



TRANSPORT FOR THE NORTH

Internal Audit Strategy 2018/19 - 2020/21

**Presented at the Audit and Governance
Committee meeting of:**

19 September 2018



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1 INTRODUCTION

Our approach to developing your internal audit plan is based on analysing your corporate objectives, risk profile and assurance framework as well as other, factors affecting Transport for the North in the year ahead, including changes within the sector.

1.1 Background

Transport for the North (TfN) is a Sub-national Transport Body with statutory status and a duty to advise the government on transport infrastructure investment in the North of England.

TfN's vision is of a thriving North of England, where modern transport connections drive economic growth and support an excellent quality of life.

The Board is made up of elected representatives from the North's 19 local transport authorities, alongside business leaders from the region's Local Enterprise Partnerships (LEPs) and representatives from national transport bodies.

Based across the North, with offices in Manchester and Leeds, TfN is developing a 30-year Strategic Transport Plan for the North, identifying the transport infrastructure needed to drive transformational economic growth.

TfN works with Network Rail, HS2 and the Department for Transport on proposals for Northern Powerhouse Rail, a sequenced programme of investments which would provide rapid, frequent links between the North's major cities and other economic centres.

In partnership with the Department for Transport, TfN is responsible for providing advice on the management of the Northern and Transpennine rail franchises, delivering a major investment programme which will see new trains, more frequent services and better station facilities delivered across the North of England.

To help TfN deliver its vision, TfN has worked with partners to develop four pan-northern transport objectives:

- Transform economic performance;
- Increase efficiency, reliability and resilience in the transport system;
- Improve access to opportunities across the North; and
- Promote and support the built and natural environment.

Core Values

We make a difference

- We will create opportunities for people and businesses that would not happen without us.
- We will improve and change the way things are done, capitalising on the North's unique strengths.
- We will make the most of our position to stretch the boundaries of what we can achieve.

We do the right thing

- We make sustainable, evidence- based decisions that maximise the positive outcomes they deliver for people and businesses across the North.
- We will work together to improve connectivity and deliver a vibrant and growing economy across the North of England over the short, medium and long term.
- We embrace diversity and work with others with honesty and respect.

We collaborate

- We consult our partners and are the embodiment of a 'single voice for the North'.
- We make the most of all our relationships, spanning the North of England and beyond, to deliver the right solutions.
- We build our relationships based on openness, transparency, trust and integrity.

We are driven to succeed

- We want to be the very best we can be. The drive for excellence and innovation informs everything we do.
- We will develop and grow, learning from both our mistakes and successes and sharing this with our partners.
- We are proud to represent the North and will facilitate a step change in connectivity across the North of England by being role models for how things are done.

Core Behaviours

- Cultivate Innovation – Creating new and better ways for the organisation to be successful.
- Ensure Accountability – Holding self and others accountable to achieve results, even under challenging circumstances.
- Collaborate – Building partnerships and working collaboratively with others to meet shared objectives.
- Instil Trust – Gaining the confidence and trust of others through honesty, integrity and authenticity.
- Financial Acumen – Interpreting and applying understanding of key financial indicators to make better business decisions.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

We use your objectives as the starting point in the development of your internal audit plan.

2.1 Risk management processes

We have evaluated your risk management processes through discussions and review of high-level information and consider that we can place reliance on your risk registers / assurance framework to inform the internal audit strategy. We have used various sources of information (see Figure A below) and discussed priorities for internal audit coverage with the following people:

- Chief Executive;
- Director of Business Capabilities;
- Programme Director; and
- Finance Director.

Based on our understanding of the organisation and the information provided to us by the stakeholders above, we have developed an annual internal plan for 2018/19 and a high level strategic plan (see appendix A and B for full details).



Figure A: Sources considered when developing the internal audit strategy

2.2 How the plan links to your corporate risks

Each of the reviews that we propose to undertake is detailed in the Internal Audit Plan and Strategy within Appendices A and B.

As discussed with the Leadership Team as part of the annual planning exercise, the focus of our internal audit strategy relates to the Corporate Risk Theme of 'TfN Operations' (see the table below as reported to the June 2018 Board meeting). We do not propose to duplicate other assurance mechanisms that TfN has in place, and our service will allow for a complimentary assurance and scrutiny framework with reporting to the Audit and Governance Committee and Scrutiny Committee.





Table 1: Summary of TfN's Corporate Risk Themes, Probability / Impact Assessments and Ownerships



Corporate Risk Theme	Risk Probability	Nature of Risk Impact	Risk Proximity	Executive Risk Owner	Current Level of Risk Impact	Post Mitigation Level of Risk Impact	Risk Mitigation Strategy Owner
Political / Organisational	Medium	<ul style="list-style-type: none"> ➢ Financial ➢ Reputation/Credibility ➢ Relationship 	Ongoing	TfN CE	High	Medium	Finance Director / HR & Mobilisation Director
Compelling Arguments for Investments	Medium	<ul style="list-style-type: none"> ➢ Reputation/Credibility ➢ Reputation 	Medium - Term	TfN CE	High	Medium	TfN Programme Directors
TfN Operations	Low	<ul style="list-style-type: none"> ➢ Reputation/Credibility ➢ Financial 	Ongoing	TfN CE	Medium	Low	Finance Director / HR & Mobilisation Director
Delivery of Integrated Smart Travel (IST)	Medium	<ul style="list-style-type: none"> ➢ Reputation/Credibility ➢ Reputation 	Medium - Term	TfN CE	High	Medium	IST Programme Director
Delivery of Northern Powerhouse Rail SOBC (NPR)	Medium	<ul style="list-style-type: none"> ➢ Relationship ➢ Reputation/Credibility 	Ongoing	TfN CE	Very High	Medium	NPR Programme Director
TfN and Franchise Commitments	Very High	<ul style="list-style-type: none"> ➢ Reputation/Credibility ➢ Relationship 	Ongoing	TfN CE	Very High	Very High	Strategic Rail Programme Director

As well as assignments designed to provide assurance or advisory input around specific risks, the Internal Audit Strategy also includes time for tracking the implementation of actions and an audit management allocation. Full details of these can be found in Appendices A and B.

2.3 Working with other assurance providers

The Audit and Governance Committee should note that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation. We will however work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained. We do not plan to place specific reliance on the work of any other assurance provider.

3 YOUR INTERNAL AUDIT SERVICE

Your internal audit service is provided by RSM Risk Assurance Services LLP. The team will be led by Lisa Randall as your Head of Internal Audit, supported by Michael Harding your Manager.

3.1 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review 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 and Governance Committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.2 Conflicts of interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

4 AUDIT AND GOVERNANCE COMMITTEE REQUIREMENTS

In approving the Internal Audit Strategy, the Committee is asked to consider the following:

- Is the Audit and Governance Committee satisfied that sufficient assurances are being received within our annual plan (as set out at appendix A) to monitor the organisation's risk profile effectively?
- Does the strategy for internal audit (as set out at appendix B) cover the organisation's key risks as they are recognised by the Audit and Governance Committee?
- Are the areas selected for coverage this coming year appropriate?
- Is the Audit and Governance Committee content that the standards within the charter in appendix C are appropriate to monitor the performance of internal audit?

It may be necessary to update our plan in year, should your risk profile change and different risks emerge that could benefit from internal audit input. We will ensure that management and the Audit and Governance Committee approve such any amendments to this plan.

APPENDIX A: INTERNAL AUDIT PLAN 2018/2019

Audit	Objective of the review	Audit approach
Core Assurance		
IT Audit - Cyber Security Controls	We will undertake a review of TfN's control framework for managing cyber security risks. This will include controls over areas such as the firewall, password policy, anti-virus, encryption, removable media and staff training and awareness.	Assurance
Payments Authorisation Processes	Review of the processes utilised by TfN to authorise payments. This will include the controls with regard to the electronic purchasing system and assessment of authority levels in place across the organisation.	Assurance
Risk Management Framework	<p>We will review the organisation's Risk Management Framework, including:</p> <ul style="list-style-type: none"> • Policies and Risk Register against good practice. • Processes for risk identification, assessment and reporting. • Reporting of Risk Management to the Audit and Governance Committee and the Board. 	Assurance
Procurement Framework	<p>This review will focus on the key controls and processes in relation to procurement, including consideration of the following:</p> <ul style="list-style-type: none"> • How TfN engages its suppliers, including tendering, obtaining quotations and the decision-making processes such as the use of benchmarking; • Supplier selection and approval controls; • Whether suppliers are selected from an approved list according to predetermined criteria; • Supplier spend analysis to ensure the achievement of value for money; • Process of declarations of interests from those authorised to approve successful tendering companies/contractors; and • Controls over the use of preferred suppliers and bulk purchase and controls over orders placed just below quotation and / or tender thresholds. 	Assurance

Audit	Objective of the review	Audit approach
Core Financial Controls: Payroll and Expenses including Credit Cards	<p>Our review of payroll and expenses will consider the following areas:</p> <ul style="list-style-type: none"> • Starters, leavers and amendments; • Review, authorisation and payments; • Establishment checks; • Segregation of duties; • Policies and procedures; and • Expenses. <p>Our review will also consider how Credit Cards are used. This will include the controls over cards for starters and leavers and the process for determining which members of staff will be cardholders. We will test the process for authorising card statements. We will also sample test a selection of credit card transactions to establish whether these accord with the procedures for card usage.</p>	Assurance
Advice and Support		
HR Policy Suite	This advisory review would be undertaken by the RSM HR Consulting Team. Human resource policy documentation needs to reflect the existing practices, preferences, and needs of the particular workplace. This review will focus on the extent of TfN's human resources policy suite and whether there are any gaps in the type of policies currently in place.	Advisory
Business Planning	RSM specialists would provide advice and support by being a 'critical friend' to the organisation at selected points whilst going through the business planning review cycle.	Advisory
Other Internal Audit Activity		
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning. • Preparation for, and attendance at, Audit and Governance Committee. • Regular liaison and progress updates. • Liaison with other assurance providers. • Preparation of the annual opinion. 	On-going throughout the year

NB: Resources allocated to individual audits have taken into consideration the level of risk assigned to the area by the client, our knowledge of any existing client controls, including how effective these are, and the specialist nature of the area being reviewed. The resource level applied for the delivery of the area of work is reviewed as the detailed scope of the work is agreed with the executive lead.

APPENDIX B: INTERNAL AUDIT STRATEGY 2018/19 – 2020/21

Proposed Area for Coverage	Internal Audit Coverage	2018/19	2019/20	2020/21
Procurement Framework	<p>This review will focus on the key controls and processes in relation to procurement, including consideration of the following:</p> <ul style="list-style-type: none"> • How TfN engages its suppliers, including tendering, obtaining quotations and the decision-making processes such as the use of benchmarking; • Supplier selection and approval controls; • Whether suppliers are selected from an approved list according to predetermined criteria; • Supplier spend analysis to ensure the achievement of value for money; • Process of declarations of interests from those authorised to approve successful tendering companies/contractors; and • Controls over the use of preferred suppliers and bulk purchase and controls over orders placed just below quotation and / or tender thresholds. 	✓		
Risk Management	<p>Our internal audit methodology is linked to your risk management processes, and therefore the more risk mature the organisation, the more closely the organisation will be able to map internal audit assurance to specific risks, and to use this assurance to inform its risk profile and associated decisions.</p> <p>Our risk management opinion for 2018/19 will be provided through our Risk Management Framework review.</p> <p>Future risk management specific reviews could include a 'deep dive' into a sample of risks and associated control mechanisms to provide assurance over control existence and quality.</p>	✓	✓	✓

Proposed Area for Coverage	Internal Audit Coverage	2018/19	2019/20	2020/21
Corporate Governance	<p>Without an appropriate and effective governance structure in place the organisation will not thrive in the increasingly challenging external environment within which it will be required to operate. Strategic leadership and innovative governance will be required from the Board to ensure that TfN is best placed to meet the needs of its existing and future stakeholders. Areas of reporting, well led governance and engagement strategies are areas that are covered under this remit.</p> <p>Our governance opinion for 2018/19 will be informed by attendance at Audit and Governance Committee as well as the governance elements included within individual audits.</p> <p>In 2019/20 we will undertake a Legal Services: Corporate Governance Review.</p>	✓	✓	✓
Core Financial Systems	<p>To undertake a review of financial systems on a cyclical basis to cover the following areas:</p> <ul style="list-style-type: none"> • Accounts payable; • Treasury management; • Financial Regulations review; and • Payroll and Expenses. <p>We will incorporate Interactive Data Extraction and Analysis (IDEA) testing into our audits where applicable to ensure sufficient coverage for sampling and extracting data and subsequent data analysis / matching.</p> <p>In 2018/19 our financial controls work will focus on payment authorisation processes, and payroll and expenses.</p> <p>We propose the focus in future years to be</p> <ul style="list-style-type: none"> • 2019/20 - Financial Strategy Compliance and Reporting. • 2020/21 - Treasury Management. 	✓	✓	✓

Proposed Area for Coverage	Internal Audit Coverage	2018/19	2019/20	2020/21
IT Audit	<p>Each year, we would seek to focus our IT work on a particular area, to be agreed with management. Examples include:</p> <ul style="list-style-type: none"> • Firewalls and Malware; • Appropriateness of and compliance with IT Policy; • IT Strategy; • Arrangements for Data Integrity; • IT Disaster Recovery arrangements and Business Continuity; • Cyber-crime; • Management of IT Issues / User Requests; and • IT Asset Management. <p>In 2018/19 the IT Audit will focus on Cyber Security Controls.</p> <p>It is proposed that the 2019/20 audit will focus on data integrity arrangements and data management.</p>	✓	✓	✓
Project Assurance Framework	<p>This review will provide assurance on the consistent application of the TfN Project Assurance Framework.</p> <p>We will assess whether evidence is in place, for a sample of projects, to demonstrate a consistent approach across the organisation from initiation stage to delivery and handover.</p>		✓	
Stakeholder Engagement / Communications	<p>The audit will review arrangements for stakeholder engagement by TfN to provide assurance that the whole range of stakeholders are being engaged with to facilitate the effective planning and delivery of services.</p>			✓
Absence Management and Wellbeing	<p>This review will cover the processes in place at TfN to monitor and manage employee absence and the support services in place relating to employee wellbeing.</p>		✓	
HR Recruitment and Selection	<p>We will review the procedures in place for recruitment and selection. We will select a sample of new starters and we will undertake testing of processes including authority to recruit, development of person specification and job description, advertisement, long listing, shortlisting, interview and assessment, panel decision, references and other checks such as right to work, contract of employment, induction and end of probation.</p>			✓

Proposed Area for Coverage	Internal Audit Coverage	2018/19	2019/20	2020/21
Performance Management and Appraisals	We will undertake testing of the appraisal and performance management processes for the organisation's employees.			✓
Flexi-time	The review will consider the consistent application of the organisation's policy and benchmark practices to compare the method adopted of authorising and recording flexi hours carried forward to that seen at other organisations.		✓	
Business Plan Compliance and Reporting	This review would focus on the management information produced with regards to the delivery of the Business Plan and the processes in place to identify and report deviations and corrective action.			✓
Advice and Support	<p>An allocation for advice and support from RSM subject matter experts. This could be in the form of meeting attendance, advice and assistance and/or documentation review.</p> <p>In 2018/19 this allocation will be utilised through HR Policy Suite review and Business Planning support.</p>	✓	✓	✓
Other Internal Audit Activity				
Follow up	<p>To meet internal auditing standards, and to provide assurance on action taken to address internal audit actions previously agreed by management.</p> <p>There is no allocation in 2018/19 as there are no previous internal audit actions to review.</p>	-	✓	✓
Management	<p>This will include:</p> <ul style="list-style-type: none"> • Annual planning. • Preparation for, and attendance at, Audit and Governance Committee. • Regular liaison and progress updates. • Liaison with other assurance providers. • Preparation of the annual opinion. 	✓	✓	✓

APPENDIX C: INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for the internal audit service for Transport for the North. The establishment of a charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit and Governance Committee.

The internal audit service is provided by RSM Risk Assurance Services LLP ("RSM").

We plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help you to achieve its objectives. An overview of our client care standards are included at Appendix D of the Internal Audit Strategy for 2018/19 – 2020/21.

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Core Principles for the Professional Practice of Internal Auditing;
- Definition of internal auditing;
- Code of Ethics; and
- The Standards.

Mission of internal audit

As set out in the PSIAS, the mission articulates what internal audit aspires to accomplish within an organisation. Its place in the IPPF is deliberate, demonstrating how practitioners should leverage the entire framework to facilitate their ability to achieve the mission.

"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".

Independence and ethics

To provide for the independence of Internal Audit, its personnel report directly to the Partner, Lisa Randall (acting as your Head of Internal Audit). The independence of RSM is assured by the internal audit service reporting to the Finance Director, with further reporting lines to the Chief Executive, and the Chair of the Audit and Governance Committee.

The Head of Internal Audit has unrestricted access to the Chair of Audit and Governance Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Conflicts of interest may arise where RSM provides services other than internal audit to Transport for the North. Steps will be taken to avoid or manage transparently and openly such conflicts of interest so that there is no real or perceived threat or impairment to independence in providing the internal audit service. If a potential conflict arises through the provision of other services, disclosure will be reported to the Audit and Governance Committee. The nature of the disclosure will depend upon the potential impairment and it is important that our role does not appear to be compromised in reporting the matter to the Audit and Governance Committee. Equally we do not want the organisation to be deprived of wider RSM expertise and will therefore raise awareness without compromising our independence.

Responsibilities

In providing your outsourced internal audit service, RSM has a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit and Governance Committee for review and approval each year before work commences on delivery of that plan.
- Implement the internal audit plan as approved, including any additional tasks requested by management and the Audit and Governance Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
- Establish a quality assurance and improvement program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Report regularly to the Audit and Governance Committee to demonstrate the performance of the internal audit service.

For clarity, we have included the definition of 'internal audit', 'senior management' and 'board'.

- Internal audit – a department, division, team of consultant, or other practitioner (s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.
- Leadership Team - who are the team of individuals at the highest level of organisational management who have the day-to-day responsibilities for managing the organisation.
- Board - The highest level governing body charged with the responsibility to direct and/or oversee the organisation's activities and hold organisational management accountable. Furthermore, "Board" may refer to a committee or another body to which the governing body has delegated certain functions (eg an Audit and Governance Committee).

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit and Governance Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.

- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by RSM unless specifically seconded to internal audit.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with the executive summary being provided to the Audit and Governance Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

The internal audit service will issue progress reports to the Audit and Governance Committee and management summarising outcomes of audit activities, including follow up reviews.

As your internal audit provider, the assignment opinions that RSM provides the organisation during the year are part of the framework of assurances that assist the board in taking decisions and managing its risks.

As the provider of the internal audit service we are required to provide an annual opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The annual opinion will be provided to TfN by RSM Risk Assurance Services LLP at the financial year end. The results of internal audit reviews, and the annual opinion, should be used by management and the Board to inform the organisation's annual governance statement.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's terms of business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

Quality Assurance and Improvement

As your external service provider of internal audit services, we have the responsibility for maintaining an effective internal audit activity. Under PSIAS, internal audit services are required to have an external quality assessment every five years. In addition to this, we also have in place an internal quality assurance and improvement programme, led by a dedicated team who undertake these reviews. This ensures continuous improvement of our internal audit services.

Any areas which we believe warrant bringing to your attention, which may have the potential to have an impact on the quality of the service we provide to you, will be raised in our progress reports to the Audit and Governance Committee.

Fraud

The Audit and Governance Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit and Governance Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will be aware of the risk of fraud when planning and undertaking any assignments.

Approval of the internal audit charter

By approving this document, the Internal Audit Strategy, the Audit and Governance Committee is also approving the Internal Audit Charter.

APPENDIX D: OUR CLIENT CARE STANDARDS

- Discussions with senior staff at the client take place to confirm the scope four weeks before the agreed audit start date.
- Key information such as: the draft assignment planning sheet are issued by RSM to the key auditee four weeks before the agreed start date.
- The lead auditor to contact the client to confirm logistical arrangements at least 10 working days before the commencement of the audit fieldwork to confirm practical arrangements, appointments, debrief date etc.
- Fieldwork takes place on agreed dates with key issues flagged up immediately.
- A debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame.
- Draft reports will be issued within 15 working days of the debrief meeting, and will be issued by RSM to the agreed distribution list.
- Management responses to the draft report should be submitted to RSM.
- Within three working days of receipt of client responses the final report will be issued by RSM to the assignment sponsor and any other agreed recipients of the report.

FOR FURTHER INFORMATION CONTACT

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As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Transport for the North, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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