



# TRANSPORT FOR THE NORTH

## Internal Audit Progress Report

**Audit and Governance Committee meeting of:**

**28 February 2020**

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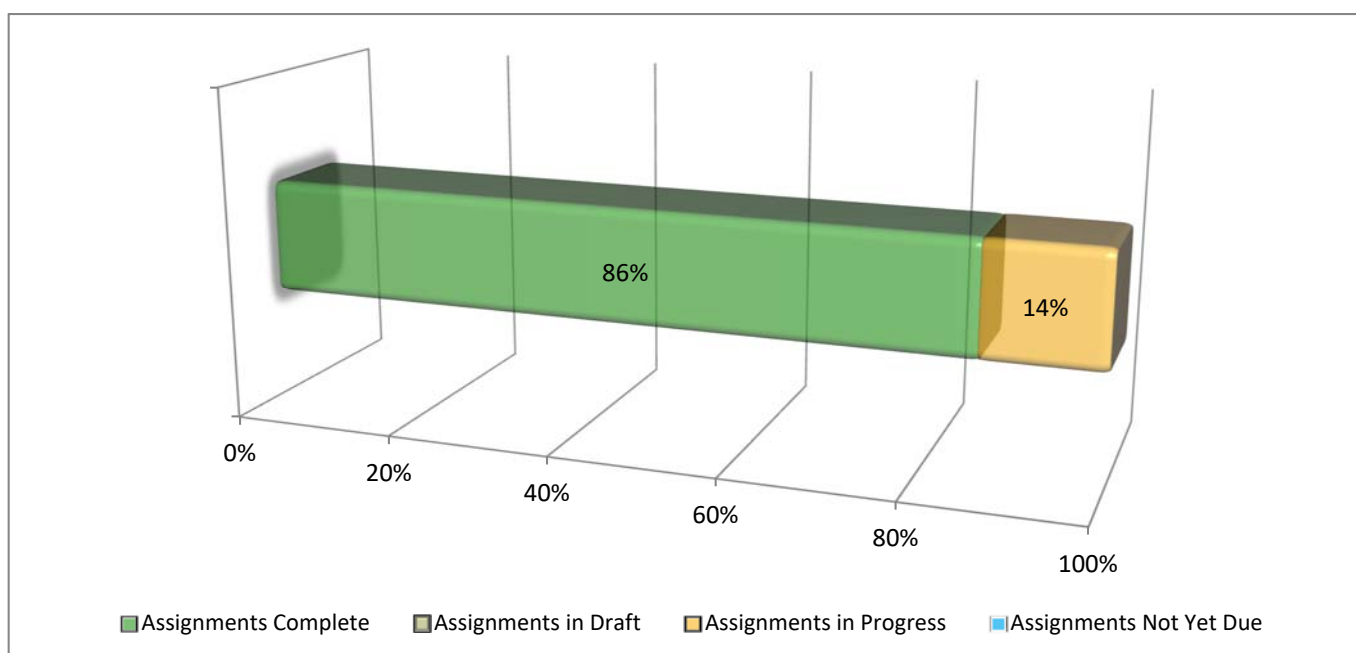


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# 1 INTRODUCTION

The internal audit plan for 2019/20 was issued and approved in March 2019. This progress report provides an update in relation to the delivery of the plan and summarises our work completed to date.



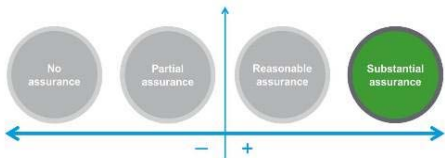
The following assignment reports have been issued as final reports since the last Audit and Governance Committee meeting:

- Absence Management and Wellbeing (5.19/20)
- Governance – Northern Powerhouse Rail Programme (6.19/20)

We have provided a summary of our findings in section 2 below.

## 2 REPORTS CONSIDERED AT THIS AUDIT AND GOVERNANCE COMMITTEE MEETING

The table below summarises the results of our work completed since the last Audit and Governance Committee meeting:

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Absence Management and Wellbeing (5.19/20)	Final		3	0	0
Governance – Northern Powerhouse Rail Programme (6.19/20)	Final	N/A - Advisory	5 uncategorised actions		

### 2.1 Impact of findings

As noted above, two assignment reports have issued since the last Audit and Governance Committee meeting. The high-level findings of these two reviews are described below:



#### **Absence Management and Wellbeing (5.19/20) ('Substantial' Assurance)**

We consider that the Board can take 'substantial' assurance that the control framework in place in relation to absence management and wellbeing is operating effectively, and in line with the TfN Absence and Welfare Policy.

Sample testing of compliance with the TfN Absence and Welfare Policy confirmed that self-certifications, Fit Notes, and Return to Work forms were all obtained as required for the cases we selected in line with Policy. We further confirmed that Absence and Welfare Interview meetings were held as needed.

Our testing resulted in three 'low' priority management actions, which related to the following areas:

- Review of all policies in relation to absence management;
- Ensuring consistency of information between the Talent system and the Absence Tracker, and implementing an integrated system for recording and managing absences as proposed; and
- Additional absence reporting.

#### **Governance – Northern Powerhouse Rail Programme (6.19/20) (Advisory)**

No formal assurance opinion was provided as part of this review due to the advisory nature of the work undertaken. However, through our work we confirmed that established governance arrangements are in place for the ongoing management and oversight of the NPR programme. This includes arrangements for programme reporting and decision-making both within the programme itself and within the TfN governance structure.

Whilst established governance arrangements are in place, we noted that improvements and updates are required to some of the documents that support the NPR governance framework. For example, there is currently no up-to-date centrally accessible NPR governance structural chart in place which explains the structure of the NPR programme and describes all the different reporting lines involved.

We recognise that the co-client approach adopted for the NPR programme is a unique model and, as such, changes are continuing to be made to the approach and the supporting processes as the programme develops over time. We also note that the Secretary of State and the DfT are required to approve all funding relating to the NPR programme, which ultimately gives the DfT overriding control of the funding decisions, despite the co-client arrangement.

In addition to the above, we also recognise that management have identified the issues regarding the accuracy and completeness of the NPR governance documentation, and work is currently being undertaken to address this. However, we included five management actions in our report which were designed to support management with their ongoing work in this area going forward.

In addition to the management actions raised in our report, we also included details of some of the key questions to consider when reviewing the governance arrangements for co-owned projects/programmes.

### 3 LOOKING AHEAD

Assignment area	Fieldwork status
Flexi-time	To be carried forward to 2020/21. See section 4.1 below.
Follow Up	Fieldwork in progress.
Advice and Support	Time used to complete the Governance – Northern Powerhouse Rail Programme review.

## 4 OTHER MATTERS

### 4.1 Changes to the approved internal audit plan and on-going liaison

There has been one change to the internal audit plan since the last Audit and Governance Committee meeting. The Flexi-time audit has been deferred to 2020/21 and included within the internal audit plan, which is to be presented to the Committee as a separate agenda item.

### 4.2 Information and Briefings

#### Employment Matters (Spring 2020) – Seminar Invitation

Invitation to the RSM Employment Matters - Legal: Spring 2020 North West seminar. RSM's employment legal team will provide an update on:





- What's planned for employment law in 2020.
- Good Work Plan – Getting ready for April 2020.
- Recent employment law cases update.

#### Internal Audit Code of Practice Briefing

The Code is principles-based and is intended as an 'industry benchmark' aiming to embed consistent good practice across the internal audit profession. We fully support the intentions of the new Code, which is made up of 38 recommendations seeking to enhance the effectiveness of internal audit and its impact.

Please find attached the briefing on the Internal Audit Code of Practice.

## APPENDIX A: INTERNAL AUDIT ASSIGNMENTS COMPLETED TO DATE

Assignments	Status	Opinion issued	Actions agreed		
			L	M	H
Risk Management – Risk Register Deep Dive (1.19/20)	Final		2	1	0
Framework for Corporate Governance – Strategic Development Corridors Programme (2.19/20)	Final		0	0	0
Treasury Management Framework (3.19/20)	Final		0	0	0
Review of Sharepoint (4.19/20)	Final		3	2	0



## FOR FURTHER INFORMATION CONTACT

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# INTERNAL AUDIT CODE OF PRACTICE

Following a twelve-week consultation in early Autumn 2019, the Chartered Institute of Internal Auditors has published its new Internal Audit Code of Practice. The Code is principles based and is intended as an 'industry benchmark' aiming to embed consistent good practice across the internal audit profession. The Code is to be applied in conjunction with the existing International Professional Practices Framework (IPPF).

At RSM, we fully support the intentions of the new Code, which is made up of '38 recommendations' seeking to embed consistent good practice, enhance the effectiveness of internal audit and its impact. As one of the largest internal audit providers in the UK we took part in the consultation process, providing feedback and our thoughts on the draft Code.

## Who is the Code for?

The Code is applicable to internal audit in the private sector and third sectors in the UK and Ireland.

It is also cited as being 'useful' for internal audit functions operating in the public sector, albeit it has not been produced specifically with the public sector in mind. In any event, internal auditors in the public sector continue to follow the Public Sector Internal Audit Standards (PSIAS), which encompass the mandatory elements of the IPPF.

Internal auditors in the financial services (FS) sector should continue to follow the now established FS Code (upon which the Internal Audit Code is based).

The new Code is to be applied alongside the existing IPPF, which includes the International Standards for the Professional Practice of Internal Auditing.

In building on the Standards, the Code makes it very clear that the guidance contained within the Code should be applied proportionately, where an organisation's

'size and complexity' should be the guiding factors, along with an entities risk profile.

The Code is very clear, however, that all internal audit work should follow IPPF Standards and that internal audit functions, whether in-house or outsourced, should be subject to an independent quality assessment at least once every five years.

## Role of internal audit

The Code contains a lot of information on the role of internal audit and the nature of the work it should carry out. For example, the Code requires that, '*at least annually*', there should be '*an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation*'.

Whilst internal auditors have always had a core role to play in providing assurance, the Code also places more emphasis on the role and mandate of internal audit; stressing that an organisation's board, committees and management have to set the right 'tone at the top' and, therefore, culture to ensure there is the support for internal audit and the valuable role it has to play.

## Culture

The Code makes it more explicit that internal audit should be looking at the 'risk and control culture of the organisation'. As well as the way in which the risk appetite is set and adherence to that including reporting annually on this area.

## Other requirements

The Code also requires internal audit to address, in its work, the implications and consequences (from a risk and control perspective) of key events including things such as new products and services, mergers, divestments etc.

In addition, the Code requires internal audit to consider the outcomes of processes as well as the processes themselves by evaluating the design and operating effectiveness of an entities policies and processes.

Where an organisation has an in-house Head of Internal Audit who also has responsibility for other functions, which can often be the case with Risk Management, the Code requires organisations to consider the need for an independent review of these areas by a third party.

## RSM

At RSM all of our internal audit work is conducted in line with our in-house internal audit manual using a methodology that is designed to ensure compliance with the IPPF Standards.

We also comply with the requirement to commission independent quality reviews of our work. In this regard our last External Quality Assessment (EQA) (undertaken in 2016) concluded that *'there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to audit committee and the supporting working papers'*.

We were also found to have an excellent level of conformance with the IIA's professional standards as set out in the IPPF.

Should you have any questions regarding the Internal Audit Code of Practice, what it might mean for you, or our adherence to it, please get in touch via your usual RSM contact.

Access the Internal Audit Code of Practice at: <https://www.iaa.org.uk/policy-and-research/internal-audit-code-of-practice/>

# FOR FURTHER INFORMATION CONTACT

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