

Audit Progress Report

Transport for the North

November 2021



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01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit and governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

Our Audit Completion Report for 2020/21 was presented to the Audit and Governance Committee on 16 September 2021 and we gave an unqualified opinion on your financial statements on 30 September 2021. Our Audit Completion Report noted the delay in completing our Value for Money (VfM) work and also the Whole of Government Accounts (WGA) return due to the delay in NAO guidance.

In acknowledgement of the additional pressures on local government bodies and their auditors as a result of the pandemic, in April 2021, the National Audit Office updated its guidance for auditors and amended the timetable for reporting on VFM arrangements. Auditors are now required to issue the Auditor's Annual Report for local government bodies, including the new commentary required on VFM no later than three months after the auditor's report on the financial statements is signed.

To allow our firm to complete its quality assurance and consistency processes, and to ensure appropriate VFM reporting across our local government clients in the first year of the new approach to VFM under the Code of Audit Practice 2020, we propose to take advantage of the extended deadline, meaning that we will now report on VFM no later than December 2021. Consequently, we are yet to complete our work in respect of TfN's VfM arrangements for the year ended 31 March 2021. One consequence of not completing our VFM work (and WGA), is that we will be unable to issue our audit certificate which formally concludes and closes the audit.

We will report the outcome of our work on TfN's VfM arrangements in our commentary within the Auditor's Annual Report. We plan to present the Auditor's Annual Report to the Audit and Governance Committee at a later meeting. We will also issue an audit completion certificate and this will set out any matters which we are required to report by exception in the form of significant weaknesses identified and recommendations for improvement. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
1.	NAO Diversity and Inclusion Annual Report 2020-21 – July 2021	The Diversity & Inclusion (D&I) Annual Report 2020-21 focuses on the NAO's achievements in the final year of its previous D&I Strategy 2018-21.
2.	Good practice guidance managing the commercial lifecycle – July 2021	The report summarises good practice guidance managing the commercial lifecycle – including recent examinations of commercial activities triggered in response to the global pandemic.
3.	Climate change risk – A good practice guide for Audit and Risk Assurance Committees – August 2021	This guide is aimed at helping Audit Committees (ARACs) to recognise how climate change risks could manifest themselves.
4.	Good practice guide: Cyber and information security	This is a guide for audit committees and includes a checklist of questions and issues.
5.	Home Office Departmental Overview	The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department's Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny.
Ministry of Housing, Communities and Local Government (MHCLG)		
6.	Consultation on the local audit framework	Seeking views of organisations which form part of the local audit framework.
Other Relevant Publications		
7.	PSAA news release: 2020-21 audited accounts.	On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

NATIONAL PUBLICATIONS

NAO

1. NAO Report: NAO Diversity and Inclusion Annual Report 2020-21 – July 2021

The NAO has published its Diversity & Inclusion (D&I) Annual Report 2020/21 which focuses on the NAO's achievements in the final year of its previous D&I Strategy 2018/21.

This report provides a candid assessment of the NAO's current position, and the challenges it faces as an organisation in achieving its ambitions to be an exemplar employer in D&I.

Key highlights over the past year include:

- Developing the NAO race equality and disability equality action plans which form an integral part of the NAO's new five-year Diversity & Inclusion Strategy, launched in June 2021.
- Improving the diversity of graduate intake and experienced hire programmes, supported by the introduction of new recruitment protocols.
- Building on the success of the NAO's internship and work experience programmes, focused on social mobility and ethnicity.
- Achieving progress against the NAO's targets for increased representation of women and ethnic minorities at senior levels of the organisation.
- Implementing the new corporate values, including a value of "inclusion and respect", integrating this into people processes and developments.
- Successfully concluding the first diversity mentoring programme, giving leaders a much richer insight into the lives and experiences of colleagues.
- Publishing the NAO's first ethnicity pay gap.

<https://www.nao.org.uk/report/nao-diversity-and-inclusion-annual-report-2020-21/>

NATIONAL PUBLICATIONS

NAO

2. NAO Report: Good practice guidance managing the commercial lifecycle – July 2021

The NAO has published Good practice guidance managing the commercial lifecycle which reflects upon findings and recommendations drawn from 209 reports concerning 350 commercial arrangements that it has published over the past 20 years – including recent examinations of commercial activities triggered in response to the global pandemic.

The guidance is presented in 10 sections, addressing both strategic and procedural considerations and supported by case studies from the NAO’s reviews to provide relevant context.

<https://www.nao.org.uk/report/good-practice-guidance-for-managing-the-commercial-lifecycle/>

3. NAO: Climate change risk – A good practice guide for Audit and Risk Assurance Committees - August 2021

The National Audit Office has produced a guide aimed at helping Audit Committees to recognise how climate change risks could manifest themselves and which seeks to support them in challenging senior management on their approach to managing climate change risks. Within the guide, the NAO has outlined the specific reporting requirements that currently apply.

<https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

NATIONAL PUBLICATIONS

NAO

4. NAO Good practice guide: Cyber and information security

The NAO has published a good practice guide for audit committees on cyber security arrangements.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

The NAO guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk. It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk. The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

NAO

5. NAO Home Office Departmental Overview

The NAO has published a summary of Home Office spending in 2020-21, focusing on key messages from the Department's Annual Report and Accounts, and providing insights which can be used to improve financial scrutiny. The overview, along with the Department's annual report and accounts is available on the NAO website.

<https://www.nao.org.uk/report/home-office-departmental-financial-overview-2020-21/>

NATIONAL PUBLICATIONS

MHCLG

6. MHCLG Consultation on the local audit framework

On 28 July 2021, the Ministry for Housing, Communities and Local Government (MHCLG) issued a technical consultation on proposals aimed at strengthening the local audit framework, in response to the Redmond Review. MHCLG is particularly seeking the views of organisations which form part of the local audit framework, including audit firms. The consultation includes 24 questions and is open until 22 September 2021. It covers:

- A new system leader for the local audit framework, proposing that a new regulator, the Audit Reporting and Governance Authority (ARGA), take on this role.
- Proposals to strengthen audit committee arrangements within councils.
- Measures to address ongoing capacity issues on the pipeline of local auditors.
- Action to further consider local audit functions for smaller bodies

NATIONAL PUBLICATIONS

Other relevant publications

7. PSAA news release: 2020-21 audited accounts.

On 12 October, Public Sector Audit Appointments Ltd (PSAA) published a news release providing a summary of the proportion of local government bodies who published audited 2020-21 accounts by 30 September 2021.

- The news release states that only 9% of local authorities were able to meet their publication deadline, representing a significant decline from 2020, where 45% were able to publish audited accounts.
- PSAA acknowledges that the pandemic has had an impact on the current position, but also reflects on the wider pressures identified and highlighted through Sir Tony Redmond's review of local audit in autumn 2020. The release also includes an update on the actions being taken by The Department for Levelling Up, Housing and Communities (DLUHC – formerly MHCLG) to reform the local audit landscape more widely.

TfN was one of the 9% that published their 2020-21 accounts by 30 September.

Contact

Mazars

Partner: Karen Murray

Email: karen.murray@mazars.co.uk

Manager: Campbell Dearden

Email: campbell.dearden@mazars.co.uk

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