



# Audit Completion Report

Transport for the North (TFN)

Year ending 31 March 2020

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Audit and Governance Committee  
2nd Floor,  
4 Piccadilly Place,  
Manchester,  
M1 3BN

8 July 2020

Dear Members

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 February 2020. Since we issued our Audit Strategy Memorandum, the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for Transport for the North was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. However, Transport for the North has sought to continue with the original deadline of 31 July for approval of the audited financial statements. We acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Signed:   
Karen Murray (Jul 15, 2020 15:14 GMT+1)

Karen Murray  
Mazars LLP

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VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Transport for the North (TfN) for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Governance Committee meeting on 16 July 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the TfN's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control (Significant Risk)
- Defined benefit liability valuations (Significant Risk)
- Intangible Asset valuation – Integrated and Smart Travel (IST) (Enhanced Risk)
- Intangible Asset valuation – Integrated and Smart Travel (IST) – Phase 3 (Enhanced Risk)

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline. TfN is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.






### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of Transport for the North and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.




# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report, the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Key areas outstanding: <ul style="list-style-type: none"><li>- Journals</li><li>- Movement in Reserves Statement</li><li>- Non-material notes</li></ul>		Most of the work in these areas has started but has not yet been completed at the time of submitting this report.
Pensions		We are awaiting the letter of assurance from the Pension Fund Auditor.
Whole of Government Accounts		Whole of Government Accounts work to be completed.
Financial Statements		Review and closure processes, including checking the amended version of the financial statements and post balance sheet events.
Signed final statements and signed Management Representation Letter		Following the TFN Board meeting on 29 July 2020 TFN will provide signed and copies of the financial statements, annual governance statement and Management Representation Letter.  We will update and conclude our post balance sheet events review, to the date of signing the opinion.

## Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum in February 2020.

## 2. EXECUTIVE SUMMARY (CONTINUED)

### Materiality

We set materiality at the planning stage of the audit at £0.897m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.014m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee) at £30k based on 3% of overall materiality.

Materiality element	Planning materiality	Post statement materiality
Overall materiality	£897,000	£1,014,000
Performance materiality – 80% of materiality	£718,000	£811,000
Trivial threshold for reporting to Audit Committee – 3% of materiality	£27,000	£30,000

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 9)	£5,000 *

\* Reflecting movement from one salary band to another

### Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.



## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in TfN's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements – focusing on those that we determine to contain certain risk characteristics.

#### Audit conclusion

Based on work completed to date, there are no significant matters arising from our work on the management override of controls. However, we are still completing our work on journals.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefits liability valuation	<p>The net pension liability is likely to represent a material element of TfN's balance sheet. TfN is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in TfN's overall valuation.</p> <p>Financial assumptions and demographic assumptions will be used in the calculation of TfN's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of TfN's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing TfN's pension obligation are not reasonable or appropriate to TfN's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• Critically assessing the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, HymansRobertson;</li><li>• Liaising with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;</li><li>• Testing payroll transactions at TfN to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by TfN;</li><li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and</li><li>• Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in TfN's financial statements.</li></ul>
	<p><b>Audit conclusion</b></p> <p>Based on work completed to date, there are no significant matters arising from our work. However, we are awaiting the letter of assurance from the Pension Fund Auditor.</p>



## 2. SIGNIFICANT FINDINGS (CONTINUED)

**Management judgement**

Intangible Asset valuation – Integrated and Smart Travel (IST)

**Description of the management judgement**

TfN is responsible for leading the development and implementation of a scheme to facilitate easier travel and payment. The project was planned to take a number of years to implement and was split into 3 phases and has lead to the development of an intangible asset.

The valuation of the intangible asset has required application of assumptions and estimates relating to material levels of expenditure. TfN will need to continue to ensure that the intangible asset is accounted for in accordance with the CIPFA Code of Practice and IAS 38 Intangible Assets. TfN commissioned PwC to provide advice on the potential accounting treatment that will apply.

There is a risk that assumptions and estimates are not appropriate nor in line with accounting standards.

**How our audit addressed this area of management judgement**

We addressed this risk by:

- Assessing the competency, objectivity and independence of PwC;
- Reviewing the basis of the valuation of the intangible asset and challenging the assumptions made;
- Testing transactions to ensure valuation has been appropriately applied; and
- Considering the appropriateness of the accounting treatment applied.

**Audit conclusion**

Based on work completed to date, there are no significant matters arising from our work.

**Management judgement**

Intangible Asset valuation – Integrated and Smart Travel (IST) –Phase 3

**Description of the management judgement**

During 2019/20 TfN acknowledged that due to insufficient bus operator support for the IST proposals an “active pause” was implemented in relation to Phase 3 of the IST project. Consequently, some £4.3m of previously capitalised expenditure has been reversed and the costs charged to revenue. TfN had previously secured Department for Transport agreement that DoT would fund the revenue implications in the event of the scheme not progressing as planned.

There is a risk over the completeness and accuracy of the transactions that have now been accounted for as revenue expenditure.

**How our audit addressed this area of management judgement**

We addressed this risk by:

- Reviewing the process undertaken by TfN to establish that the value of previously capitalised costs attributable to Phase 3 is materially correct;
- Testing a sample of transactions reversed and charged to revenue; and
- Reviewing the appropriateness of the accounting treatment and associated disclosures.

**Audit conclusion**

We have no issues to report in terms of the appropriateness of the accounting entries within the primary statements. However, we are still considering the entries in relation to the related disclosure notes.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Transport for the North’s accounting practices

We have reviewed the TfN’s accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the TfN’s circumstances..

Draft accounts were received from the TfN on 12 June 2020 and were of a good quality.

### Significant matters discussed with management

There were no matters discussed with management, over and above our normal challenge of management assertions in respect of the financial statements.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. As set out earlier, we understand the difficult circumstances that TfN is facing due to the pandemic and would like to express our thanks again for the cooperation and patience of your team during our audit.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no correspondence from local electors regarding the 2018/19 accounts.



### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported here would be limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified matters to report..

We have no internal control recommendations to bring to your attention for 2019/20 and there are none relating to 2018/19 to follow up.



# 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £30k

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements 2019/20

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Re-measurement of Pension Liability Cr: Re-measurement of the net defined benefit		122	122	
Updated actuarial assumptions as at 31 March 2020 resulting in a reduction in the pension liability. Non-trivial difference with the estimated position in the financial statements. Management has decided therefore not to amend. This was the same in 2018/19 when it was £95k.					
Total unadjusted misstatements			122	122	

## Adjusted misstatements 2019/20

We have not identified any unadjusted misstatements.

## Disclosure amendments

During the course of the audit we identified a number of presentational and disclosure issues. These were all relatively minor and have been adjusted for in the final version of the financial statements. We have summarised below some of the other disclosure amendments required.

**Annual Governance Statement:** Internal Audit's Annual Report does not provide a formal Head of Internal Audit Opinion that would accord with Public Sector Internal Audit Standards. This is due to the relatively small number / volume of assignments and assignment coverage that RSM has delivered for the Transport for the North. TFN should consider whether they wish to incorporate an annual opinion in future years to support the AGS effectiveness review.

**Note 24 Officer remuneration:** For one officer, the taxable allowance of £4,316 was also included within Salaries. Salaries are therefore overstated by £4,316. There were a small number of other minor adjustments to the note. These have all been amended.

**Note 29: Defined benefit pension scheme:** Two comparatives from 2018/19 relating to past service costs were incorrectly omitted from the pensions note. These have been amended.

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# 5. VALUE FOR MONEY CONCLUSION

## Our approach to Value for Money

We are required to form a conclusion as to whether TfN has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the TfN had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>There is evidence that TfN acts in the public interest, demonstrating and applying the principles and values of sound governance. Transport for the North’s governance arrangements are set out in its Constitution which was reviewed and updated in 2019/20. Approved and adopted Code of Corporate Governance in place, consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government.</p> <p>Risk management arrangements are in place. Risks are reported to the North’s Operating Board, Audit and Governance Committee, Department for Transport (DfT) and Transport for the North Board.</p> <p>Scrutiny Committee in place with elected Members appointed by the 20 Constituent Authorities. Audit and Governance Committee established consisting of five Board Members and three Independent Members.</p> <p>Work is continuing on the Assurance Framework in 2020/21 to provide for a consistent evidence-based decision making process.</p> <p>Long term Strategic Transport Plan Investment Programme in place. All major work programmes also have Programme Boards which are attended by representatives of the DfT.</p> <p>TfN has a framework to monitor and measure progress and performance to help ensure that value for money is achieved. During 2019/20 Transport for the North has developed a new monthly operating report providing both qualitative and quantitative performance information. We are not aware of any significant data quality issues in terms of financial or performance information.</p> <p>In 2020/21, TfN will seek to publish a Northern Transport Charter setting out the case for local decision-making over transport investment.</p>	Yes

# 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>TfN achieved a £0.92m surplus on its revenue position for 2019/20. The financial position has been reported to the Audit and Governance Committee during the year.</p> <p>There has been a £30m underspend on the capital programme. This has been largely due to the cancellation of the Phase 3 ABBOT scheme within the Integrated and Smart Travel programme. The decision to develop alternative options also contributed to higher revenue costs. This is covered in more detail in our significant risk on the following page.</p> <p>The Core Grant allocations held in the General Fund Reserve provide the basis for the medium-term financial plan. TfN is party to a Memorandum of Understanding (MoU) with the Department for Transport that gives it the required comfort that it will continue to receive the necessary funding to discharge its statutory obligations into the future.</p>	Yes
Working with partners and other third parties	<p>There are many examples of TfN working with partners and other third parties.</p> <p>A Partnership Board is in place to advise on matters relating to transport in the area including elected and Local Enterprise Partnership representatives from all areas of the North, along with the Secretary of State for Transport and representatives from Highways England, Network Rail and HS2 Ltd. During 2019/20, the membership was widened to include groups representing the interests of those with disabilities, environmental concerns, TUC representatives and passenger transport user groups.</p> <p>Transport for the North carries out extensive stakeholder engagement through its Engagement team and the wider organisation.</p> <p>In 2020/21, TfN will be working in collaboration with the DfT on the High Speed North Integrated Rail Plan setting out the next 20 years of investment in HS2, NPR and other major rail schemes in the North.</p>	Yes



# 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

## Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at TfN being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Phase 3 – Integrated and Smart Ticketing Project</b></p> <p>During 2019/20 TfN concluded that Phase 3 of the Integrated and Smart Ticket project, to develop an information system to manage accounts-based ticketless transport transactions should not progress as the bus operators confirmed that they were unwilling to accept the system based on the proposal at that time.</p> <p>Consequently, in July 2019 the TfN Board agreed to an “active pause” as it became clear that the project could not continue in its current form.</p>	<p>We reviewed the governance and decision making arrangements that lead to TfN concluding that the project could not proceed in line with existing project plans.</p>	<p>In the July 2019, the TfN Board considered a report setting out a number of options following the decision to pause the project. Two options were proposed for further evaluation and these were again considered by the Board in September with a more detailed feasibility analysis in the October meeting.</p> <p>These options were reported to the December meeting of the Overview and Scrutiny Board. Our review confirms that it contained a detailed and clear analysis of the remaining options and included a discussion of the key benefits and risks.</p> <p>A further report to the January TfN Board proposed a way forward for Phase 3 of the Integrated and Smart Travel (IST) Programme (Option A). This recognised both developments within the bus industry in terms of investment in contactless payment technology, and the possible implications of rail industry reform. However, ultimately, TfN was unable to commit to further expenditure without a greater degree of certainty that the proposed system will be fully utilised by public transport providers noting that in a de-regulated market, TfN has no ability to require bus operators to adopt the system.</p> <p>It was therefore recommended not to pursue Option A and that the current procurement is cancelled. TfN obtained legal advice on the implications of cancelling the procurement at this stage, and confirmed that they had the right to cancel the procurement.</p> <p>On the basis of work completed, we conclude that for 2019/20, Transport for the North had appropriate governance and decision-making arrangements in place in respect of the decision not to proceed with Phase 4 of the Integrated and Smart Ticket project.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Letter required from on client headed note paper from: Finance Director of Transport for the North

To:  
Mrs Karen Murray  
Partner  
One St Peter's Square  
Manchester  
M2 3DE

Date: 29 July 2020

Dear Sirs

**Transport for the North - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of Transport for the North for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

**My responsibility for the statement of accounts and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within the Transport for the North you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Finance Director that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

**Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Board and Committee meetings, have been made available to you.

**Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the financial position, financial performance and cash flows of Transport for the North.

**Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

**Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Transport for the North have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

**Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Transport for the North has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

**Fraud and error**

I acknowledge my responsibility as Finance Director for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting Transport for the North involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting Transport for the North's financial statements communicated by employees, former employees, analysts, regulators or others.

**Related party transactions**

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of Transport for the North's related parties and all related party relationships and transactions of which I am aware.

**Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

**Charges on assets**

All Transport for the North's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

**Future commitments**

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

**Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### (CONTINUED)

**Covid-19**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on Transport for the North, including the impact of mitigation measures and uncertainties, and that the disclosures in the financial statements fairly reflects that assessment.

**Brexit**

I confirm that I have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period.

**Going concern**

To the best of my knowledge there is nothing to indicate that the Transport for the North will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

**Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Iain Craven  
Finance Director to Transport for the North

Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Transport for the North

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Transport for the North for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

give a true and fair view of the financial position of Transport for the North as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of Transport for the North in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Finance Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Finance Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Transport for the North's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Finance Director is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

##### Responsibilities of the Finance Director for the financial statements

As explained more fully in the Statement of the Finance Director's Responsibilities, the Finance Director is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Finance Director is also responsible for such internal control as the Finance Director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless Transport for the North is informed of the intention for dissolution without transfer of services or function to another entity. The Finance Director is responsible for assessing each year whether or not it is appropriate for Transport for the North to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Transport for the North's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on Transport for the North's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Transport for the North has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether Transport for the North had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Transport for the North put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Transport for the North had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Responsibilities of Transport for the North

Transport for the North is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Transport for the North has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Transport for the North's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Use of the audit report

This report is made solely to the members of Transport for the North, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Transport for the North those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Transport for the North, as a body, for our audit work, for this report, or for the opinions we have formed.



# APPENDIX B

## DRAFT AUDITOR’S REPORT

**Certificate**

We certify that we have completed the audit of Transport for the North in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.]

OR

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of Transport for the North’s Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on Transport for the North’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

[Signature]

Karen Murray  
For and on behalf of Mazars LLP

One St Peter’s Square  
Manchester  
M2 3DE

Date

# APPENDIX C

## INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

## CONTACT

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