

Audit and Standards Committee

10 June 2021

Internal Audit Plan 2021/22

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Discussion
Funding Stream:	Not applicable
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:

Ruth Adams, Deputy Chief Executive

Report Author(s):

Internal Audit – Grant Thornton

Executive Summary:

The Audit and Standards Committee is responsible for overseeing and reviewing the Authority's internal audit strategy. This report presents the Internal Audit Plan for 2021/22.

What does this mean for businesses, people and places in South Yorkshire?

Internal Audit supports the organisation in helping to achieve its objectives by giving assurance on its internal control and governance arrangements. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

Recommendations:

Members are asked to consider the Internal Audit Plan for 2021/22.

Sheffield City Region Mayoral Combined Authority and South Yorkshire Passenger Transport Executive

**Draft Internal Audit Strategy 2021/24
and Annual Audit Plan 2021/22**

May 2021



Contents

	Page
1. Introduction	3
2. Draft Group internal audit annual plan for 2021/22	8
3. Draft Group internal audit strategic plan for 2021/22 to 2023/24	12
Appendices	
A. Our Internal Audit Charter	15

Our Internal Audit Plan for 2021/22 has been prepared on the basis set out in your “Invitation to Quote”. This plan, and our subsequent deliverables do not constitute an assurance engagement as set out under ISAE 3000. This report has not been designed to be of benefit to anyone except the Authority. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Authority. Any party other than the Authority that obtains access to this report (or a copy) under Freedom of Information Act 2002, through the Authority’s publication scheme or otherwise, and chooses to rely on this report (or any part of it) does so at their own risk. To the fullest extent permitted by law, Grant Thornton UK LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Authority.

Introduction

Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Chief Internal Auditor) to produce a risk based plan which takes into account the organisation's risk management framework, its strategic priorities and objectives and the views of its senior management and Audit Committee* members.

This annual plan for 2021/22 has been developed through:

- review of South Yorkshire Passenger Transport Executive Business Plan 2020–2021;
- review of the Sheffield City Region Transport Strategy 2018 – 2040;
- review of Sheffield City Region Strategic Economic Plan 2020-2040;
- review of the each organisation's annual report and annual governance statement;
- review of each organisation's risk registers;
- review of minutes and papers to identify any planned changes to the control environment or emerging risks, and
- discussions with senior management and Audit Committee members.

We have shared our initial risk assessment with both your senior management team and Audit Committee members to refine the risks presented in this plan, ensuring that it is appropriate, focused and designed around your specific needs.

We have also set out our strategic internal audit plan (2021 to 2024) detailing planned work which will feed into the development of the annual plan in future years and will be undertaken in accordance with PSIAS.

Our strategic and annual plan is designed to provide sufficient coverage over the Group's risk, governance and control environment (including financial controls) so that we can provide an annual internal audit opinion for each organisation.

**Note - the reference to Audit Committee throughout this document refers to the Organisations' two Audit Committees:*

- *SYLTE – Audit and Risk Committee*
- *SCRMCA – Audit and Standards Committee*

Introduction

A risk based approach to internal audit planning

We have considered the robustness of your risk management framework and associated risk culture and can confirm we have used this as a basis for identifying and prioritising internal audit work. In particular, we have taken into account your overall appetite and tolerance for risk when prioritising our planned activity.

You are operating in a constrained financial environment and have an agreed budget for internal audit and therefore, together with senior management and the audit committee, we have used judgement to prioritise activities. We have ensured sufficient coverage over risk, governance, and control and therefore can confirm we are able to produce an annual internal audit report and opinion (limited to the work we have completed).

Your control environment

Internal audit is not itself part of the internal control system, nor is it responsible for internal control or compliance. This remains the responsibility of management. Our work as internal audit typically includes:

- Reviewing the risk management and internal control processes developed and maintained by management to ensure the achievement of agreed organisational or departmental goals;
- Assessing compliance with policies and procedures, including where relevant laws and regulations and strategic plans;
- Considering the robustness and reasonableness of arrangements to ensure effective and efficient use of resources.

Internal Audit is only one source of assurance available to you. The delivery of our internal audit plans will not, and does not, seek to cover all the risks and controls in place across the Authority. We will liaise with external audit, and other assurance providers to ensure that duplication is minimised. We do not place reliance on other sources of assurance available to you when forming our annual opinion.

Overview of the internal audit planning process

Stage 1	Your Visions & Values
Stage 2	Understanding your Risk Maturity
Stage 3	Review Strategic Risk Registers
Stage 4	PSIAS Requirements
Stage 5	In year developments / New Projects
Stage 6	Your internal audit budget to inform prioritisation

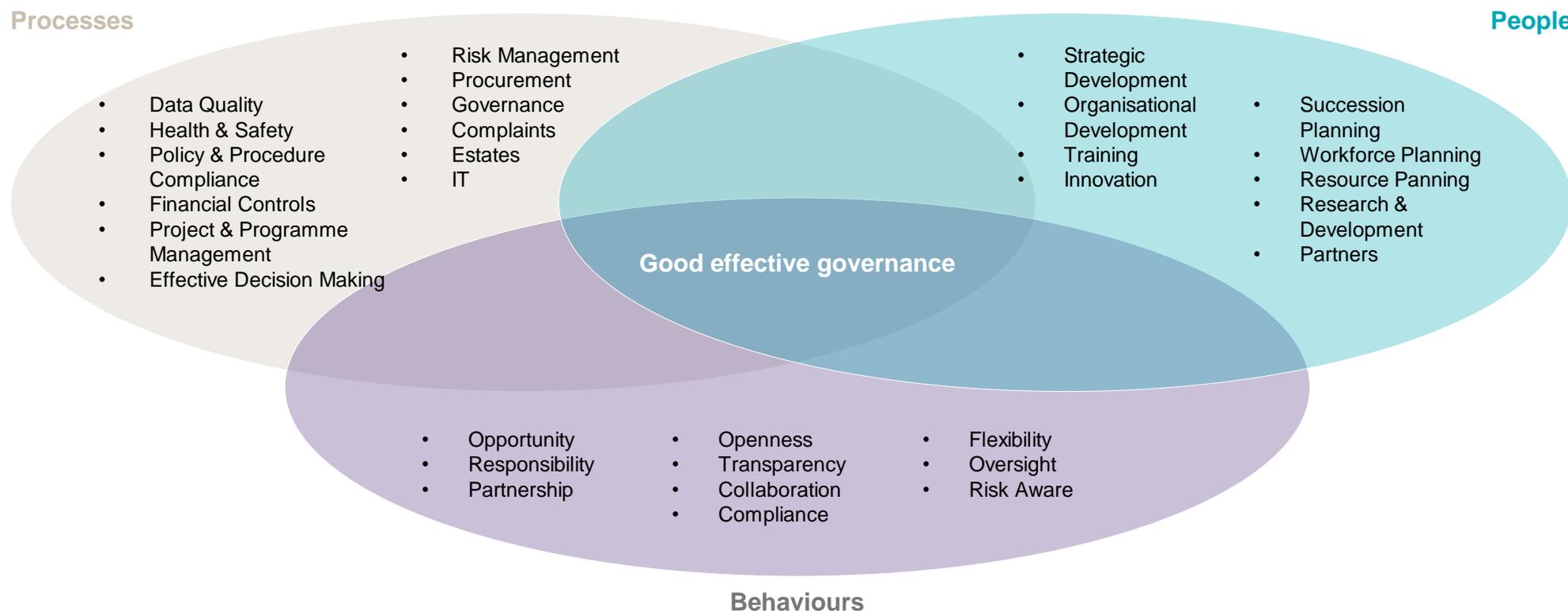
Possible Internal Audit Considerations

Internal Audit Budget



Factors influencing the strategic plan

Our internal audit work takes into account your cultural values and commitments as well as processes. We look holistically across the Authority, recognising good and effective governance requires a well balanced combination of process/people/behaviours. We consider these three aspects within each internal audit review. The diagram below considers internal audit coverage over the 3 year period against the changing risk environment to ensure our coverage covers all 3 areas.



Strategic objectives and goals



Internal audit plan for 2021/22

The draft 2021/22 internal audit plan is summarised below. This plan is subject to final discussion with the Group Finance Director, Deputy Section 73 Officer and Chairs of Audit Committee, prior to final approval and adoption at Audit Committee. The specific objectives; associated risks; our scope and approach to each review; and timing will be agreed with the relevant audit sponsor.

The plan has been formulated during the Covid-19 pandemic and is subject to flexibility to reflect the longer term impact of the virus.

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
Annual reviews for HOIA opinion				
Core financial controls	Group Finance Director	Evaluation and testing of the design, implementation and operation of key controls in the Authority's core financial systems. This will include review of controls over the general ledger, journals, payroll, cash and banking, accounts receivable and payable and budgetary control.	Q3	30
Risk Management	Deputy Chief Executive (MCA) & Executive Director (PTE)	In accordance with Public Sector Internal Audit Standards, we are required to complete a review of risk management. We will review the current arrangements in place to ensure that management have appropriate assurance that risks are managed and escalated appropriately through the Authority and that there is sufficiency overview and scrutiny of these risks. This review will consider the design and operating effectiveness of the processes for identifying, assessing, recording, managing, reviewing and reporting risks at a divisional level.	Q4	15
Governance	Deputy Chief Executive (MCA) & Principal Solicitor and Secretary to the Executive (PTE)	We will review the adequacy of the governance arrangements in place within the Group. Our review will focus on the application of and compliance with the Authority's Assurance Framework and will consider how each Authority receives assurance.	Q3	15
Critical IT Controls	Group Finance Director	Our review will assess the adequacy of essential IT controls. This will include security management, technology acquisition, development and maintenance and technology infrastructure.	Q1/2	15
Sub Total				75
Risk Based Reviews (See following pages)				153
Contract Management & Follow Up				35
Total Days to deliver in 2021/22 - This includes Contingency Days Brought Forward of 13 days				263

Internal Audit Plan for 2021/22

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
Group audits				
Integration of MCA & PTE	Deputy Chief Executive	The MCA has commenced the process for integrating the PTE fully within the MCA, moving away from the current Group Structure with a wholly owned Subsidiary Body. Given the high profile risk to the Authority, Audit resource has been included within the plan to provide assurance. The scope and coverage of the review is to be determined.	Q3/4	26
Assessing the risk of Fraud	Group Finance Director	We will carry out a high level strategic overview of the Authority's Local Counter Fraud arrangements in place to detect, manage and mitigate the risk of Fraud.	Q1	10
Group audits – sub total				36
MCA				
Grant Claims	Group Finance Director	Certification of grant claims including the Growth Hub and Local Transport Capital Funding Grants.	Q1 & 3	12
Procurement (Phase 2)	Group Finance Director	Phase two of our review will focus on the embeddedness, operational effectiveness and compliance with procurement controls within the MCA.	Q2	10
AEB	Director of Business & Skills	As part of the MCA Devolution Deal, the authority will take responsibility for c£39m of devolved Adult Education Budget (AEB) from 1 August 2021. Audit resource has been included within the plan to provide assurance. The scope and coverage of the review is to be determined.	Q3	30
AMP Technology Centre – Follow Up	Group Finance Director	Our 2020/21 internal audit reported partial assurance with improvement required. Our report included one high and two medium risk recommendations. This review will reperform the audit testing in respect of a sample of areas to provide assurance on the effectiveness and embeddedness of the actions implemented.	Q1	10
MCA audits – sub total				62

Internal Audit Plan for 2021/22

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
PTE				
Grant Claims	Group Finance Director	Certification of the Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant.	Q3	10
Asset Management	Principal Solicitor and Secretary to the Executive / Director of Customer Services	We will evaluate the Executive's Asset Landlord arrangements in place to ensure there is a robust programme of asset management, oversight of control, security, investment and maintenance. We will also carry out a follow up review of the actions agreed following our Asset management review of the Super Tram in 2019/20 which provided a Partial Assurance with improvement required opinion and included six medium risk recommendations.	Q1	25
Supplier Resilience	Group Finance Director	Our review will evaluate the arrangements in place to monitor supplier resilience and financial sustainability in delivering major contracts. Our review will consider how risks are identified and monitored and the Business Continuity Plans in place.	Q2	20
<i>PTE audits – sub total</i>				55

Timing of Reviews 2021/22

We would propose to complete the reviews below in 2021/22. We have also included provisional timing for each review, although recognise that this may be subject to change.

Review	Days	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Grant Claims (MCA)	12												
Assessing the risk of Fraud (Group)	10												
Asset Management (PTE)	25												
Supplier Resilience (PTE)	20												
AMP Technology Centre – Follow Up (MCA)	10												
Critical IT Controls (Group)	15												
Procurement (MCA)	10												
Grant Claims (PTE)	5												
Governance (Group)	15												
AEB (MCA)	30												
Core financial controls (Group)	30												
Integration of MCA & PTE (Group)	26												
Risk Management (Group)	15												
Contract Management	25												
Follow-up	10												
Total	258												
Audit Committee (PTE)													
Audit Committee (MCA)													

Strategic internal audit plan (2021 - 2024)

Based on our initial risk assessment, we have set out in the table below what we believe the key areas of risk and therefore a priority for you to mitigate are. Our plans are flexible and we would anticipate this plan will change year on year to take account of new or changed risks and priorities. Our plans reflect 250 internal audit days input per annum.

Internal Audit area	Source of review	Authority's strategic risk	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
Annual reviews for HOIA opinion					
Core financial controls	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
Risk management	PSIAS – risk	Covers all strategic objectives	Yes	Yes	Yes
Governance	PSIAS – governance	Covers all strategic objectives	Yes	Yes	Yes
Critical IT Controls	PSIAS – control	Covers all strategic objectives	Yes	-	Yes
Group Audits					
Integration of MCA & PTE	PSIAS – risk	Covers all strategic objectives	Yes	Yes	-
Procurement	PSIAS – control	Covers all strategic objectives	Yes	-	-
Assessing the risk of Fraud	PSIAS – risk	Covers all strategic objectives	Yes	-	-
Audit Plan areas for consideration in future years:					
Implementation of the Bus Review Recommendations	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Business Continuity, Resilience and Disaster Recovery Planning / Learning from Covid-19	PSIAS – risk	Covers all strategic objectives	-	Yes	-

**Note under PSIAS we are required to ensure sufficient coverage over governance, risk and controls. This may be a specific review over for example risk management or may be covered in individual reviews and we will make this clear and transparent in our plans and the individual audit planning brief (terms of reference). We consider financial controls to be key to the Authority's overall systems of control but this will be proportionate and risk based, and could be cyclical.

Strategic internal audit plan (2021 - 2024)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
Group Audits					
Business Planning / Medium Term Financial Strategy	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Capital Programme	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Business Intelligence / Performance Reporting	PSIAS – governance	Covers all strategic objectives	-	-	Yes
Information Governance / GDPR / Cyber Security	PSIAS – risk	Covers all strategic objectives	-	-	Yes
HR / Workforce Planning / Organisational Development	PSIAS – governance	Covers all strategic objectives	-	-	Yes
MCA Audits					
Grant Claims	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
AEB	PSIAS – control	Ensuring everyone has an opportunity to contribute to and benefit from Economic Growth	Yes	Yes	Yes
Audit Plan areas for consideration in future years:					
Conflict of Interests - LEP	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Investment	PSIAS – risk	Growing the Economy for all	-	Yes	-
Contract Management	PSIAS – governance	Growing the Economy for all	-	Yes	-
Commercial Strategy	PSIAS – governance	Growing the Economy for all	-	Yes	-
Partnership Governance	PSIAS – governance	Growing the Economy for all	-	-	Yes
Programme Management	PSIAS – governance	Growing the Economy for all	-	-	Yes
Asset Management	PSIAS - control	Growing the Economy for all	-	-	Yes
Research and Development	PSIAS – governance	Driving low carbon opportunities within the economy and delivering net-zero emissions	-	-	Yes

Strategic internal audit plan (2021 - 2024)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
PTE					
Grant Claims	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
Asset Management	PSIAS – governance	Residents and businesses connected to economic opportunity	Yes	-	-
Supplier Resilience	PSIAS – risk	Residents and businesses connected to economic opportunity	Yes	-	-
Audit Plan areas for consideration in future years:					
Maintenance Programme	PSIAS - control	Safe, reliable and accessible transport network	-	Yes	-
Project Management	PSIAS - governance	Residents and businesses connected to economic opportunity	-	Yes	-
Review of Operational Arrangements: A rolling programme to review and provide assurance on different operational areas e.g. tendered bus services etc.	PSIAS – risk	Safe, reliable and accessible transport network	-	Yes	-
Remote Site Operational Controls	PSIAS – risk	Safe, reliable and accessible transport network	-	Yes	-
Air Quality & Environment	PSIAS – governance	A cleaner, greener Sheffield City Region			
Health and Safety Compliance	PSIAS – risk	Safe, reliable and accessible transport network	-	-	Yes
Contract Management	PSIAS – governance	Residents and businesses connected to economic opportunity	-	-	Yes
Ticketing and Concessions	PSIAS – control	Residents and businesses connected to economic opportunity	-	-	Yes
Market Research	PSIAS – governance	Residents and businesses connected to economic opportunity	-	-	Yes

Appendix

Appendix A: Our Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the South Yorkshire Passenger Transport Executive and Sheffield City Region Mayoral Combined Authority'. It supports the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

Role

The internal audit activity is established by the Audit Committee on behalf of the Authority. Internal audit's responsibilities are defined by the Audit Committee as part of its oversight role.

Professionalism

The internal audit activity will adhere to Public Sector Internal Audit Standards (PSIAS), which are based on mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Authority's relevant policies and our Grant Thornton Internal Audit manual and internal audit practices.

Appendix A: Our Internal Audit Charter

Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Authority's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

Accountability

The Chief Internal Auditor will be accountable to the Audit Committee and will report administratively to the Chief Finance Officer. The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Internal Auditor, or advise and make recommendations to the Executive Board in accordance with the Committees' Terms of Reference.

The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including between committee meetings as appropriate.

Independence and objectivity

The internal audit activity will remain free from interference by any element in the Authority, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining our independence and objectivity. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

Appendix A: Our Internal Audit Charter

Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programmes with established objectives and goals,
- Effectiveness and efficiency of operations and use of resources,
- Compliance with significant policies, plans, procedures, laws, and regulations,
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information,
- Safeguarding of assets.

Internal Audit is responsible for determining a risk based internal audit plan. In doing so, internal audit maintains a proper degree of coordination with external audit. Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Authority.

Engagement with management

Internal audit aims to work closely with senior and operational managers to develop and deliver a programme of internal audit work that adds value to the Authority and encourages continuous process improvement. To achieve this, internal audit will work closely with management during the audit planning and reporting stages, as described below.

Appendix A: Our Internal Audit Charter

Annual internal audit plan

The audit year runs from 1 April to 31 March. At least annually, the Chief Internal Auditor will submit to the Audit Committee an internal audit plan for review and approval. The Internal Audit Plan will detail, for each subject review area:

- The outline scope for the review;
- The number of days allocated;
- The timing, including the Audit Committee to which the final will report will be presented; and
- The review sponsor.

The Internal Audit Plan will be developed using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

Assignment planning and conduct

Terms of reference (audit planning brief) will be drafted prior to the start of every assignment setting out the scope, objectives, timescales and key contacts for the assignment. Specifically, the terms of reference will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The terms of reference will also include the name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contacts). The terms of reference will be agreed with the review sponsor and the key audit contacts (for timings) before the review starts.

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate. For each review, a close-out meeting will be held to discuss the initial audit findings within five days of completion of the audit fieldwork.

Appendix A: Our Internal Audit Charter

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the terms of reference for management responses and comments.

Draft reports will be issued by email within fifteen working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further fifteen working days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and, if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor. The final report will be issued within five working days of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee. The working days set out above are maximum timescales and tighter timescales may be set out in the terms of reference, as required.

Follow up of management actions

The internal audit team will follow-up on engagement findings and recommendations. Internal audit will work with directors or their nominated leads to follow up on completion of agreed management actions. Internal Audit will report progress in implementing recommendations quarterly to the Audit Committee. Internal Audit will confirm for implementation of all significant findings to supporting evidence to confirm implementation.

Audit Committee

The Audit Committee meets five times a year typically. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Chief Internal Auditor and/or Internal Audit Manager will attend all meetings of the Audit Committee. Internal audit will schedule its work so as to spread internal audit reports reasonably evenly over the Audit Committee meetings. The annual Internal Audit Plan will detail the internal audit reports to be presented to each Audit Committee meeting.

Appendix A: Our Internal Audit Charter

Reporting and monitoring

The Chief Internal Auditor will generally present specific reports to the committee as follows:

Output	Meeting
Audit needs assessment	December/February
Annual internal Audit Plan	December/February
Annual report	May
Progress report, including follow-up of recommendations	Each meeting

The Audit Committee will meet privately with the internal auditors at least once a year.

Periodic assessment

The Chief Internal Auditor is responsible for providing a periodic self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan. In addition, the Chief Internal Auditor will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.

