

TRANSPORT FOR THE NORTH

Internal Audit Progress Report

19 November 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 issued two audit assignment reports since the last Audit and Governance Committee meeting held in September 2021. These relate to the Purchase to Pay Framework (4.21/22) review which concluded that the Board could take 'substantial' assurance (one 'medium' and one 'low' priority action agreed) and the Flexible Working Hours Scheme (5.21/22) review which concluded that the Board could take 'substantial' assurance (no management actions raised). These reports are referred to at Appendix A. [\[To discuss and note\]](#)



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

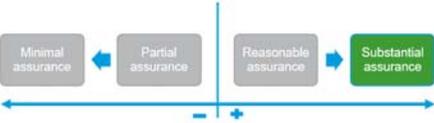
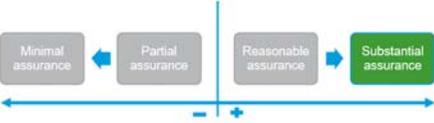


No changes have been made to the internal audit plan 2021/22 since the last Audit and Governance Committee meeting. [\[To note\]](#)

2 Reports

2.1 Summary of final reports being presented to this committee meeting

This section summarises the reports that have been finalised since the last meeting.

Assignment	Opinion issued	Actions agreed		
		L	M	H
<p>Purchase to Pay Framework (4.21/22)</p> <p>Through our work, we confirmed that TfN has an established framework in place in regard to ensuring that all payment runs, and employee expense claims are appropriately authorised, and purchases made through Accounts Payable and Treasury Payment transactions for goods and services, are recorded as received. Our sample testing performed in these areas confirmed the application of the control framework was in line with TfN policies and no exceptions were noted.</p> <p>Two management actions have been agreed with management which are designed to strengthen TfN's control framework in relation to the authorisation of procurement card statements / reconciliations and the regular review of policies. However, this not impacted on the positive assurance opinion provided.</p>	<p>Substantial Assurance</p> 	1	1	0
<p>Flexible Working Hours Scheme (5.21/22)</p> <p>Through our work, we confirmed that TfN has established systems and processes in place in regard to the Flexible Working Hours Scheme. This includes the provision of policies and guidance to staff and central oversight and monitoring from the Human Resources Team.</p> <p>Through our sample testing and data analytics carried out in regard to the use of the Flexi Time Planner system between April and August 2021, we were able to confirm the consistent application of flexi-time requirements, in line with TfN policies and procedures. As such, no exceptions were identified in our testing and we have not raised any management actions.</p>	<p>Substantial Assurance</p> 	0	0	0

2.2 Themes arising from control observations in 2021/22 reports

	Low	Medium	High
Planning	0	0	0
Policies and / or procedures	2	0	0
Non-compliance with policies / procedures	0	2	0
Design of the control framework	0	0	0
Training / awareness for staff	0	1	0
Management or performance information	1	0	0
Lack of segregation of duties	0	0	0
Poor record keeping	0	0	0
Risk Management	0	0	0
Governance weaknesses	5	0	0
Information technology	0	0	0
Total	8	3	0

The theme with the highest number of aligned management actions to date is 'Governance weaknesses'. It is noted that all five of these actions relate to the Governance Effectiveness Arrangements (2.21/22) review.

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 Arrangements (2.21/22) (Director of Business Capabilities)	Reasonable Assurance	5	2	0	July 2021 / September 2021 ¹	September 2021
Risk Management Strategy (3.21/22) (Finance Director)	Substantial Assurance	2	0	0	September 2021	September 2021
Purchase to Pay Framework (4.21/22) (Finance Director)	Substantial Assurance	1	1	0	December 2021	November 2021
Flexible Working Hours Scheme (5.21/22) (Director of Business Capabilities)	Substantial Assurance	0	0	0	December 2021	November 2021
IT Audit: Cyber Security or GDPR Governance (Director of Business Capabilities)	Due to commence 10 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 progress against the internal audit plan 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 (October 2021) - this is summarised below and we have incorporated a link to the full newsletter for further reading;
- RSM trading name update (October 2021);
- Corporate Criminal Offence - failure to prevent the facilitation of tax evasion guidance (November 2021);
- We invited management/members at TfN to our:
 - NED Network: Driving performance through incentivisation that took place 23 September 2021;
 - RSM North West post-Budget webinar that took place 28 October 2021; and
 - Business Leaders special event that took place 11 November 2021.

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

Pay Gap Reporting: Why a robust pay strategy is fundamental to success - There has been a lot of press that furlough has had a negative effect on gender pay parity, and that the gender pay legislation brought in to tackle it isn't doing enough to close the gap. The suspension of gap reporting in year one of the pandemic, and the delay of the reporting deadline in year two, haven't helped. As we emerge from the pandemic and employers begin reviewing their stagnant figures, we look at how to proactively assess gaps and tackle them. There have also been further calls for pay gap reporting to widen out and include ethnicity gap reporting. Currently it is only larger employers that report on this voluntarily to their stakeholders often as part of their diversity and inclusion strategies. The Chartered Institute of Personnel and Development (CIPD) has called on the government to address this and bring in mandatory ethnicity pay gap reporting by 2023. We consider how employers should best prepare for this.

National Insurance Contributions and the globally mobile employee - We are now nearly 10 months on from the UK's departure from the EU, and the social security landscape is stabilising as we get used to the new rules. Before 31 December 2020, an individual could be posted from the UK to an EU country and remain within UK social security for two years, with the potential to extend that to five years in certain circumstances. Employees working in both the UK and other EU countries (multi-state) could remain in their home country scheme, provided that they worked for at least 25 per cent of their time in that home country. Now that 31 December 2020 has been and gone, we have different rules to consider.



Hybrid working and the Health and Social Care Levy – should you be reviewing your remuneration and benefit offerings? - The government announced the Health and Social Care Levy (the Levy) in September 2021. It will result in employees and employers being liable for an additional 1.25 per cent of employees' and employers' NIC for the 2022/23 tax year, and a Levy charge for the same amount from the 2023/24 tax year. For further details on the Levy, see 'How the new health and social care levy will affect PAYE for employers'. Given the increased costs arising from the introduction of the Levy, and the changes to employees' working patterns as we move towards the 'new normal' of post coronavirus restrictions, now may be an ideal time to review and make changes to current remuneration and benefit offerings for employees.

HMRC bulletin October 2021 - HMRC recently released its latest Employer Bulletin, updating employers on support available and highlighting upcoming events on the tax calendar relevant to them. It covers changes relating to the pandemic, of course, and a range of other issues in relation to tax changes and Coronavirus Job Retention Scheme, Reporting PAYE information for Christmas payroll

Flexible working requests, including those with a hybrid working focus, need a flexible approach - Employers should carefully consider whether a return to five days a week in the office is required. If roles can be performed remotely, ending hybrid working may cause issues with staff recruitment and retention. Bear in mind that your competitors are now more likely to be offering it as a benefit, and many candidates see hybrid working as desirable. Flexible working is any arrangement that allows employees to vary the amount, timing, or location of their work. This is in contrast to working at a traditional employer-provided workplace and with fixed hours in common across a workforce. Pre-pandemic (December 2019 Queen's Speech), legislation was foreshadowed to make flexible working 'the default' from day one, unless employers had 'good reason'. Ideas such as:

- large companies (250+ employees) being encouraged to publish their flexible working policy on their website; and
- a requirement on all employers to state in a job advert if flexible working was permitted for the role were also stated to be planned.

During the pandemic, little has happened on the planned flexible working legislation. Therefore the means for an employee to change their working arrangements remains the once-yearly flexible working request, which is available only to employees with at least 26 weeks of continuous service. However, since March 2020 there has been a seismic shift in working practices through the enforced home working revolution. It has been proven that many roles can be undertaken far more productively from home without the time, cost, and effort of workplace travel and across a wide variety of working hours models. On 9 February 2021, the Small Business Minister, Paul Scully, reconvened the government's Flexible Working Task Force and commissioned a further 18 months of work from it. The taskforce brings together policymakers, employer groups, unions and professional bodies. The two new objectives set for it were:

- understanding and supporting the change to hybrid and other ways of working emerging because of the pandemic; and
- understanding whether there is more to be done longer-term to promote ad hoc or non-contractual flexible working.

Its first task was a six-month assignment to identify the key issues relating to hybrid work.



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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