



TRANSPORT FOR THE NORTH

Follow Up

Internal audit report 1.22/23

Final

23 May 2022

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1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test, or complete full population testing using data analytics tools.

Background

We have undertaken a review to follow up on progress made to implement the previously agreed management actions from the following audits:

- Governance Effectiveness Arrangements (1.21/22);
- Risk Management Strategy (2.21/22);
- Follow Up (3.21/22);
- Purchase to Pay Framework (4.21/22);
- Cyber Security Assessment (5.21/22);
- Flexible Working Hours Scheme (6.21/22); and
- Income and Debtors Management (8.21/22).

Please note that no management actions were raised in the Flexible Working Hours Scheme (6.21/22) report.

Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion Transport for the North has demonstrated **reasonable progress** in implementing agreed management actions.

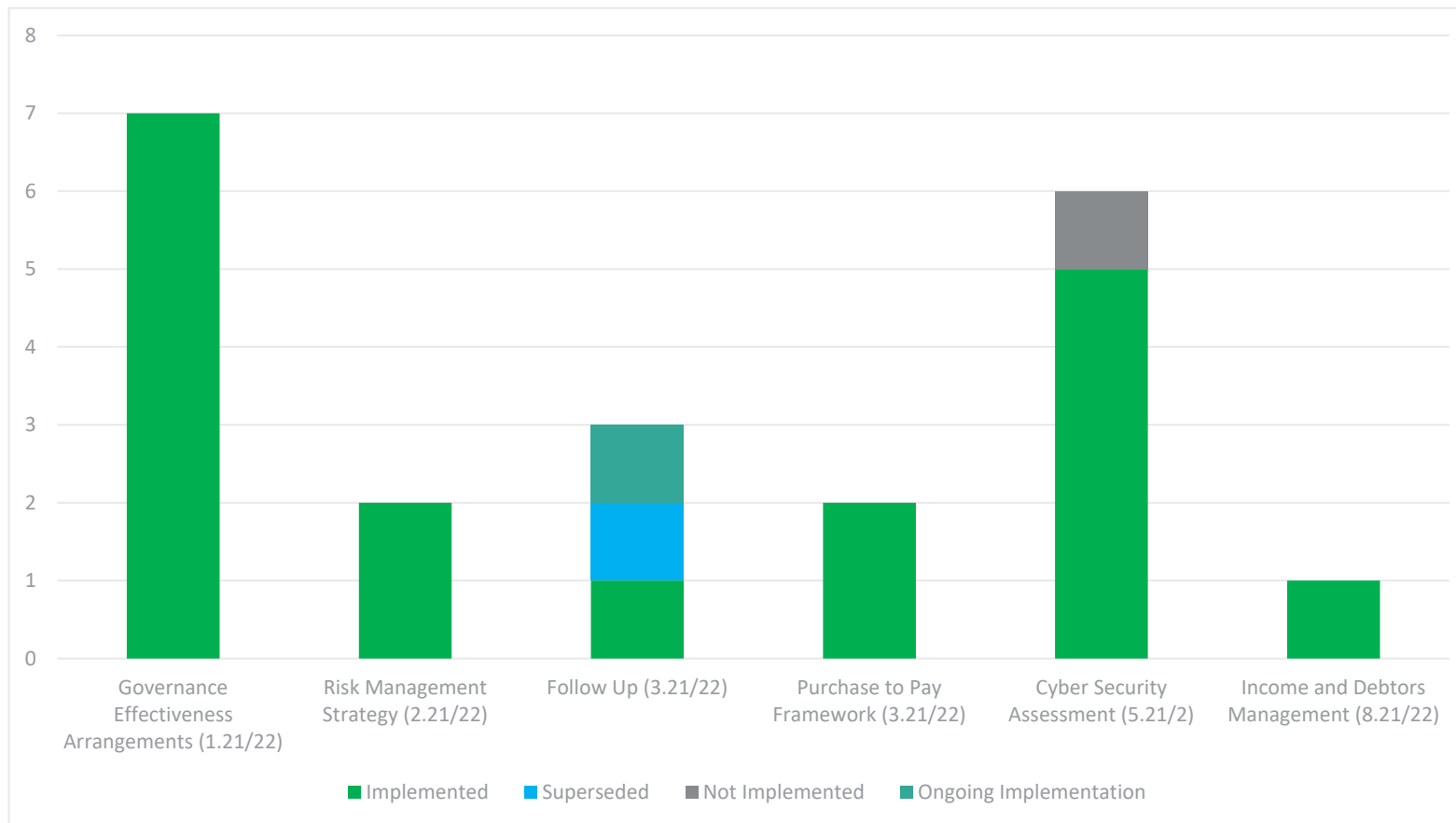
Of the 21 actions considered as part of the review, we have confirmed that a total 19 (90%) actions have been fully implemented or superseded; one (5%) 'medium' priority action has been partly though not yet fully implemented; and one (5%) 'high' priority action has not yet been implemented.

We note that progress had been made against the action assessed as ongoing as Transport for the North is progressing with a business planning exercise that was delayed whilst awaiting the publication of the Integrated Rail Plan and Transport for the North's funding settlement, which arrived late in February 2022. We also note that implementation of the action not yet implemented was delayed due to network outages affecting the dates available for penetration testing, which is now scheduled to be completed during May 2022. The delay was reported to the Leadership Team. These factors have been taken into consideration when deciding the overall progress opinion. Both management actions remaining open and have been restated with revised target implementation dates or updated management actions have been agreed.

Progress on actions

The following table includes details of the status of each management action:

Implementation status by review	Number of actions agreed	Status of management actions				Confirmation as completed or no longer necessary (1)+(4)
		Impl. (1)	Impl. ongoing (2)	Not impl. (3)	Superseded (4)	
Governance Effectiveness Arrangements (1.21/22)	7	7	0	0	0	7
Risk Management Strategy (2.21/22)	2	2	0	0	0	2
Follow Up (3.21/22)	3	1	1	0	1	2
Purchase to Pay Framework (4.21/22)	2	2	0	0	0	2
Cyber Security Assessment (5.21/22)	6	5	0	1	0	5
Income and Debtors Management (8.21/22)	1	1	0	0	0	1
Total	21	18	1	1	1	19



2 FINDINGS AND MANAGEMENT ACTIONS

Status	Detail
1	The entire action has been fully implemented.
2	The action has been partly though not yet fully implemented.
3	The action has not been implemented.
4	The action has been superseded and is no longer applicable.
5	The action is not yet due.

Follow Up (5.20/21)

Original management action / priority	<p><u>Investment Programme Insurance Review (7.20/21)</u></p> <p>A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.</p> <p>In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting). (Medium)</p>
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Audit finding / status	Management response
	<p>Further work has been undertaken on the Investment Programme and the relationship with the Northern Transport Charter. Following the publication of the Integrated Rail Plan and TfN's funding settlement arriving late in February 2022, a business planning process is currently underway.</p> <p>A key priority for TfN is the update of the Strategic Transport Plan, work on which is underway, and which will allow the Investment Programme objectives and actions to be reviewed and updated. The KPIs are being reviewed to reflect the new business plan and structure of TfN. The business plan will be agreed with TfN Board in June.</p>
	RSM assessment
	2 - The action has been partly though not yet fully implemented.

Management Action 1	Management action restated	Responsible Owner:	Date:	Priority:
	<p>A documented mapping exercise should be undertaken to formally link the actions included in the Northern Transport Charter to the Investment Programme objectives/actions and the KPIs included in the TfN Business Plan.</p> <p>In addition to this, management may wish to consider the nature of the Investment Programme-related KPIs and the way in which performance</p>	Policy & Strategy Director	End of June 2022	Medium

Follow Up (5.20/21)

against the KPIs is reported going forward (e.g. to allow for more flexibility with the KPIs and the related update reporting).

Cyber Security Assessment (5.21/22)

Original management action / priority Management will ensure that penetration testing is conducted as scheduled from week commencing 28 February 2022, the test results are to be reviewed and vulnerabilities addressed and remedied in a timeous manner.
Where penetration testing does not go ahead, this will be reported to the relevant TfN governance and oversight groups.
(High)

Audit finding / status We were advised that penetration testing was delayed due to Leeds network outages affecting the dates available. Penetration testing is now scheduled to be completed during May 2022.
Management action restated.

RSM assessment

3 - The action has not been implemented.

Management Action 2	Management action updated	Responsible Owner:	Date:	Priority:
	Management will ensure that penetration testing is conducted as re-scheduled, May 2022. The test results will be reviewed, and vulnerabilities addressed and remedied in a timeous manner. Where penetration testing does not go ahead, this will be reported to the relevant TfN governance and oversight groups.	Head of IT and Information	End of May 2022	High

APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing actions. This opinion relates solely to the implementation of those actions followed up and does not reflect an opinion on the entire control environment.

Progress in implementing actions	Overall number of actions fully implemented	Consideration of high priority actions	Consideration of medium priority actions	Consideration of low priority actions
Good	75% +	None outstanding.	None outstanding.	All low actions outstanding are in the process of being implemented.
Reasonable	51 – 75%	None outstanding.	75% of medium actions made are in the process of being implemented.	75% of low actions made are in the process of being implemented.
Little	30 – 50%	All high actions outstanding are in the process of being implemented.	50% of medium actions made are in the process of being implemented.	50% of low actions made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high priority actions.	Unsatisfactory progress has been made to implement medium actions.	Unsatisfactory progress has been made to implement low actions.

APPENDIX B: ACTIONS COMPLETED OR SUPERSEDED

From the testing conducted during this review we have found the following actions to have been fully implemented and superseded.

Assignment title	Management actions
Governance Effectiveness Arrangements (1.21/22)	Implemented Management will consider the follow actions in regard to Board reports: <ul style="list-style-type: none">• Ensure report writers 'spell out' acronyms in reports the first time they are used;• Consider how executive summaries can be improved to more effectively summarise the report. (Low)
	Implemented Adopt a formal Calendar of Business for the TfN Board and Committees to ensure full and cyclical coverage. (Low)
	Implemented Agreed actions should make clear who is responsible for the action and by when. (Low)
	Implemented Consider formalising the review of reports by the Scrutiny Committee using, for example, an additional section on the report cover sheet. For example, 'This report was reviewed/scrutinised by the Scrutiny Committee meeting on (date) and the Scrutiny Committee recommends the TfN Board' or 'The Scrutiny Committee has reviewed this report and recommended the following changes be made'. (Low)
	Implemented Ensure there is clarity as to the outcome of the Scrutiny Committee's review of reports and that the outcomes are formally fed into the TfN Board. (Low)
	Implemented Management will review the Member induction process including the following actions:

Assignment title	Management actions
	<ul style="list-style-type: none"> • Review the content and approach used to deliver inductions to ensure that a consistent programme is in place for newly appointed Members of the TfN Board; • Develop procedure notes to detail the Member induction process; and • Maintain a record of inductions completed by Members. <p>(Medium)</p> <hr/> <p>Implemented</p> <p>Members will be required to complete and submit an annual declaration of interests. Records of completed declarations will be retained by the appropriate department and published on the TfN website. In addition, management will actively chase up any Members that have not submitted a timely declaration.</p> <p>(Medium)</p>
<p>Risk Management Strategy (2.21/22)</p>	<p>Implemented</p> <p>Management will ensure that the information recorded on the Predict! system is consistent with that included in the Corporate Risk Register reports presented to TfN Board/Committee members. In addition, following the review of corporate risks with senior management and the subsequent approval of corporate risks from the Finance Director, the Predict! System will be updated to ensure that any changes are captured in the system.</p> <p>(Low)</p>
	<p>Implemented</p> <p>Management will update the Risk Management Strategy to ensure it reflects the current processes operating in practice (this includes utilisation of the Predict! system). Once updated, the Risk Management Strategy will be approved at the appropriate level before being published for staff to access.</p> <p>In addition to this, tracking control will be added to the Strategy document to confirm when the document was last reviewed and approved, and to highlight the future review timeframes for the document.</p> <p>(Low)</p>
<p>Follow Up (3.21/22)</p>	<p>Superseded</p> <p><u>Cyber Security Review (5.20/21)</u></p> <p>Management will ensure an independent penetration test is planned, scoped and conducted. This will be accompanied by a written policy stating how often an independent penetration test should be conducted and in what timeframe vulnerabilities of differing severity need to be addressed.</p> <p>(Medium)</p> <p>Internal Audit Comment:</p>

Assignment title	Management actions
	<p>The action has been deemed as superseded as this has been reiterated in the Cyber Security review (5.21/20). Following this, a remedial action plan will be completed to plan and monitor the implementation of actions required to remediate any identified weaknesses. Priority should be given to address any critical or high vulnerabilities.</p> <hr/> <p>Implemented <u>Governance – Northern Powerhouse Rail Programme (6.19/20)</u> An updated agreement between TfN and the Department for Transport (DfT) will be put in place. (Advisory)</p>
Purchase to Pay Framework (4.21/22)	<p>Implemented The Payment Policy and Procurement Card Policy will be updated to ensure consistency in relation to the cumulative monthly transaction limit for procurement cards. In addition, all Purchase to Pay related policies will be subject to regular review and approval at a minimum frequency defined by TfN Management. (Medium)</p> <hr/> <p>Implemented An audit trail will be maintained, confirming the authorisation of procurement card statements and procurement card reconciliations. In the absence of a physical signature this may be achieved through e-signatures on the procurement card statements or email confirmation. (Low)</p>
Cyber Security Assessment (5.21/22)	<p>Implemented Management should ensure that policies are reviewed on a periodic basis in line with practices across the business. Where a change is required, this should be made on a timely basis and changes communicated to relevant stakeholders. (Low)</p> <hr/> <p>Implemented Management will consider implementing Intrusion Detection and Prevention tools to help protect the Manchester office, in line with controls implemented in the Leeds office. (Medium)</p>

Assignment title	Management actions
	<p>Implemented</p> <p>Management will ensure that the risk register is formally reviewed on a periodic basis, and that version control is applied. Details of the approver as well as the next review date should be included. Reviews should be conducted at least annually to ensure the risk treatment is appropriate given the threats and risks faced.</p> <p>(Medium)</p> <hr/> <p>Implemented</p> <p>Management should define and document a standardised onboarding and offboarding procedure document. This should include, but not be limited to:</p> <ul style="list-style-type: none"> • Responsibility for requesting and actioning starter, mover and leaver requests; • Appropriate authorisation of access requests; • Appropriate access to Email and OneDrive data which was linked to the account is granted to an approved manager; • Provision for the immediate removal of access for staff due to disciplinary matters in line with a Service Level Agreement, determining acceptable timelines for various types of leavers; and <p>An assessment recording the condition of equipment (issued and returned) with an acceptable use policy stating that the responsibility lies with the staff member should items be damaged beyond acceptable standards.</p> <p>(Low)</p> <hr/> <p>Implemented</p> <p>Management will consider comparing the business case of providing network redundancy against the cost of possible business downtime which may be incurred during a network outage.</p> <p>(Low)</p>
Income and Debtors Management (8.21/22)	<p>Implemented</p> <p>Management will establish a timeframe for the periodic review of the Grant Acceptance and Management Policy and ensure that reviews are carried out in line with the agreed timeframe. In addition, a version control section will be added to the Policy to capture changes made to the Policy following review, date of review dates and relevant approval at oversight Committee.</p> <p>(Medium)</p>

APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The internal audit assignment has been scoped to provide assurance on how the Transport for the North manages the following area:

Objective of the area under review

Management has introduced effective systems for the monitoring of implementation of agreed management actions and ensuring that these are implemented in line with the agreed timescales.

When planning the audit, the following areas for consideration and limitations were agreed:

The following areas will be considered as part of the review:

To assess the degree of implementation achieved of the management actions raised in the following assignment reports:

- Governance Effectiveness Arrangements (1.21/22);
- Risk Management Strategy (2.21/22);
- Follow Up (3.21/22);
- Purchase to Pay Framework (4.21/22);
- Cyber Security Assessment (5.21/22);
- Flexible Working Hours Scheme (6.21/22); and
- Income and Debtors Management (8.21/22).

The focus of this review is to provide assurance that actions previously raised have been adequately implemented.

Please note that no management actions were raised in the Flexible Working Hours Scheme (6.21/22) report.

Limitations to the scope of the audit assignment:

- The review only covers audit management actions previously made and does not review the whole control framework of the areas listed above, therefore we are not providing assurance on the entire risk and control framework;
- We will ascertain the status of management actions through discussion with management and review of the most recent management action tracking report presented to the Audit and Governance Committee;
- Where the indication is that management actions have been implemented, we will undertake limited testing to confirm this;
- Where testing is undertaken, our samples will be selected over the period since actions were implemented or controls enhanced; and
- Where relevant to the management action being followed up, we will ascertain whether policies / procedures / documentation have been established but we will not assess whether these are fit for purpose.
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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