



TRANSPORT FOR THE NORTH

Internal Audit Strategy 2022/23 - 2024/25 (including the Internal Audit Plan for 2022/23)

Presented at the Audit and Governance Committee meeting of: 25 February 2022

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

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

EXECUTIVE SUMMARY

In preparing our Internal Audit Plan for 2022/23 we have worked closely with management to produce an audit programme which remains mindful of the continuing developments and challenges around Covid-19. Whilst this plan is presented for consideration by the Audit and Governance Committee, we will continue to hold regular meetings with management, during the year, to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in these ever changing circumstances.

The key points to note from our plan are:



2022/23 Internal Audit priorities: Internal audit activity for 2022/23 is based on analysing your corporate objectives and risk profile as well as other factors affecting you in the year ahead, including changes within the sector. Our detailed plan for 2022/23 is included at Section 1.



Level of Resource: The level of resource required to deliver the plan is in line with 2021/22, with the daily rate increased in line Retail Price Index (RPI). We will continue with our approach of introducing the use of technology when undertaking our operational audits. During 2021/22 we embraced more ways of using technology to undertake our audit work including; the use of 4questionnaire, MS Teams meetings and data analytics technology. This will strengthen our sampling and focus our audit testing. Refer to Appendix A.



Core Assurance: As discussed with the Finance Director, the focus of our internal audit strategy relates to the Corporate Risk Theme of 'TfN Operations'. We do not propose to duplicate other assurance mechanisms that Transport for the North (TfN) has in place, and our service will allow for a complimentary assurance and scrutiny framework with reporting to the Audit and Governance Committee.



'Agile' approach: Our approach to working with you has always been one where we will respond to your changing assurance needs. By employing 'agile' or a 'flexible' approach to our service delivery, we are able to change the focus of audits / audit delivery; keeping you informed of these changes in our progress papers to Audit and Governance Committee during the year.

CONTENTS

1. YOUR INTERNAL AUDIT PLAN 2022/23	4
2. INTERNAL AUDIT PLAN 2022/23.....	5
APPENDIX A: YOUR INTERNAL AUDIT SERVICE	8
APPENDIX B: INTERNAL AUDIT STRATEGY 2022/23 – 2024/25.....	9
APPENDIX C: INTERNAL AUDIT CHARTER.....	12
FOR FURTHER INFORMATION CONTACT	17

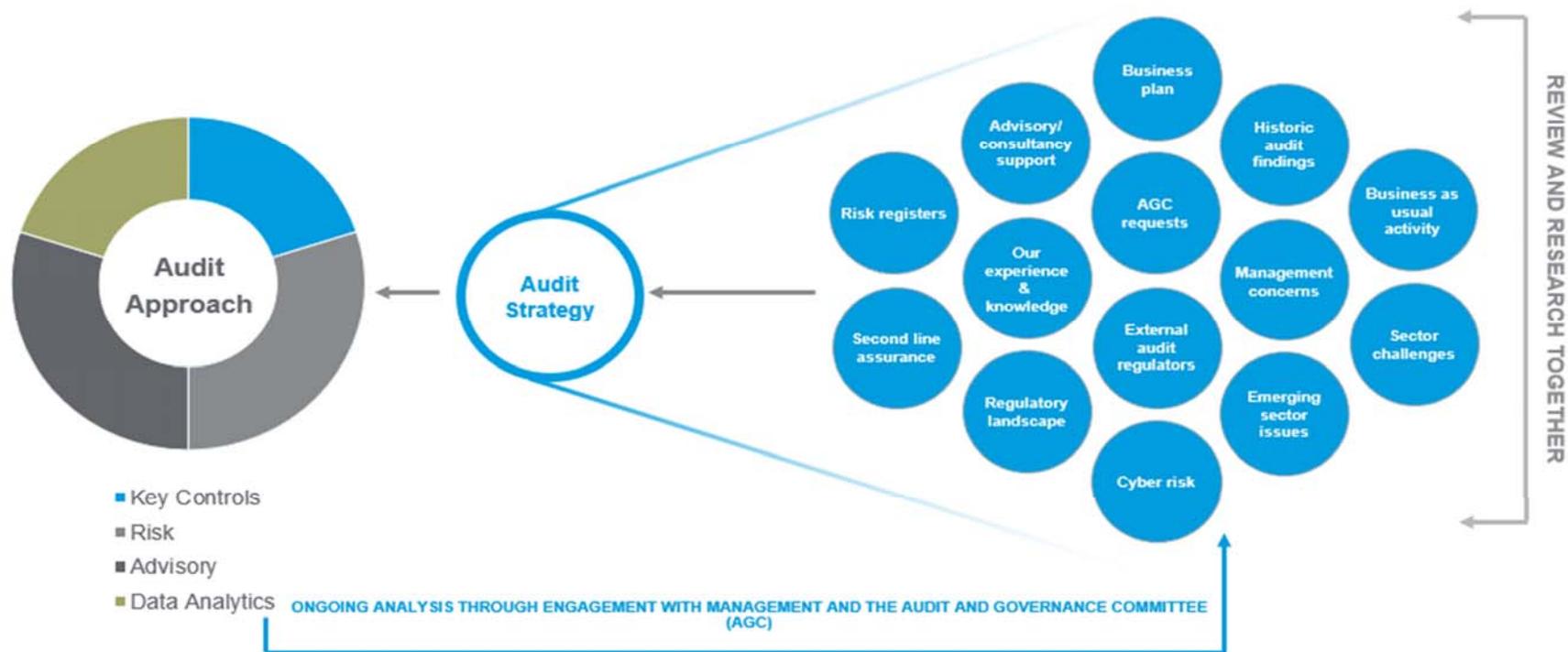
1. YOUR INTERNAL AUDIT PLAN 2022/23

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other factors affecting Transport for the North in the year ahead.

Risk management processes

We have evaluated your risk management processes and consider that we can place reliance on your risk register to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the Finance Director. Our service will allow for a complimentary assurance and scrutiny framework with reporting to the Audit and Governance Committee.

Figure A: Audit considerations – sources considered when developing the internal audit strategy:



Based on our understanding of the organisation, the information provided to us by stakeholders, and the regulatory requirements, we have developed an annual internal plan for the coming year and a high-level strategy (see Section 2 and Appendix B for full details).

2. INTERNAL AUDIT PLAN 2022/23

The table below shows each of the reviews that we propose to undertake as part of the internal audit plan for 2022/23. The table details core areas of assurance which may warrant internal audit coverage. This allows us to ensure that the proposed plan will meet the organisation's assurance needs for the forthcoming and future years. As well as assignments designed to provide assurance or advisory input around specific risks, the strategy also includes the time for tracking the implementation of actions and an audit management allocation.

Audit area and high-level scope	Audit approach	Proposed timing	Proposed Audit and Governance Committee meeting
Core Assurance			
<p>Risk Maturity Review</p> <p>Our advisory review will consider TfN's risk management maturity and identify further actions that could be taken to develop the existing risk management arrangements to a level that will be appropriate and proportionate for TfN in the future. This assignment is advisory and no opinion will be provided.</p>	Advisory	Quarter 1	July 2022
<p>General Data Protection Regulation (GDPR) Arrangements</p> <p>The audit will review the extent to which the requirements of GDPR have been embedded across TfN. This will include the awareness of and compliance with key policies, training provision to staff and assurance reporting to management and the Board. This will be an advisory review and therefore no formal assurance opinion will be provided.</p>	Advisory	Quarter 2	September 2022
<p>Payroll Controls</p> <p>This review is designed to provide assurance regarding TfN's controls for ensuring payroll is processed in an accurate and timely manner. The following areas will be specifically considered during the review:</p> <ul style="list-style-type: none"> • Policies and procedures; • Starters, leavers and amendments to payroll; • Monthly payroll review and authorisation procedures; • Segregation of duties; and • Establishment checks. <p>Our review will include the use of IDEA, our data analytics software, to identify the following:</p> <ul style="list-style-type: none"> • Any duplicate monthly payments made to employees; • Multiple employees with the same bank details; and • Leavers that continue to be paid once they have left TfN. 	Assurance and Data Analytics	Quarter 2	November 2022

Audit area and high-level scope	Audit approach	Proposed timing	Proposed Audit and Governance Committee meeting
<p>Health and Safety Framework</p> <p>This audit will review compliance with policies and procedures in relation to employee health and safety and will confirm whether these processes are being consistently applied.</p> <p>As part of our review we will use our 4questionnaires system to understand how the health and safety framework has been embedded across TfN.</p>	Assurance	Quarter 3	November 2022
<p>Equality, Diversity and Inclusion Framework</p> <p>This review will assess the processes TfN has in place to ensure it has a well presented workforce which is diverse and inclusive. This will include reviewing the arrangements for meeting the requirement of the Public Sector Equality Duty (PSED). As part of our audit we will review the following:</p> <ul style="list-style-type: none"> • Related policies and procedures and consider how these are implemented in practice; • Staff training and awareness raising; • How equality impact assessments/ analysis is used; • How any actions identified in respect of the PSED are progressed; • How TfN monitors the diversity of it staff throughout the respective lifecycle; and • Reporting of equality, diversity and inclusion metrics. 	Assurance	Quarter 4	February 2023
<p>Advice and Support</p> <p>Areas for which advice and support are to be provided will be discussed with management throughout the year. This could be in the form of meeting attendance, advice and assistance, and / or documentation review.</p>	Advisory	Ongoing throughout the year	N/A
<p>Other Internal Audit Activity</p> <p>Contingency Audits</p> <p>In the event that TfN management decide not to proceed with one of the above audit assignments, management may wish to consider replacing any deferred or cancelled audit with one of the following:</p> <ul style="list-style-type: none"> • TfN Policy Development Framework; and • Staff Mental Health and Wellbeing. 	TBC	TBC	TBC

Audit area and high-level scope	Audit approach	Proposed timing	Proposed Audit and Governance Committee meeting
Any changes to the Internal Audit Plan will require approval from the Audit and Governance Committee and the scope of the audit assignment will be discussed and agreed with TfN management.			
<p>Follow Up</p> <p>To meet internal auditing standards, and to provide assurance on action taken to address management actions previously agreed by management.</p>	Follow Up	Quarter 1	July 2022
<p>Management</p> <p>This will include:</p> <ul style="list-style-type: none"> • Annual planning; • Preparation for, and attendance at, Audit and Governance Committee meetings; • Regular liaison and progress updates; • Liaison with external audit and other assurance providers; and • Annual summary. 	N/A	Ongoing throughout the year	N/A

A detailed planning process will be completed for each review, and the final scope will be documented in an Assignment Planning Sheet. This will be issued to the key stakeholders for each review.

2.1 Working with other assurance providers

The Audit and Governance Committee is reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers, such as external audit to ensure that duplication is minimised, and a suitable breadth of assurance obtained.

APPENDIX A: YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM UK Risk Assurance Services LLP. The team will be led by Lisa Randall as your Head of Internal Audit, who will be supported operationally by Alex Hire, Senior Manager.

Fees

Our fee to deliver the plan is £28,200 (excluding VAT) for a total of 50 days.

Core team

The delivery of the 2022/23 audit plan will be based around a core team. However, we will complement the team with additional specialist skills where required.

Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the International Standards for the Professional Practice of Internal Auditing, the wider International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA.

Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

APPENDIX B: INTERNAL AUDIT STRATEGY 2022/23 – 2024/25

The table below provides an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above.

The table sets out the areas covered by internal audit as part of previous internal audit plans. Where assurance opinions were provided as a result of the assignments completed, this is indicated in colour in accordance with the key below, against the relevant audit in the year column.

Assurance Provided	Internal Audit – Third Line of Assurance (independent review / assurance)						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Red - Minimal Assurance / Poor Progress							
Amber/red - Partial Assurance / Little Progress							
Amber/green - Reasonable Assurance / Reasonable Progress							
Green - Substantial Assurance / Good Progress							
Advisory / AUP							
IDEA							
Audit area							
Risk Management				✓	✓		✓
Corporate Governance (2018/19 and 2020/21 opinion informed by Committee attendance and governance elements of individual audits. 2019/20 and 2021/22 opinion informed through specific governance related audits, as well as governance elements of individual audits.)	✓	Strategic Development Corridors Programme Northern Powerhouse Rail	✓	Governance Effectiveness Framework	✓	✓	✓
Core Financial Systems	Payment Authorisation, Expenses and Procurement Cards.	Treasury Management	New Payment (Commissioning) Process	Purchase to Pay Framework	Payroll	Value for Money Reporting	General Ledger

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance
(independent review / assurance)

Audit area	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Payroll		Income Management				
IT Audit	Cyber Security	SharePoint	Cyber Security	Cyber Security (in progress)	GDPR Governance	✓	
Procurement Framework / Contract Management	Procurement Framework		Contract Management				
Mental Health and Wellbeing						✓	
Human Resources			Recruitment and Selection			Succession Planning	PDR Compliance
Assurance Framework			Investment Programme Assurance				
Policy Development Framework							✓
Stakeholder Engagement/Communications and Social media							✓

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

Internal Audit – Third Line of Assurance (independent review / assurance)							
Audit area	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25

Performance Management and Appraisals

✓

Health and Safety

Employee Health and Safety

Building maintenance

Equality, Diversity and Inclusion Framework

✓

Emergency Planning / Business Continuity

✓

Flexi-time



Advice and Support

✓

✓

✓

✓

✓

✓

✓

Follow Up

✓

✓

✓

✓

✓

✓

✓

Management

✓

✓

✓

✓

✓

✓

✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Transport for the North. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

The internal audit service is provided by RSM UK Risk Assurance Services LLP (“RSM”).

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core principles for the professional practice of internal auditing;
- Definition of internal auditing;
- Code of ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”.

Independence and ethics

To provide for the independence of internal audit, its personnel report directly to Lisa Randall (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Finance Director.

The Head of Internal Audit has unrestricted access to the Chair of Audit and Governance Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Transport for the North. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit and Governance Committee.

The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit and Governance Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit and Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit and Governance Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Leadership Team - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.

- Board - the highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "Board" may refer to a committee or another body to which the governing body has delegated certain functions (e.g. an Audit and Governance Committee).

Client care standards

In delivering our services we require full cooperation from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. We proposed the following KPIs for monitoring the delivery of the internal audit service:

- Discussions with senior staff at the client take place to confirm the scope six weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 15 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 10 working days of the debrief meeting and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.



We continue to closely monitor and implement official guidelines from the Government and health organisations in respect of Covid-19. All our staff must adhere to the relevant RSM Policies, including limiting time on site and completing the relevant approvals prior to any site visit.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.

- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the Board in taking decisions and managing its risks.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under the standards, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit and Governance Committee.

Fraud

The Audit and Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the internal audit strategy, the Audit and Governance Committee is also approving the internal audit charter.

FOR FURTHER INFORMATION CONTACT

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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 UK 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 UK 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.

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