



# TRANSPORT FOR THE NORTH

## Risk Management Framework

REVISED FINAL

Internal audit report 1.18/19

10 December 2018

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# 1 EXECUTIVE SUMMARY

## 1.1 Background

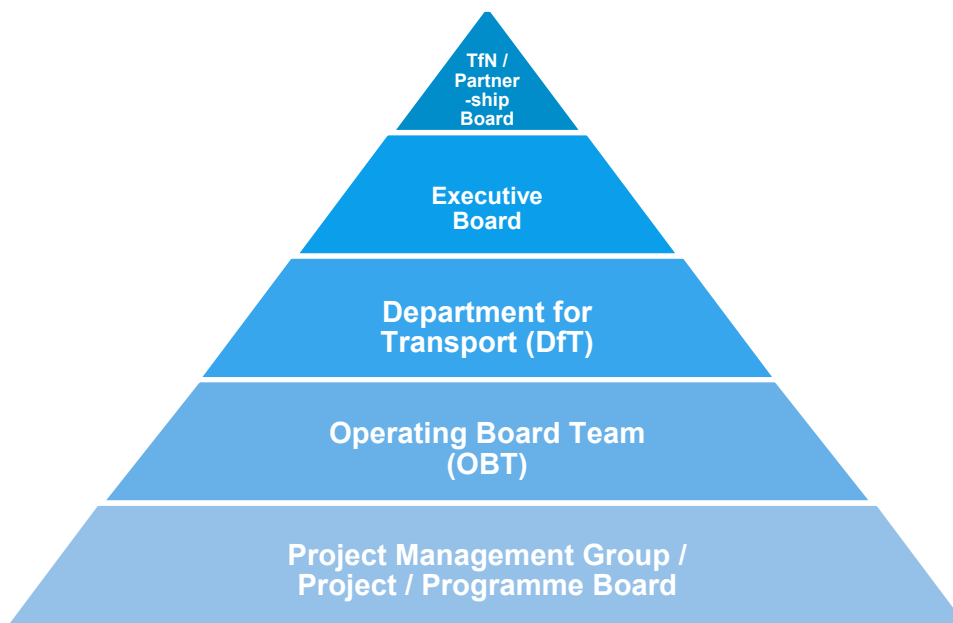
An audit of Transport for the North's (TfN's) risk management framework was undertaken as part of the approved 2018/19 internal audit plan.

As the first statutory sub-national transport body in the United Kingdom, TfN faces a wide range of risks at all levels across the organisation and robust risk management is central to the achievement of organisational strategic objectives. Strong risk management relies on the appropriate identification and management of risk, involving the systematic application of procedures and practices to the processes of identifying, estimating and evaluating risks.

Risk management is an iterative process, through which risks are continually identified, assessed and managed. The process within TfN is facilitated by the Portfolio Risk Manager, acknowledging that the process is not dependent upon the Portfolio Risk Manager's presence, as various other members of staff of TfN are encouraged to consider risk management through the delivery of their activities. As detailed in TfN's current Risk Management Strategy, TfN has subdivided its risk management process into six key steps, outlined below.



Within TfN's risk management framework, an efficient and effective risk reporting process promotes communication to management regarding key threats and opportunities that require attention at a higher level. The reporting structure shown below illustrates the various reporting audiences for the reporting of risks within TfN.



Our review was designed to assess the mechanisms used by TfN for obtaining assurances over the effectiveness of the controls in place in relation to identified risks. The following areas were specifically covered during the review:

- Procedures for identifying and recording risks, controls and sources of assurance;
- Risk identification and assessment processes, including the testing and verification of controls and assurances; and
- Procedures for reporting and monitoring risks and control assurances, including the use of early warning indicators and reporting of risk management to the Audit and Governance Committee and the Board.

## 1.2 Conclusion

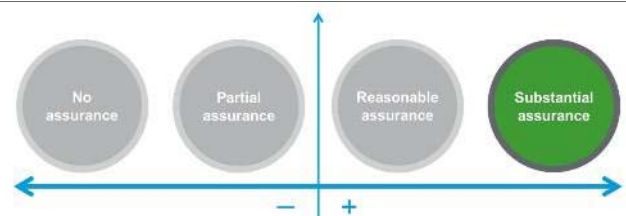
Through the work performed, we were able to confirm that TfN has an appropriately designed risk management control framework, which is operating adequately. To further enhance the control design and operating effectiveness, we have agreed one 'medium' management action and four 'low' management actions.

The management actions are in relation to explicitly outlining the TfN strategic objective link to each risk within the Corporate Risk Register, including recent updates against risks in risk registers, and improving the applicability and accuracy of 'Mitigation Strategies' stated alongside risks.

Furthermore, the remaining management actions are in relation to reviewing the assurance framework design included within the TfN risk registers, the inclusion of 'target risks' in the Corporate Risk Register and compliance with Qualitative Risk Reporting stipulated in the Risk Management Strategy.

### Internal audit opinion:

Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage the identified areas are suitably designed, consistently applied and operating adequately.



## 1.3 Key findings

### Procedures for identifying and recording risks, controls and sources of assurance

#### Risk Management Strategy

- The current Risk Management Strategy outlines current processes and responsibilities for risk management within TfN. Furthermore, the Strategy is readily available to all members of staff and has been approved by the Operating Board Team (formerly Senior Management Team) on 27 March 2017.

#### Risk assessment methodology

- The risk assessment methodology is appropriately designed to enable clear differentiation and prioritisation of risk exposures.

#### Risk registers

- For a sample of 10 risks recorded between 10 of TfN's risk registers (see table below), we tested to confirm that the correct risk scoring methodology had been applied and that documented links to TfN's strategic objectives were included in each risk register. No exceptions were noted as part of our risk methodology testing. We noted that in terms of the Corporate Risk Register, TfN's corporate risks are linked and associated with business and strategic objectives outlined in TfN's 2018/19 Business Plan. However, we highlighted that the inclusion of a column or alike within the register which explicitly outlines the strategic objective link to each corporate risk would be a valuable addition to the register.

Audit sample	Risk level	Risk register	Risk
1	Corporate	Corporate	'There is a risk of a mismatch between the expectations placed upon TfN and its ability to influence events / decisions in the short to medium term that is not aligned to the formal powers that have been granted.'
2	Corporate	Corporate	'Failure to deliver elements of the programme (i.e. Smart is late, over budget or fails to meet customer expectations) may impact on TfN's reputation as this an early opportunity for TfN to demonstrate that it can benefit passengers, customers, businesses and other stakeholder in the North.'
3	Corporate	Corporate	'There is a risk that the franchises underdeliver against franchise commitments, resulting in planned service improvements not being delivered.'
4	Directorate	Communication Stakeholder Engagement	'There is uncertainty of the remit for TfN's Comms and Stakeholder engagement activities/responsibilities. For e.g. what to publish, is there a requirement to gain approval from DfT prior publication? etc.'
5	Directorate	Finance	'There is a risk that programme development may exceed Transport Development Fund (TDF) budget (i.e. no access to credit).'

6	Directorate	Human Resources	'There is a risk that the workforce may lack the required skills and training prerequisites to achieve deliverables in an appropriate/expected quality standard.'
7	Programme	Integrated and Smart Travel	'There is a risk that if benefits realisation activities are not properly handed over at programme closure that this may impact upon benefits realisation/evaluation post-programme closure.'
8	Programme	Northern Powerhouse Rail	'Lack of communication by delivery partners may mean that the NPR team will not have a full overview of project development.'
9	Programme	Strategic Rail	'There is a risk of continued poor performance of rail transport services; there will be a continued increased cancellations/lateness and customer dissatisfaction.'
10	Programme	Strategic Development Corridors	'Difficulty engaging new stakeholders (or fatigue for existing stakeholders).'

- Furthermore, we reviewed the root causes and impacts recorded for the 10 risks, and that risk owners or monitoring groups were recorded in each case and a current risk update was provided against each risk. No exceptions were noted in relation to our root cause and impacts review and risk or group owner testing. However, a current risk update was not provided against five of the risks in our sample.

In light of the above findings, we have agreed a management action detailed at 2.1.

### **Risk identification and assessment processes, including the testing and verification of controls and assurances**

#### Recording of controls and 'Mitigation Strategies'

- For the sample of 10 risks selected above, in two risks we noted the Mitigation Strategies to be more aspirational outcomes, rather than controls and in a further two risks, the Mitigation Strategies appeared to lack specificity in terms of accuracy and completion timescales.
- Additionally, for the sample of 10 risks selected above, in five risks, the Mitigation Strategies' target completion dates were stated as 'ongoing', which is not an explicit deadline, ongoing with a review date may be more acceptable for monitoring impact.

In light of the above findings, we have agreed a management action detailed at 2.2.

#### Accuracy and existence of recorded Mitigation Strategies

- For the sample of 10 risks selected above, we selected one Mitigation Strategy for each risk and performed testing to confirm that source records were in place to evidence the existence and operation of the Mitigation Strategy within TfN. No exceptions were noted in relation to this area of testing.

#### Reporting of control assurances

- We noted that there is currently no defined or documented assurance reporting framework over the existence and effectiveness of the Mitigation Strategies included in each of TfN's risk registers.

In light of the above finding, we have agreed a management action detailed at 2.3.

## Procedures for reporting and monitoring risks and control assurances, including the use of early warning indicators and reporting of risk management to the Audit and Governance Committee and the Board

### Risk appetite

- For the sample of 10 risks selected above (taken from 10 risk registers), in two risk registers 'target risks' were included as a requirement, however, in the remaining eight registers, no target risks required inclusion. We recognise that the TfN's risk tolerance and risk appetite is something which is actively considered during the strategic decision-making process, however, we have seen other organisations include details of target risk ratings for the risks in their risk registers in order for readers to understand whether or not the current risk exposure is acceptable in each case.

In light of the above finding, we have agreed a management action detailed at 2.4.

### Risk management governance

- Through review of TfN's Constitution, the Terms of Reference of the Audit and Governance Committee and Risk Management Strategy, it was confirmed that TfN has various groups established to promote efficient and effective risk reporting.

### Reporting

- The Risk Management Strategy states that on a monthly basis, a 'Risk Dashboard and Key Risks' document is to be reviewed by TfN's Programme Teams (Programme Boards), Executive Board and Partnership Board. We requested the relevant evidence for July, August and September 2018 and noted no exceptions.
- The Risk Management Strategy states that on a monthly basis, a 'Programme Key Risks' document is to be reviewed by TfN's Operating Board Team. We requested the relevant evidence for July, August and September 2018 and noted no exceptions.
- The Risk Management Strategy states that on a quarterly basis, a 'Qualitative Risk Report' is to be reviewed by TfN's Operating Board Team. We requested the relevant evidence since April 2018 and noted that no Qualitative Risk Reports had been produced since April 2018.

In light of the above finding, we have agreed a management action detailed at 2.5.

## 1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Agreed actions		
	Low	Medium	High
Procedures for identifying and recording risks, controls and sources of assurance	1	0	0
Risk identification and assessment processes, including the testing and verification of controls and assurances	1	1	0
Procedures for reporting and monitoring risks and control assurances, including the use of early warning indicators and reporting of risk management to the Audit and Governance Committee and the Board	2	0	0
<b>Total</b>	<b>4</b>	<b>1</b>	<b>0</b>

## 1.5 Additional feedback

We have identified the following examples of good practice during this audit:

- On review of TfN's risk registers, it was evident that guidance is included within each risk register relating to the risk scoring scheme included in that register. The guidance provided outlines the various aspects that contribute to determining a risk's probability and impact rating, including definitions related to each rating. This aspect is in line with good practice seen elsewhere. The table below is an extract taken from TfN's Corporate Risk Register, illustrating the guidance provided.

Rating Number	Probability (%)	Rating	Impact Rating Definition
4	81 - 100	Very High	<ul style="list-style-type: none"> <li>Financial Implication: <b>£&gt;2m</b></li> <li>Schedule Implication: <b>&gt; 12 (months)</b></li> <li>National long-term negative media coverage, significant loss of trust and credibility</li> <li>Severe relationship issues with partners and/or third parties (such as Local Authorities, public)</li> </ul>
3	51 – 80	High	<ul style="list-style-type: none"> <li>Financial Implication: <b>£1m - £2m</b></li> <li>Schedule Implication: <b>9 - 12 (months)</b></li> <li>National short-term negative media coverage</li> <li>There is evidence of relationship issues with partners/or and third parties (such as Local Authorities, public)</li> </ul>
2	21 – 50	Medium	<ul style="list-style-type: none"> <li>Financial Implication: <b>£500K - £1m</b></li> <li>Schedule Implication: <b>3 - 9 (months)</b></li> <li>Local media damage</li> <li>No or minor strained relationship with partners and/or third parties (such as Local Authorities, public)</li> </ul>
1	< = 20	Low	<ul style="list-style-type: none"> <li>Financial Implication: <b>£0 - £500K</b></li> <li>Schedule / Time delay Implication: <b>0 - 3 (months)</b></li> <li>Local media attention quickly remedied</li> <li>No strain relationship with partners and/or third parties (such as Local Authorities, public)</li> </ul>

- The following table is included within the Risk Management Strategy. The table outlines the distribution of responsibilities relating to risk reporting and assigns individuals to each of the responsibilities outlined. The table promotes transparency and clarity within TfN's risk reporting and monitoring and is in line with good practice seen elsewhere within the sector.

Key to table below

RM - Risk Manager  
 PM - Project Manager  
 PT - Programme Team  
 PD - Programme Director  
 EB – Executive Board  
 PB – Partnership Board  
 SMT - Senior Management Team (now Operating Board Team)



Risk document	Responsible	Accountable	Consulted	Informed
Programme Risk Monthly Report	RM	PD	PT	PD
Risk Register	PM/ RM	PM	PT	PD
Risk Mitigation	PM	PM	PT	PT
Early Warning	PM	PM/ PT	RM	RM
New Risk	PM	PM/ PT	PT	PT
Risk Transfer	PM	PM	PT	PD
Risk Dashboard and Key Risk	PM	PM	PM	EB/ PB/ SMT
Qualitative Risk Report	PM	PM	PT	SMT

## 2 DETAILED FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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#### Area: Procedures for identifying and recording risks, controls and sources of assurance

2.1	<p><b>Risk registers</b></p> <p>The risk registers utilised by TfN record the following information at minimum:</p> <ul style="list-style-type: none"> <li>Accurate risk scoring methodology per risk;</li> <li>Links to the TfN's strategic objectives;</li> <li>Risk cause and impact descriptions</li> </ul>	Yes	No	As part of our review, we selected a sample of 10 risks recorded between 10 of TfN's risk registers and performed testing in order to confirm that the correct risk scoring methodology had been applied, and that documented links to TfN's strategic objectives were included in each risk register. Furthermore, we tested to confirm that the causes and impacts were appropriate to the risks, risk owners or monitoring groups were recorded in each case and a current risk update is provided against each risk within the Control/Monitor Stage column.	Low	<p>Management will ensure that links to TfN's strategic objectives are explicitly recorded against risks included within TfN's Corporate Risk Register. This may be implemented through the addition of a column to the Corporate Risk Register which outlines how each risk links to the relevant strategic objective.</p> <p>Additionally, management will ensure</p>	28 February 2019	Haddy Njie, Portfolio Risk Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>that are appropriate to the risk;</p> <ul style="list-style-type: none"> <li>• Risk owners and groups responsible for monitoring each of the risks and mitigations; and</li> <li>• A current risk update is provided against each risk within the 'Control/ Monitor Stage' column.</li> </ul>			<p>No exceptions were noted in relation to our risk scoring methodology testing.</p> <p>In terms of links to TfN's strategic objectives, the Portfolio Risk Manager highlighted that programme risks are mapped out and linked with programme objectives and against the relevant programme scope of work. Therefore, in terms of programme risks there would not be a requirement for an overall strategic objective link. However, in terms of TfN's Corporate Risk Register, it was confirmed that a valuable addition to the Corporate Risk Register would be linkages included to TfN's strategic objectives per risk. This aspect may be implemented through an additional column within the Corporate Risk Register outlining the strategic objective link to each risk. We have, therefore, raised a management action within this area.</p> <p>No exceptions were noted in relation to our root cause and impacts testing.</p> <p>No exceptions were noted in relation to our risk or group owner testing.</p> <p>Upon review of the 10 risks within our sample, it was evident that an update was not provided within the</p>		<p>that updates are included on a periodic basis within the relevant 'Control/ Monitor Stage' column, against each risk included within each risk register. The update shall include a date that the update was added to the risk. Should no update be provided then this shall be recorded for completion purposes.</p>		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				Control/ Monitor Stage column against five of the risks in our sample. For one further case, an update was provided, however, no date was stated against the update. In the remaining four cases, there was an update provided together with a date. The update provided within the Control/ Monitor Stage column must be utilised to ensure appropriate progress is recorded against control monitoring and mitigation. We have, therefore, raised a management action within this area.				

**Area: Risk identification and assessment processes, including the testing and verification of controls and assurances**

2.2	<b>Recording of controls and 'Mitigation Strategies'</b>  TfN's risk registers record risk 'Mitigation Strategies' against each stated risk (i.e. actions and controls designed to mitigate the risk). The Mitigation Strategies described are appropriate for the related risk stated and the information provided within the Mitigation Strategy enables the reader to understand how the mechanisms in	Yes	No	For the sample of 10 risks selected in 2.1 above, we performed testing in order to confirm that the Mitigation Strategies described were appropriate for the related risk, and that the information provided would enable the reader to understand how the mechanisms in place provide assurance over the controls in each case.  We noted instances of a lack of clarity regarding the Mitigation Strategies outlined for risks in our sample. Specifically, in two risks, the Mitigation Strategies appeared more aspirational outcomes than controls and in a further two risks, the Mitigation Strategies appeared to	Medium	Management should ensure that Mitigation Strategies included within TfN's risk registers are clear and quantifiable controls that can be reliably measured.  Management will ensure that the use of 'ongoing' within target date completion columns is minimised. Should the use of 'ongoing' be a necessity, a periodic review timescale shall be stated.	28 February 2019	Haddy Njie, Portfolio Risk Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<p>place provide assurance over the controls in each case.</p> <p>Furthermore, the Mitigation Strategies stated will include target completion dates stated within each risk register.</p>			<p>lack specificity in terms of accuracy and completion timescale. Without clear and quantifiable Mitigation Strategies, the risks included within TfN's risk registers may not be appropriately mitigated. We have, therefore, raised a management action within this area.</p> <p>Furthermore, we noted inconsistency between the target completion dates stated for Mitigation Strategies related to our sampled risks. Specifically, in five of the 10 risks sampled, the Mitigation Strategies target completion dates were stated as 'ongoing'. The absence of actual Mitigation Strategy target completion dates may make it difficult for the reader to understand the timeframes involved and this might have an impact for the reader's ability to effectively monitor completion of the actions. Whilst we recognise that particular instances will require a Mitigation Strategy to be classified as ongoing in terms of completion, there should be a periodic review schedule assigned to that action to determine progress made.</p> <p>We have, therefore, raised a management action within this area.</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
2.3	<p><b>Reporting of control assurances</b></p> <p>TfN has an assurance framework explicitly defined within TfN's risk registers.</p>	No	n/a	<p>We note that there is currently no defined or documented assurance reporting framework over the existence and effectiveness of the Mitigation Strategies included in each of TfN's risk registers. This is supported by our sample testing carried out in 1.1.3 above, in which no risk registers sampled included any explicit reference to an assurance framework relevant to the risks included within each register.</p> <p>We have recently noted a move across our client base towards having a more clearly defined assurance framework in place within risk registers. Whilst we do not suggest that management replicate or unnecessarily increase the information already reported, there may be merit in considering the implementation of an assurance framework system in order to highlight the assurance sources in place for each risk or control identified. At other organisations we have also seen the assurances linked to key performance indicators, with performance in key areas used to then inform the assurance framework as to where any gaps may be.</p> <p>We have, therefore, raised a management action within this area.</p>	Low	Management will review the value and applicability of the inclusion of a defined assurance framework within each of TfN's risk registers.	TfN's business planning 2020/2021	Leadership Team - Consideration of the assurance framework will be part of the 2020/21 business planning process (drafting starts September 2019)

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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**Area: Procedures for reporting and monitoring risks and control assurances, including the use of early warning indicators and reporting of risk management to the Audit and Governance Committee and the Board**

2.4	<p><b>Risk appetite</b></p> <p>TfN's risk registers will record risk appetite information where required.</p>	Yes	No	<p>The inclusion of risk appetite information within TfN's risk registers promotes determination of whether the current risk exposure is acceptable at a point in time, or whether additional actions need to be undertaken in order to mitigate the risk further. TfN's risk appetite for each risk can be included within risk registers by utilising 'target' risk ratings in order for readers to understand whether or not the current risk exposure is acceptable in each case.</p> <p>On review of the 10 risk registers which contained the 10 risks sampled in 2.1, we confirmed that a target risk was included as a requirement within two risk registers.</p> <p>Whilst we recognise that TfN's risk tolerance and risk appetite is something which is actively considered during the strategic decision-making process, we have seen other organisations include details of target risk ratings for the risks in their risk registers in order for readers to understand whether or not the current risk exposure is acceptable in each case. In our sample, two risk registers included target risks and the remaining eight</p>	Low	Management will establish 'target' risk ratings against all risks included within the Corporate Risk Register.	28 February 2019	Haddy Njie, Portfolio Risk Manager
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Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>did not include target risks. We initially proposed a review being carried out by TfN to explore the value and applicability of including target risks in further risk registers utilised by TfN. However, through discussion with the Portfolio Risk Manager it was confirmed that TfN would take the inclusion of target risks on board, but within the Corporate Risk Register only, as value would be added in this respect only.</p> <p>As the use of a target risk assists to demonstrate the progress made towards reducing the risk exposure through the actions undertaken for each risk, we have raised a management action within this area.</p>				
2.5	<p><b>Reporting</b></p> <p>TfN's Risk Management Strategy contains a reporting table at 4.7 which outlines how risks are reported internally and monitored. The reporting schedules outlined in the table for each group are followed by each relevant group and there is appropriate review of each relevant</p>	Yes	No	<p>The table at 4.7 within TfN's Risk Management Strategy highlights that on a monthly basis, a 'Risk Dashboard and Key Risks' document is to be reviewed by TfN's Programme Teams (Programme Boards), Executive Board and Partnership Board. Thus, we requested the Risk Dashboard and Key Risks documentation reviewed by TfN's Programme Boards, Executive Board and Partnership Board in July, August and</p>	Low	<p>Management will review the requirement of the production of Quarterly Risk Reports stated within TfN's Risk Management Strategy. This review will cover applicability to TfN's risk management processes and resource available to produce and monitor the Quarterly Risk Reports.</p>	28 February 2019	Haddy Njie, Portfolio Risk Manager



Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	risk document at each meeting scheduled.			<p>September 2018, reviewing meeting minutes or agendas where available.</p> <p>No exceptions were noted as part of our testing within this area.</p> <p>Furthermore, the table at 4.7 highlights that on a monthly basis, a 'Programme Key Risks' document is to be reviewed by TfN's Senior Management Team (now Operating Board Team). Thus, we requested the Programme Key Risks documentation reviewed by TfN's Operating Board Team in July, August and September 2018, reviewing meeting minutes or agendas where available.</p> <p>No exceptions were noted as part of our testing within this area.</p> <p>Additionally, the table at 4.7 highlights that on a quarterly basis, a 'Qualitative Risk Report' is to be reviewed by TfN's Operating Board Team. Thus, we requested the Qualitative Risk Reports produced in the last two quarters (April to June 2018 and July to September 2018), reviewing meeting minutes or agendas where available.</p> <p>We confirmed that there were no Qualitative Risk Reports produced in the two quarters. The Portfolio Risk Manager outlined that this was due</p>				

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
				<p>to capacity restrictions within TfN and an inability to accommodate and produce the Qualitative Risk Reports. In discussion with the Portfolio Risk Manager it was deemed appropriate to review the requirement and detail of the qualitative risk reporting structure included within TfN's Risk Management Strategy. This review would ensure that the Qualitative Risk Report aspect is applicable to the current activities and resource available to TfN.</p> <p>We have, therefore, raised a management action within this area.</p>				

# APPENDIX A: SCOPE

## Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

### Objectives of the area under review

To ensure TfN's key risks are identified and managed in a controlled and effective manner.

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

#### Areas for consideration:

This review is designed to consider the design and application of TfN's risk management framework. This will include an assessment of the mechanisms used by management and members of the Board for obtaining assurances over the effectiveness of TfN's controls in relation to identified risks. The following areas will be specifically covered during the review:

- Procedures for identifying and recording risks, controls and sources of assurance;
- Risk identification and assessment processes, including the testing and verification of controls and assurances; and
- Procedures for reporting and monitoring risks and control assurances, including the use of early warning indicators and reporting of risk management to the Audit and Governance Committee and the Board.

We will incorporate observations we have made at other organisations in order to support our findings and to suggest any areas of development or good practice for TfN.

#### Limitations to the scope of the audit assignment:

- We will not comment on whether TfN has identified all of its risks and opportunities;
- We will not provide an opinion on the effectiveness of any of TfN's controls or assurance mechanisms;
- We do not endorse any particular risk management methodology or process. It remains the responsibility of the Board and senior management to agree and manage information needs and determine the most effective approach for the organisation;
- Any testing undertaken during the review will be performed on a sample basis only; and
- Our work does not provide absolute assurance that material error, loss or fraud does not exist.

## APPENDIX B: FURTHER INFORMATION

### Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of assurance	Percentage of reviews	Results of the audit
Substantial assurance	33.33%	✓
Reasonable assurance	50.00%	
Partial assurance	16.67%	
No assurance	0.00%	
Management actions	Average number in similar audits	Number in this audit
	4.86	5

It is evident from the data above that TfN is outperforming the majority of other organisations within the sector, in terms of overall level of assurance. In respect of the average number of actions raised in similar audits, TfN is performing slightly below that of other organisations within the sector.

## FOR FURTHER INFORMATION CONTACT

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