

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

Group Internal Audit Annual Plan 2019/20  
DRAFT

May 2019



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Our proposed internal audit plan for 2019/20 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 proposed annual plan for 2019/20 has been developed through:

- review of South Yorkshire Passenger Transport Executive Business Plan 2019–2020;
- review of the Sheffield City Region Transport Strategy 2018 – 2040;
- review of Sheffield City Region Strategic Economic Plan 2015-2025;
- 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 (2019 to 2022) 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:*

- SYPTE – Audit and Risk Committee
- SCRMCMA – 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.

# Proposed internal audit plan for 2019/20

The proposed 2019/20 internal audit plan is summarised below. This plan is subject to final discussion with the Head of Finance (SYLTE) and Senior Finance Manager (SCRMCA) and Chairs of Audit Committee, prior to final approval and adoption at Audit Committee in June 2019. The specific objectives; associated risks; our scope and approach to each review; and timing will be agreed with the relevant audit sponsor.

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Annual reviews for HOIA opinion and Authority audits</b>				
Core financial controls	Interim Head of Financial Services (SYLTE) Senior Finance Manager (SCRMCA)	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	Executive Director Governance (SYLTE) Senior Governance and Compliance Officer (SCRMCA)	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.	Q4	14
Governance	Principal Solicitor and Secretary to the Executive (SYLTE) Senior Governance and Compliance Officer (SCRMCA)	We will review the adequacy of the governance arrangements in place within the Group. As part of this, we will consider how each Authority receives assurance, how this is updated and reported, how it drives the wider agenda and how it facilitates the management of risk including the compilation of the Annual Governance Statement.	Q4	14
Information Governance / GDPR	Principal Solicitor and Secretary to the Executive (SYLTE) Senior Governance and Compliance Officer (SCRMCA)	Evaluation of the framework in place for managing and securing information. We will provide an opinion on the adequacy of policies, systems and operational arrangements in place. We will also review the controls in place to ensure compliance with the General Data Protection regulation.	Q4	15
Capital Programme	Interim Head of Financial Services (SYLTE) Senior Finance Manager (SCRMCA)	We will undertake an advisory review to support the organisations in responding to the issues raised as part of the 2018/19 Internal Audit review of the South Yorkshire capital programme.	Q2	25

# Proposed internal audit plan for 2019/20

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>South Yorkshire Passenger Transport Executive</b>				
<b>Risk Based Reviews</b>				
<b>Residents and businesses connected to economic opportunity</b>				
Ticketing and concessions	Director of Customer Services	Ticketing and concessions equate to 45% of the PTE's annual revenue budget. This review will look at the wider arrangements in place to include financial planning and levy setting.	Q3	16
Grant Claims	Head of Financial Services	Certification of the Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant from the Department for Transport	Q3	3
<b>A cleaner and greener Sheffield City Region</b>				
Project Management	Director of Customer Services	A review of the framework in place for managing major projects. Our review will focus on the identification, monitoring and management of risks.	Q2	12
<b>A safe reliable and accessible transport network</b>				
Asset Management	Director of Customer Services	Evaluate the arrangements in place to ensure there is an adequate programme of asset security, investment and maintenance for the Super Tram.	Q2	15

# Proposed internal audit plan for 2019/20

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Support the operational objectives of the SYPTTE through the provision of efficient and effective Corporate Services</b>				
Assurance Mapping	Head of Financial Services	We will undertake an advisory review to assist the PTE in how it maps, records and reports the internal and external assurances it receives and expects.	Q1	8
Public Engagement and Consultation	Director of Customer Services	An advisory piece of work to assist the PTE in formulating its Public Engagement and Consultation Strategy	Q2	8
<b>Planning, follow up &amp; contract management</b>				
Follow up of recommendations	Not applicable	Follow up and reporting of progress to Audit Committee against recommendations within the Audit Tracker, providing assurance on management's implementation of agreed actions.	Ongoing	5
Attendance at meetings and contract management	Not applicable	Preparation for and attendance at Audit Committee and client liaison meetings during the year	Ongoing	20

# Proposed internal audit plan for 2019/20

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Sheffield City Region Mayoral Combined Authority</b>				
<b>Risk Based Reviews</b>				
Resource Management / HR Systems	Deputy Managing Director	As the Authority becomes and independent employer, this review will provide advice and guidance on the systems and processes in place including the implementation of an appropriate Competency Framework	Q2	12
Back office transformation	Deputy Managing Director	A review of the arrangements in place to ensure that critical controls within back office services continue to operate effectively during a period of change.	Q3	12
<b>Ensure SCR businesses have the support they need to realise their full growth potential</b>				
Grant Claims	Senior Finance Manager	Certification of Department for Transport grants.	Q3	6
<b>Become more outward looking</b>				
Programme Management	Assistant Director Programme Management Office	A review of the framework in place for managing programmes including the identification, monitoring and management of risks.	Q3	12



# Proposed internal audit plan for 2019/20

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Provide the conditions that businesses need to prosper and become more resilient</b>				
<b>Planning, follow up &amp; contract management</b>				
Follow up of recommendations	Not applicable	Follow up and reporting of progress to Audit Committee against recommendations within the Audit Tracker, providing assurance on management's implementation of agreed actions.	Ongoing	5
Attendance at meetings and contract management	Not applicable	Preparation for and attendance at Audit Committee and client liaison meetings during the year	Ongoing	18
<b>Total planned days</b>				<b>250</b>

# Strategic internal audit plan (2019 - 2022)

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		
			2019/20	2020/21	2021/22
<b>Annual reviews for HOIA opinion</b>					
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
<b>Authority Audits</b>					
Information Governance	PSIAS – governance	Covers all strategic objectives	Yes	-	Yes
Capital Programme	PSIAS – risk	Covers all strategic objectives	Yes	Yes	Yes
Transformation – Authority wide Ledger implementation	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 (2019 - 2022)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2019/20	2020/21	2021/22
<b>South Yorkshire Passenger Transport Executive</b>					
<b>Risk Based reviews</b>					
Ticketing and concessions	PSIAS – risk	Residents and businesses connected to economic opportunity	Yes	-	Yes
Grant Claims	PSIAS – controls	Residents and businesses connected to economic opportunity	Yes	Yes	Yes
Contract Management	PSIAS – risk	Residents and businesses connected to economic opportunity	-	Yes	-
Levy Setting	PSIAS – risk	Residents and businesses connected to economic opportunity	Yes	-	Yes
Project Management	PSIAS – risk	A cleaner and greener Sheffield City Region	Yes	-	Yes
Business Planning	PSIAS – Governance	A cleaner and greener Sheffield City Region	-	Yes	-
Air Quality and Environment	PSIAS – risk	A cleaner and greener Sheffield City Region	-	Yes	-
Asset Management	PSIAS – risk	A safe, reliable and accessible transport network	Yes	-	Yes
Health and Safety Compliance	PSIAS – Governance	A safe, reliable and accessible transport network	-	Yes	-

# Strategic internal audit plan (2019 - 2022)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2019/20	2020/21	2021/22
Assurance Mapping	PSIAS – risk	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	Yes	-	-
Public Engagement and Consultation	PSIAS – governance	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	Yes	-	-
Medium Term Financial Strategy	PSIAS – governance	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	Yes	-	Yes
HR / Work force Planning	PSIAS – governance	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	-	Yes
Performance Management	PSIAS – governance	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	Yes	-
Procurement	PSIAS – control	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	Yes	-
Business continuity and emergency Planning	PSIAS – risk	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	Yes	-
Partnership governance	PSIAS – governance	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	-	Yes

# Strategic internal audit plan (2019 - 2022)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2019/20	2020/21	2021/22
Critical IT controls / IT Strategy	PSIAS – risk	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	Yes	-
Cyber Security	PSIAS – risk	Support the operational objectives of the SYPTE through the provision of efficient and effective corporate services	-	Yes	-

# Strategic internal audit plan (2019 - 2022)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2019/20	2020/21	2021/22
<b>Sheffield City Region Mayoral Combined Authority</b>					
<b>Risk based reviews</b>					
Public Engagement and Consultation	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Workforce Planning	PSIAS – governance	Covers all strategic objectives	-	-	Yes
Cyber Security	PSIAS - risk	Covers all strategic objectives	Yes	-	-
Critical IT Controls	PSIAS - risk	Covers all strategic objectives	Yes	-	-
Resource Management / HR Systems	PSIAS – risk	Covers all strategic objectives	Yes	-	-
Transformation	PSIAS – risk	Covers all strategic objectives	Yes	-	-
Contract Management	PSIAS – governance	Ensure SCR businesses have the support they need to realise their full growth potential	-	Yes	Yes
Grant Claims	PSIAS – controls	Ensure SCR businesses have the support they need to realise their full growth potential	Yes	Yes	Yes
Local Growth Fund Programme	PSIAS – risk	Ensure SCR businesses have the support they need to realise their full growth potential	-	-	Yes
Programme Management	PSIAS – risk	Become more outward looking	Yes	-	-
Commercial Strategy	PSIAS – governance	Become more outward looking	-	-	Yes
Investment Management	PSIAS – risk	Become more outward looking	-	Yes	-

## Strategic internal audit plan (2019 - 2022)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2019/20	2020/21	2021/22
Asset Management	PSIAS – risk	Provide the conditions that businesses need to prosper and become more resilient	Yes	-	Yes
Business Intelligence / Performance Reporting	PSIAS – governance	Provide the conditions that businesses need to prosper and become more resilient	-	Yes	-
Local Industrial Strategy	PSIAS – governance	Provide the conditions that businesses need to prosper and become more resilient	-	-	Yes

# Appendix



# Appendix A: Our proposed 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 proposed 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 proposed 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 proposed 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 proposed 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 proposed 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.

