



# TRANSPORT FOR THE NORTH

## Risk Management – Risk Register Deep Dive

Internal audit report 1.20/21

Revised Final

21 May 2020

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# EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, remote working has meant that we have been able to complete our audit and provide you with the assurances you require. It is these exceptional circumstances which mean that 100 per cent of our audit has been conducted remotely. Based on the information provided by you, we have been able to sample test, or complete full population testing using data analytics tools.

## Background

As part of the approved internal audit plan for 2020/21, we have performed a 'deep dive' review of Transport for the North's (TfN's) risk registers to provide assurance over control existence and quality.

TfN's Risk Management Strategy (RMS) sets out TfN's approach in relation to risk management. TfN's risk management process is subdivided into six key steps:

- Contextual Analysis;
- Identification of Risk;
- Risk Evaluation;
- Risk Analysis;
- Risk Treatment; and
- Monitor and Control.

As part of our review we sampled a selection of risks from the Corporate risk register, the four Programme risk registers in place (Northern Powerhouse Railway, Integrated Smart Travel, Strategic Rail and Strategic Development Corridors) and the four Directorate risk registers in place (Finance, Governance, Stakeholder Communication and Strategy and Policy). Our testing has also included a review of the risk registers to consider controls that acknowledge TfN's response to the early stages of COVID-19. For each selected risk, we have reviewed the information recorded in the risk register to determine whether the actions and activities being undertaken by management to mitigate the risks are clearly described. In

addition to this, for each selected risk we have tested whether evidence is in place to demonstrate the existence of each activity as recorded in the risk register.

Furthermore, the reporting structure has been reviewed to highlight whether risks are being reported to senior management and other key stakeholders such as the Audit and Governance Committee and the TfN Board.

## Conclusion

Through the work performed, we confirmed that TfN has an established framework in place in relation to risk management building upon our 2019/20 assessment of the process and framework in place. The framework is driven by the recently updated Risk Management Strategy with oversight provided through an established governance framework at programme, Directorate and Board level. The enhancements made to the risk management framework noted during this review compliment the improvements made to strengthen the content of the risk registers and risk management framework during 2018/19 and 2019/20.

Through our sample testing we confirmed that the control framework is mainly operating as intended and the information recorded in TfN's Risk Registers is consistent with the activities operating in practice based on our sample testing. We noted a small number of exceptions with regards to the level of commentary supporting the progress made against each risk in two Directorate Risk Registers: Governance and Strategy and Policy. We have agreed one 'low' management action with management and highlighted areas where action could be taken to further strengthen risk management processes.

We acknowledge that the current situation in respect of the COVID-19 may have an immediate impact on any amendments made to the risk management framework and timely completion of actions raised within this report. It is also noted that following the fieldwork stage of our review, we were advised by the Portfolio Risk Manager that TfN has undertaken a review to assess the effect that COVID-19 may have on programmes and highlight the associated risks

and a copy of the assessment was provided as draft report stage. This is expected to be reported to the next Board meeting and risk registers will be updated accordingly.

### 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 effectively.



## Key findings



We confirmed that TfN has a Risk Management Strategy in place which clearly sets out TfN's approach to risk management. The Strategy has been updated and was approved in September 2019. The content in terms of coverage compares well with other Risk Management Strategies we have reviewed.



Through our deep dive review carried out for a sample of risks across the Corporate, Programme and Directorate risk registers we confirmed that associated controls / mitigating actions had been identified for all risks in the sample and evidence was in place to demonstrate the existence of the stated controls / mitigating actions. We also noted that the sample of controls / mitigating actions stated were recorded and reported to mitigate the associated risk.



For a sample of Corporate, Programme and Directorate risk registers reviewed we confirmed that risks had been recorded and assessed, mitigating actions had been captured and monitoring had been documented. However, we noted that

progress updates had not been recorded against all risks in the Governance and the Strategy and Policy Directorate risk registers to ensure that the current position is recorded and monitored.

We noted that as part of TfN's emergency response to the current COVID-19 pandemic, the Corporate risk register has been reviewed and updated to incorporate the following risk '*The Business and Employee Well-Being Effects of the Global Coronavirus (COVID-19) Pandemic*'. We also confirmed on a sample basis that controls and action plans / mitigation strategies have been identified to mitigate this risk.



We confirmed that clear reporting arrangements were in place to ensure frequent and thorough monitoring of TfN's Corporate, Programme and Directorate risk registers. Our testing confirmed that the reporting arrangements were operating as intended and include review of risks at Board level.

## Additional areas of good practice for consideration

We have identified the following areas that management may wish to take into consideration to further develop risk management processes:



Each risk within the Corporate risk register is aligned to a 2019/20 and existing valid 2018/19 Strategic Objective. We were informed that the Strategic Objectives are usually aligned to the risk register on an annual basis in March / April, based on the objectives in the TfN Business Plan. However due to the current COVID-19 pandemic the exercise to align the 2020/21 Strategic objectives to the risk register had been delayed and had not taken place at the time of our audit.

Several strategic developments have occurred at TfN since 2018/19. Therefore, when the annual exercise to align Strategic objectives to the Corporate risks is undertaken, it is considered good practice for

management to also consider the 12 values included in the TfN Business Plan 2020/21 and the four 'ambitions for the future' detailed in The Northern Transport Charter 2020, for which management may wish to reflect the golden threads through the Corporate risk register



The 'current risk score' and 'target risk score' for all risks is determined by assessing 'probability', 'financial impact score', 'time/schedule impact Score', and 'reputational impact score' which is considered good practice. In addition, Programme and Directorate risks include a 'residual risk score'. We consider it good practice for management to include the 'residual risk score' for Corporate risk register risks to enable the complete journey that the risk has been on in respect of management and monitoring. We acknowledge that this is something management will continue to consider as appropriate following on from our review in 2018/19. .

## DETAILED FINDINGS AND ACTIONS

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.

Area: Directorate risk register				
<b>Control</b>	A documented Directorate risk register is in place for each key function within TfN, outlining the key risks to services such as Finance, Governance etc. There are reviewed by the Portfolio Risk Manager on a quarterly basis.	<b>Assessment:</b>		
		<b>Design</b>		✓
		<b>Compliance</b>		×
<b>Findings / Implications</b>	<p>We confirmed that there were four Directorate risk registers in place covering the following functions:</p> <ul style="list-style-type: none"> <li>• Finance;</li> <li>• Governance;</li> <li>• Strategy and Policy; and</li> <li>• Communications and Stakeholder Engagement.</li> </ul> <p>We were informed by the Portfolio Risk Manager that like the Corporate risks, the Directorate risks have long-term risk proximities, therefore reviews take place on a quarterly basis. The reporting of Directorate risks is on exception basis, for example if there is a critical/significant risk a particular team is facing, TfN will report the risk to the appropriate governance group. We were informed that TfN do not report “green/low risks” to the Board as these are deemed as very low and manageable and most of the Directorate risks are rated as green/very low risks.</p> <p>Similarly, to the Corporate risk register, through review of the Directorate risk registers, we confirmed that risks had been recorded and assessed, mitigating actions had been captured and monitoring had been documented. However, we noted that in the Governance and Strategy and Policy risk registers that although progress updates are recorded against some actions, this is not consistent throughout the documents.</p>			
<b>Management Action 1</b>	The Portfolio Risk Manager will ensure that the Directorate risk registers are updated consistently following each review point. Where there are no changes to a risk, and/or action, this will be documented as a nil return to ensure that there is a clear audit trail of senior management review.	<b>Responsible Officer</b>	<b>Date</b>	<b>Priority</b>
		Haddy Njie, Portfolio Risk Manager	30 September 2020	Low

## APPENDIX A: CATEGORISATION OF 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 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, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
					Low	Medium	High
Policies and Procedures	0	(1)	0	(1)	0	0	0
Deep Dive	0	(3)	1	(3)	1	0	0
Committee Oversight	0	(4)	0	(4)	0	0	0
<b>Total</b>					<b>1</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

## APPENDIX B: BENCHMARKING

### 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	37.90%	✓
Reasonable assurance	49.82%	
Partial assurance	12.28%	
No assurance	0%	

  

Management actions	Average number in similar audits	Number in this audit
	4.82	1

# APPENDIX C: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

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

### Objectives of the area under review

To ensure controls and assurances information recorded in TfN's Risk Registers is accurate and consistent with the activities operating in practice.

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

This review will take the approach of a 'deep dive' into a sample of risks and associated control mechanisms to provide assurance over control existence and quality. Our sample will cover a selection of risks from the Corporate risk register, Programme risk registers and Directorate risk registers.

For each selected risk, we will review the information recorded in the risk register to determine whether the actions and activities being undertaken by management to mitigate the risks are clearly described.

In addition to this, for each selected risk we will also test whether evidence (on a sample basis) is in place to demonstrate the existence of each activity as recorded in the risk register (this will include an assessment of the accuracy with which the control and assurance information is recorded in the risk register based on the underlying records/evidence).

Our review will also consider the Risk Management Policies and Procedures in place and arrangements for reviewing risk registers at Committee / Board meetings.

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

- The scope of the work is limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review;
- We will not comment on whether TfN has identified all of its risks and opportunities;
- We will undertake an assessment of the adequacy of aspects of the control framework and we will undertake limited testing to confirm its operation in practice;
- 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;
- The results of our work are reliant on the quality and completeness of the information provided to us; and
- Our work does not provide absolute assurance that material error, loss or fraud does not exist.

Due to the exceptional circumstances in place as a result of the COVID-19 our audit will be carried out remotely through the use of secure portals for the transfer of information, and through electronic communication means. Our review will focus on the controls that operate during normal circumstances and will not assess the exceptional controls put in place during the current pandemic.

**Debrief held** 14 April 2020 and 1 May 2020  
**Draft report issued** 5 May 2020  
**Responses received** 11 May 2020 and 20 May 2020  
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