supply chain, who the workers are engaged by, and how that party has engaged the worker. Failing to do this can result in the end user of the worker's services, or another party in the chain, being liable for underpaid tax and NIC, as well as exposing them to other legal and reputational risks. The introduction of the new IR35 rules from 6 April 2021 has further complicated the position, and with HMRC's continued focus on off-payroll workers, compliance has just become much more complex.

Hybrid working policies – Designing them with the employment legal risks in mind. With the Government's guidance to work from home if you can being lifted from July 19 2021, and employers embracing hybrid working, we explore some of the key employment legal risks which should be addressed when designing your hybrid working policy. While this article only explores the employment legal risks, it's crucial key stakeholders such as HR and Tax are included in the development of any hybrid policy given the implications for those departments.

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.

For more information contact

Lisa Randall, Head of Internal Audit

lisa.randall@rsmuk.com

07730 300 309

Alex Hire, Senior Manager

alex.hire@rsmuk.com

07970 641 757

Andrew Mawdsley, Assistant Manager

Andrew.mawdsley@rsmuk.com

07734 683 992

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.

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The NED Network



The role of the Non Executive Director is crucial. Whilst not typically involved in the day to day operations of a firm, they should be influencing policy, culture and accountability.

RSM launched The NED network to help non executive directors stay abreast of key issues, networking with peers and share ideas.

Non executive directors are invited to join free of charge.



RSM will deliver an annual programme of events, along with supporting insights, articles and blogs designed specifically for our NED community.

For more information access the dedicated area of our website:

<https://www.rsmuk.com/non-executive-directors>

and

Join our dedicated [LinkedIn group](#) for regular updates, insights and discussion.

