



TRANSPORT FOR THE NORTH

Internal Audit Progress Report

19 July 2024

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KEY MESSAGES

The internal audit plans for 2023/24 and 2024/25 were approved at the February 2023 and March 2024 Audit and Governance Committee meetings respectively. This report provides an update on progress against these plans and summarises the results of our work to date.



The final two audit assignments for the internal audit plan for 2023/24 have been completed since the last Audit and Governance Committee meeting. These relate to following:

- Performance Management and Appraisals (5.23/24) review which resulted in a 'substantial' assurance opinion. No management actions were raised; and
- Procurement – Value for Money (6.23/24) review which resulted in a 'reasonable' assurance opinion. Two 'medium' and one 'low' management actions were agreed with management.

The first audit assignment for the internal audit plan for 2024/25 has also been completed. This relates to following:

- Follow Up (1.24/25) review which resulted in a 'good progress' opinion with 21 out of 23 management actions considered as part of this review have been implemented.

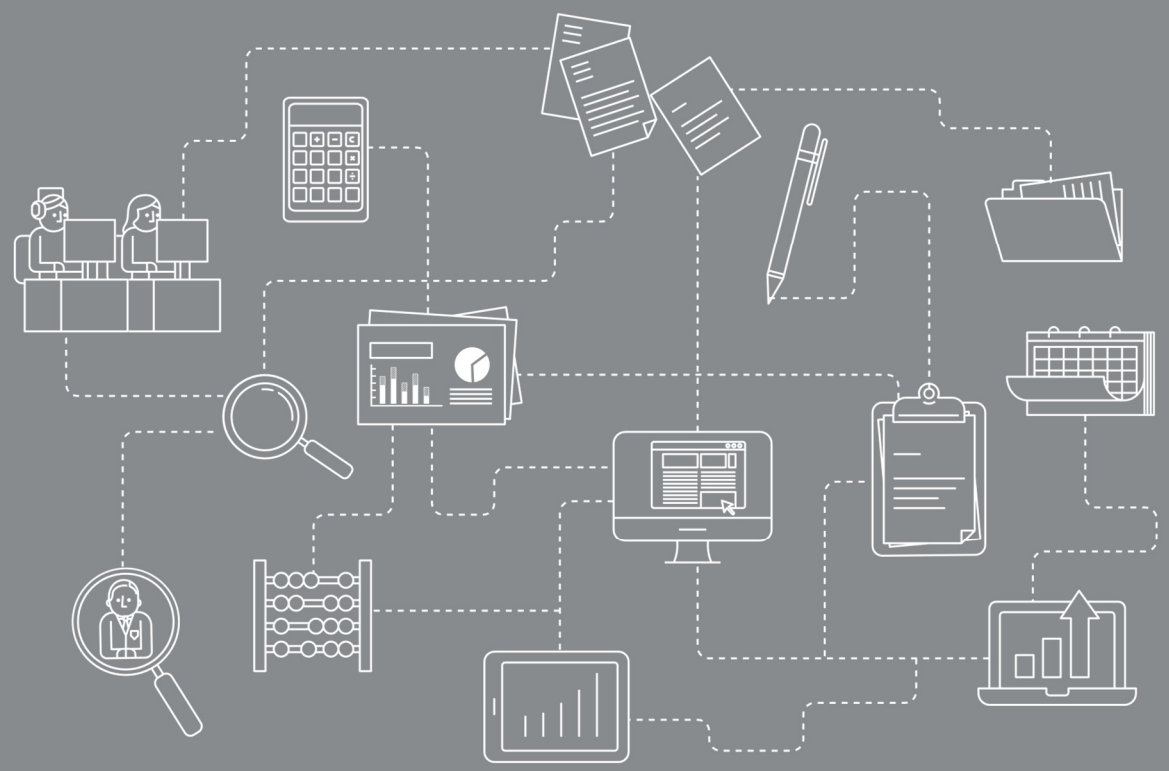
A summary of the outcome of these reviews is provided in Section 1. [\[To discuss and note\]](#)

Details of the progress made against the internal audit plan are included at Appendix A. [\[To note\]](#)

We have shared with management a number of briefings and invites. These are outlined in Appendix B below. [\[To note\]](#)

Final Reports

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1. FINAL REPORTS

1.1 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
2023/24				
<p>Performance Management and Appraisals (5.23/24) Through our work we confirmed that TfN has a clear framework in place in relation to performance management and appraisals which is embedded within the organisation. We undertook sample testing of the annual appraisal process as well as aspects of the performance management framework, and we confirmed that the agreed policies and procedures were followed in practice. We confirmed that the processes in place, in relation to appraisals, performance management and probation, are in line with what we have seen across other organisations within our client base.</p>	Substantial Assurance	0	0	0
<p>Procurement – Value for Money (VfM) (6.23/24) Through our work, we confirmed that a procurement framework is in place at TfN to consider the achievement of VfM in spending public money. Our sample testing of purchases confirmed compliance with TfN's procurement processes, designed to achieve VfM. However, our testing of the waiver process noted that the control design (regarding the approvals required for a waiver) and compliance with the waiver process both need to be strengthened.</p> <p>In addition, whilst we recognise there has been significant turnover in Procurement Managers at TfN, the version of the Procurement Policy available to staff and the Constitution have not been updated to reflect changes in UK procurement law post-Brexit. TfN is required, by law, to comply with the UK Public Contract Regulations 2015 (and not EU Procurement Regulations 2016). The implication of TfN's Procurement Policy and Constitution not being reflective of the changes in UK procurement law post-Brexit is that there is a risk that TfN do not comply with UK procurement law in practice. (Please note, our sample testing has not identified any instances whereby TfN has not complied with UK procurement law). Two 'medium' and one 'low' priority management actions have been raised to further strengthen TfN's control framework for procurement and VfM.</p>	Reasonable Assurance	1	2	0

Assignment	Opinion issued	Actions agreed L M H
<p data-bbox="91 300 203 328">2024/25</p> <p data-bbox="91 352 344 381">Follow Up (1.24/25)</p> <p data-bbox="91 421 1292 481">In our opinion, Transport for the North has demonstrated good progress in implementing the agreed management actions included in the assignment reports considered as part of this review.</p> <p data-bbox="91 491 1337 580">Two actions relating to the Procurement - Value for Money (6.23/24) assignment report were not due to be implemented at the time of this follow up review in May 2024 and have therefore been excluded when forming the opinion.</p> <p data-bbox="91 590 1330 679">Testing identified that 21/23 (91%) of the actions considered as part of this review have been implemented. For 2/23 (9%) management actions, we confirmed that these are ongoing, and the actions should continue to be monitored until the actions are fully implemented</p>	<p data-bbox="1496 360 1704 389">Good Progress</p>	<p data-bbox="1877 360 2107 481">21 out of 23 management actions have been implemented.</p>

1.2 Themes arising from control observations

	2022/23	2023/24	Low	2024/25	
				Medium	High
Planning	0	0	0	0	0
Policies and / or procedures	3	2	0	0	0
Non-compliance with policies / procedures	1	2	0	0	0
Design of the control framework	10	2	0	0	0
Training / awareness for staff	0	1	0	0	0
Management or performance information	2	0	0	0	0
Lack of segregation of duties	0	0	0	0	0
Poor record keeping	1	0	0	0	0
Risk Management	0	0	0	0	0
Governance weaknesses	3	0	0	0	0
Information technology	0	8	0	0	0
Management actions from previous audit reports	2	1	0	2	0
Total	22	16	0	2	0

The highest number of actions in 2023/24 was in the area of 'Information Technology' and these related specifically to our IT Access Management Security (3.23/24) review. Themes will continue to be analysed throughout 2024/25 following the completion of each audit assignment.

Appendices

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APPENDIX A: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2023/24

Assignment	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2023/24)	Actual Audit and Governance Committee
		L	M	H		
IT and Remote Working Asset Management (1.23/24)	Reasonable Assurance	2	1	0	July 2023	July 2023
Follow Up (2.23/24)	Good Progress	12 of 13 actions completed			July 2023	July 2023
IT Access Management Security (3.23/24)	Reasonable Assurance	4	4	0	November 2023 (revised March 2024)	March 2024
Staff Mental Health and Wellbeing (4.23/24)	Substantial Assurance	1	0	0	November 2023 (revised March 2024)	March 2024
<i>Performance Management and Appraisals (5.23/24)</i>	<i>Substantial Assurance</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>March 2024 (revised July 2024)</i>	<i>July 2024</i>
<i>Procurement – Value for Money (6.23/24)</i>	<i>Reasonable Assurance</i>	<i>1</i>	<i>2</i>	<i>0</i>	<i>July 2024</i>	<i>July 2024</i>

APPENDIX B: PROGRESS AGAINST THE INTERNAL AUDIT PLAN 2024/25

Assignment	Status / Opinion issued	Actions agreed			Target Audit and Governance Committee (as per IA plan 2024/25)	Actual Audit and Governance Committee
		L	M	H		
<i>Follow Up (1.24/25)</i>	<i>Good Progress</i>	<i>21 of 23 actions completed</i>			<i>July 2024</i>	<i>July 2024</i>
Northern Powerhouse Rail (NPR) Co-Sponsorship	Fieldwork underway	-	-	-	September 2024	-
Northern Powerhouse Rail (NPR) Technical Assurance, Modelling and Economics (TAME)	Due to commence 5 August 2024	-	-	-	December 2024	-
TfN Offer	Due to commence 30 September 2024	-	-	-	March 2025	-
Project Management	Due to commence 20 January 2025	-	-	-	March 2025	-

APPENDIX C: OTHER MATTERS

On-going liaison and changes to the internal audit plan 2024/25

The internal audit plan 2024/25 and three year strategy were approved at the March 2024 Audit and Governance Committee meeting. Ongoing liaison has taken place between RSM, the Finance Director and Risk Manager throughout the year to discuss progress against the internal audit plan.

Updates and briefings

Since the last Group Audit and Governance Committee meeting, we have issued the following:

- Taking action to drive improvements (February 2024);
- Global Internal Audit Standards (May 2024);
- The Real Economy: cyber security (May 2024);
- RSM's HR Update (June 2024);
- We have shared with management details regarding the following events:
 - RSM's Post-Budget webinar held on 6 March 2024;
 - RSM's summit training in relation to the New Procurement Act 2023, held on 26 and 29 April 2024;
 - RSM's People, Pay and Risk Roundtable events, taking place across April and May 2024; and
 - Procurement Act Webinars, taking place across June and July 2024.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the Internal Audit Standards we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

As part of the Quality Assessment and Improvement Programme, none of your files were selected for Internal Quality Monitoring programme to date for 2024/25. From the results of the reviews undertaken across our client base, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

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. Following the completion of each product, we include a link to a brief survey in each report we issue.

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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.

APPENDIX D: KEY PERFORMANCE INDICATORS 2024/25

	Delivery				Quality		
	Target	Actual	Notes		Target	Actual	Notes
Audits commenced in line with original timescales*	Yes	Yes		Conformance with IIA Standards	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	10 days	1 / 1 (100%)		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 10 days of draft report	10 days	1 / 1 (100%)		Response time for all general enquiries for assistance	2 working days	1 day	
Final report issued within 3 days of management response	3 days	1 / 1 (100%)		Response for emergencies and potential fraud	1 working day	N/A	

Notes

*This takes into account changes agreed by management and Audit and Governance Committee during the year. Through employing an agile or a flexible approach to our service delivery we are able to respond to your assurance needs.

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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