



# SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

## Purchasing and Creditors

Internal audit report 4.23/24

Final

1 December 2023

This report is solely for the use of the persons to whom it is addressed.

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test and undertake full population testing using data analytics tools to complete the work in line with the agreed scope.

## Why we completed this audit

As of 1 April 2023, the two previously separate entities, South Yorkshire Passenger Transport Executive (SYLTE), and the Sheffield City Region (SCR) were merged to create South Yorkshire Combined Mayoral Authority (SYMCA). As part of this process, the finance functions and ledgers of the two entities were merged, and combined processes put in place. We undertook our audit to assess the controls which the Mayoral Combined Authority (MCA) have in place to ensure that all orders are appropriately approved, and that only goods which have been received and invoiced are paid for.

We also utilised data analytics to understand the effects of merging the two finance functions, identifying any potential duplication within supplier ledgers, as well as through review of paid invoices.

## Conclusion

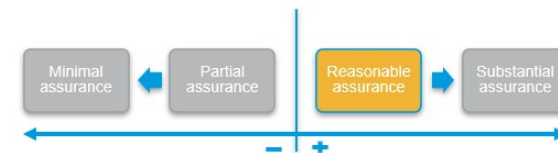
Our review has identified that the MCA has a number of well-designed controls surrounding the purchasing function, however through testing and the use of data analytics we found that there were a number of control weaknesses, particularly with regards to supplier maintenance. We found that the financial regulations lack detailed procedure or guidance notes, that the current process for verifying supplier bank details did not leave a sufficient audit trail for accountability, and that a number of duplicate supplier accounts had been created after the merging of the two entities.

These findings resulted in the agreement of two medium priority management actions, as well as eight low priority management actions. A summary of the medium actions can be found in the key findings below, and detail on all 10 management actions can be found within section two of this report.

### Internal audit opinion:

Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the MCA relies to manage this area are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified area.



## Key findings

### We identified the following controls which were found to be functioning effectively:



Through our testing of the processing of purchases and invoices we found that authority limits have been consistently applied throughout the process at all stages. These delegated authority limits clearly aligned to the individual approval trees set up within the Advance Requisition Management (ARM) purchasing system.



During our sample testing, through review of the ARM purchasing system, we noted a visible audit trail detailing who has made purchase requisitions, and who has approved the various stages in the purchasing process, along with the dates of request, payment and approval and a detailed diagram showing the order of each stage approval. Throughout our sample testing we noted that there were no instances where appropriate segregation of duties had not been followed, and similarly there were no instances where stages of the approval process had been missed. Testing was conducted across 20 purchases.



There is a clear process for re-approving discrepancies between the ordered value of goods, and the value of the invoice. Through walkthrough of an example within the ARM purchasing system, we sighted evidence that the entire value of the invoice had to be reapproved. This prevents risk that discrepancies between ordered values and invoiced values allow for bypassing of the delegated authority values.



Through the use of data analytics, we found no instances of duplicate invoices that have been paid. The two instances where duplicate invoices had been processed had been clearly identified by the finance staff, and voided prior to payment. This sample testing covered 3,755 paid invoices between 1 April 2023 and 30 September 2023.

### We identified the following findings, which resulted in the agreement of two medium priority management actions:



Through sample testing of new suppliers and supplier amendments we found that the record keeping approach used does not provide any evidence as to how the correct bank details were verified, or a sufficiently detailed audit trail to confirm the timeliness of the verification and segregated approval. Only one date was used alongside both signatures, making it unclear whether the date on the document was the date of verification or the date of approval. The MCA should document guidance on how to verify requests for changes to supplier details. These verification checks should be recorded and dated, with the approval signature being separately dated, to provide accountability for the independence of checks being made. The current process creates risk that inaccurate supplier bank details may be processed without sufficient oversight, resulting in potential erroneous payments and financial loss. **(Medium)**



Through the use of data analytics, we found a number of instances in which there appeared to be duplicate suppliers set up. Due to the high number of duplicates created as a result of the merging of both ledgers, we selected our sample based on the supplier code naming convention, in order to identify potential suppliers created post merger. This resulted in the identification of five genuine duplicates, from 30 sampled duplicates. The duplicate suppliers create risk of duplicate payments being made, as well as highlighting the current ineffectiveness of the new supplier process in checking to see if an existing supplier with the same details already exists. For our sample of duplicates we confirmed no duplicate payments had been made. **(Medium)**

## 2. 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: Purchasing and Creditors				
<b>Control</b>	The Combined Authority has published its Financial Regulations within its Constitution, which is made available on its website. Financial processes are included in detail within this document.		<b>Assessment:</b>	
			<b>Design</b>	✓
			<b>Compliance</b>	×
<b>Findings / Implications</b>	<p>We noted through our discussion with the Financial Services Manager that the majority of the Mayoral Combined Authority's (MCA's) rules and regulations were either directly documented within, or linked to, its Constitution, which is available on its website. Review of the Constitution confirmed that the document was readily available on the MCA website, and linked directly to the Financial Regulations. We noted that the Financial Regulations had been approved by the MCA Board in March 2023, which was confirmed through review of the corresponding minutes of the MCA Board, available on the MCA website.</p> <p>Through review of the Financial Regulations, we identified that there were clear roles and responsibilities laid out with regards to the management of the MCA's finances, providing accountability for risk management, accounting policies, internal control and specific responsibilities for key roles such as the Finance Director and Head of Paid Service. Key financial processes, such as financial planning, risk management, and financial procedures, each have dedicated subsections of the Regulations. Section 4.2 of the Financial Regulations specifically refers to purchasing, stating that purchasing must follow the Contract Procedure Rules of the MCA, as well as noting the different types of purchase orders that the MCA will use.</p> <p>However, we noted that there are no detailed procedures or guidance notes for finance staff, discussion with the Financial Services Manager noted that the MCA does not have centralised, formal documented processes for the purchasing function. We sighted a folder within the shared network drive, which holds a number of process notes. These cover key aspects of the purchasing function, although they are in a variety of formats, and have not been updated consistently. The Financial Services Manager informed us that they were intending to formalise the procedure notes into a consistently documented set of process notes, which would be maintained on the shared network drive and regularly updated.</p> <p>We have agreed one overarching action to create consistent procedural documentation of all purchasing processes, to reduce the risk that controls are operated inconsistently, and that the correct purchasing process may not be followed, leading to potential financial loss.</p>			
<b>Management Action 1</b>	The MCA will create documented financial procedures for all elements of the purchasing process. These will be regularly reviewed to ensure that they remain up to date.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Financial Services Manager	31 December 2023	Low

## Area: Purchasing and Creditors

Control	<p><b>Partially Missing Control</b></p> <p>Roles and responsibilities are documented in the Financial Regulations and approval limits are built into the finance systems.</p> <p>There are currently no clearly documented approval limits outside of the ARM approval tree.</p>	<p><b>Assessment:</b></p> <p><b>Design</b> ×</p> <p><b>Compliance</b> -</p>		
Findings / Implications	<p>Discussion with the Financial Services Manager noted that the delegated authority limits are built into the ARM purchasing system, based on the delegated authorities and approval limits of the MCA. We sighted screenshots of the approval tree within the ARM system, alongside the various approvers and their delegated limits. Despite reviewing the MCAs Constitution, Financial Regulations, and Contract Procedure Rules, we did not identify any clearly stipulated delegated authority rules, in relation to purchasing approval limits. As a result, it is unclear what the approval limits built into the ARM system are based on, or that they align with the risk appetite and levels of control deemed appropriate by the MCA. This creates risk that members of staff may be able to approve purchases at an inappropriate value, leading to loss of financial control, and expenditure beyond budget limits. It should be noted that the limits within ARM were confirmed as being applied consistently throughout our purchasing testing.</p> <p>We did note through screen share review that there had been email communication between the Executive Director of Resources and Investments and the Financial Services Manager to set up the approval limits, based on role within the organisation, however a clearly documented and agreed scheme of delegation is required in order to ensure that there is sufficient and consistent control for approval of expenditure.</p>			
Management Action 2	<p>The MCA will document its delegated authority limits for purchasing approvals, and have these formally approved at a relevant governance forum to ensure they align with the risk appetite of the MCA. These limits will align with those within the ARM system.</p>	<p><b>Responsible Owner:</b></p> <p>Financial Services Manager</p>	<p><b>Date:</b></p> <p>31 March 2024</p>	<p><b>Priority:</b></p> <p>Low</p>

## Area: Purchasing and Creditors

<b>Control</b>	Access to the accounts payable system is limited to staff who require access, with the rights being in line with their job roles. Privileged account rights for the ARM system are limited to a small number of staff.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>The MCAs purchasing software, ARM, has a singular administrator account which is able to edit the rules and permissions applicable to certain roles, which can then be assigned to individual users. In the instance of this audit, our primary concern was the Manage Approvals Role, which allows users to "edit the systems approval hierarchy" amongst other privileges. Due to the ARM system not having capability to run a report of all users with this privilege, we undertook screen share testing to confirm which users had these roles in ARM. Our testing identified the following:</p> <ul style="list-style-type: none"> <li>Five members of staff had the Manage Approvals Role, all of which were Senior Finance staff or business partners, as well as a member of the IT Team. These were all individual, named accounts, therefore providing accountability for any changes made by these accounts. This is also a reasonable number of accounts with this privilege, providing business continuity should one or more members of staff be unavailable, without having too many accounts that risks an uncontrollable volume of changes.</li> <li>The Financial Services Manager noted that there were three members of staff who had access to the ARM Admin Account. As this is the most privileged account in the system, good practice would dictate that these privileged accounts should be named, to provide accountability to the users of these accounts, rather than enabling those who are able to access the account to be able to make changes behind the cover of the unnamed account.</li> </ul>	
<b>Management Action 3</b>	The MCA will investigate the ability to implement named administrator accounts, to ensure that changes made by these accounts are able to be traced back to individual users.	<b>Responsible Owner:</b> Financial Services Manager, IT  <b>Date:</b> 31 December 2023  <b>Priority:</b> <b>Low</b>

## Area: Purchasing and Creditors

<b>Control</b>	Purchase orders are raised and approved in line with delegated authorities and are matched to the GRN and invoice prior to payment.	<b>Assessment:</b>  <b>Design</b> ✓ <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>Using a report of paid invoices from the financial year, we selected a sample of 10 purchases, to test back through the ARM system, to confirm that appropriate purchasing controls are in place, that segregation of duties is in place, and that delegated authority levels are adhered to. It should be noted that the merging of the SYPTE (South Yorkshire Passenger Transport Executive) and SCR (Sheffield City Region - now SYMCA), lead to a number of invoices being paid against open orders raised before the two purchasing ledgers were combined in April 2023. As a result, the approval limits and other controls have changed significantly between earlier and later invoices in our sample, and we have taken this into account during our testing. We identified the following:</p> <p><b>Requisition Orders</b></p> <ul style="list-style-type: none"> <li>• Nine requisitions had been approved prior to their purchase order being raised, and prior to the invoice date. We were able to confirm that the approved values matched to the approval tree in ARM for six instances. In two further instances, the approvals were reflective of approval rights that have changed since, and as such these could not be confirmed. In the final instance, we noted that a requisition had been approved beyond the delegated authority of a member of staff. We were informed that this was due to the expenditure being Capital Expenditure, which at the time of approval in early 2023, did not have delegated authority limits within ARM. Based on review of the email trail discussing the ARM authority limits, we noted that these included delegated authority limits for Capital Expenditure, but it is unclear from the evidence provided that these have been applied.</li> <li>• In the final instance, no requisition was completed, due to the payment being the MCAs funding of AEB provision at a local College. As a result, we sighted copies of email trails showing that the Finance Business Partner - Business Skills and Portfolios had validated the claim amounts, and the payments for the month had been approved by both the Interim Financial Controller and the Assistant Director - Funding, Monitoring and Reporting. We also confirmed from the corresponding DMT file that the amount paid to the Sheffield College for June 2023 matched to the DMT (and by extension, the funding claimed.) However, as we noted that we had to reach out to the relevant Finance Business Partner to obtain approval evidence, the MCA should consider implementing a process which captures and retains approval evidence for non standard payments within either ARM itself, or within its file storage, to ensure that an appropriate audit trail is retained and to reduce risk that these payments, which are often of a high value, are not appropriately approved. It should also be noted that the approval provided was for the May 2023 payments, rather than those for June 2023, and we did not receive the corresponding June 2023 approval chain during the audit timeframe.</li> </ul> <p><b>Purchase Orders</b></p> <ul style="list-style-type: none"> <li>• Purchase orders are raised automatically by the ARM system once a requisition has received appropriate authorisation. In all nine applicable instances, with the exception being the AEB funding, we confirmed that the PO had not been raised until after the requisition had been approved, and in all instances the values matched to those of the approved requisition.</li> </ul>	

## Area: Purchasing and Creditors

### Goods Received

- Through review of the nine applicable payments within our sample, we confirmed that in all nine instances, the goods received value was the same or less than the approved requisition and PO value, and was the same value as the final paid invoice value. We also confirmed that in all nine instances, goods were received after the PO had been raised, and prior to the invoice being paid.

### Segregation of duties

- Our review of the various accounts involved within the ARM system noted that for the nine transactions in our sample, all had at least two user accounts utilised, showing that segregation of duties has been built into the purchasing process, with no one account approving all elements of the checking process.
- For the AEB claim expenditure we reviewed, we noted that approvals had come from two separate members of staff, the the Interim Financial Controller and the Assistant Director - Funding, Monitoring and Reporting, again highlighting a segregation of duties.

<b>Management Action 4</b>	The MCA will develop a process to ensure that approvals for payments not managed within ARM are consistently retained.	<b>Responsible Owner:</b> Financial Services Manager	<b>Date:</b> 31 December 2023	<b>Priority:</b> <b>Low</b>
<b>Management Action 5</b>	The MCA will ensure that delegated authority limits within ARM have been applied to Capital Expenditure Ledger codes.	<b>Responsible Owner:</b> Financial Services Manager	<b>Date:</b> 31 December 2023	<b>Priority:</b> <b>Low</b>



## Area: Purchasing and Creditors

<b>Control</b>	Credit notes are approved by the authoriser for the relevant ledger code, and approval is signed on the credit note.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>We selected a sample of five instances where credit notes had been utilised, selected from the paid invoice report, and tested to confirm why credit notes had been used, that the correct amount had been credited, and that the credit notes had been appropriately approved prior to being applied. We noted that, due to the lack of documented procedures, there was a lack of clarity as to if the delegated authority limits for approving credit notes differed from those set for approving invoice values.</p> <p>Whilst we were informed that the limits in the system matched those for invoices, lack of clear procedural documentation creates risk that there is a lack of clarity regarding the correct process for verifying and authorising credit notes.</p> <p>From our sample testing of the five credit notes, we confirmed that in all instances, the credit notes were approved by staff members with sufficient invoice delegated authority values, that the amount per the credit note matched to the value credited, and that the approval was documented within the ARM system prior to the credit being actioned.</p>	
<b>Management Action 6</b>	The MCA will clearly document its control approach regarding credit notes, including who is required to authorise credit notes, and whether specific credit note authority limits will be utilised.	<b>Responsible Owner:</b> Financial Services Manager  <b>Date:</b> 31 March 2024  <b>Priority:</b> <b>Low</b>

## Area: Purchasing and Creditors

<b>Control</b>	Payment runs are prepared and approved by separate members of the Accounts Payable Team. The value and number of payments are compared at multiple stages to ensure that payments are correct.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>Payment runs are checked via three separate reports, before being approved for bank payment each week. We selected a sample of 10 weekly payment runs, and tested to confirm that the various reports had been clearly checked, with appropriate segregation of duties in place, and that values across all reports are consistent. We also queried what information was used to drive the checking process. Our testing identified the following:</p> <ul style="list-style-type: none"> <li>• Nine of the weekly runs matched across the edit listings, payment registers and the BACS report from the APT system. In these instances, each individual report was countersigned by a preparer and a reviewer at a minimum, with some reports being signed by three members of staff. All checks were correctly dated to the day of the payment run.</li> <li>• The final payment run did not match between the edit listing and the payment register, with a drop of £2,018.34. Further investigation regarding this weeks payment run confirmed that duplicate payments had been identified within the run, and had been identified and removed after the payment register report had been run and checked. The effectiveness of this check was noted, as the duplicate payments did not go through to the BACS file for the week and were not paid. Whilst the Payment register report had not been signed by the Financial Services Manager as the reviewer, they did sign the BACS file, and as such no action will be raised.</li> <li>• We were informed by the Financial Services Manager that the main checks performed, beyond matching supplier values from one report to the next, were the automatic indicators built into the APT BACS system, which flag in red any transactions which are considered exceptions, such as payments to new supplier bank details, or payments to the same supplier of the same value. We noted that we had not seen these indicators in any of our sample reports, and the instance we reviewed through screen share was from April 2023. We queried why the flags appeared to have stopped, and the Financial Services Manager acknowledged that they had not noted any red flags on recent BACS reports. The MCA should confirm that the exception report settings within APT are active and are set to highlight the desired transactions, in order to provide a more effective control for the review of BACS reports and to reduce the risk of erroneous transactions being approved and paid.</li> </ul>	
<b>Management Action 7</b>	The MCA will validate that the settings for the highlighting of new bank details and duplicate transactions is still in place and is highlighting transactions as intended.	<b>Responsible Owner:</b> Financial Services Manager  <b>Date:</b> 30 November 2023  <b>Priority:</b> <b>Low</b>

## Area: Purchasing and Creditors

<b>Control</b>	Any new suppliers are setup within the finance system following completion of a new supplier form and independent verification of provided details. Supplier amendments to bank details are processed following independent checks of bank details and appropriate segregation of duties between staff checking details and approval of changes to details.	<b>Assessment:</b>  <b>Design</b> ✓  <b>Compliance</b> ×
<b>Findings / Implications</b>	<p>Through our discussions with the Financial Services Manager, we confirmed that the verification methods for both adding new supplier details and changing details of existing suppliers was the same, with one member of staff verifying the details through an alternate source, and the second member of staff reviewing the verified details within the finance system to confirm that they have been correctly added or amended.</p> <p>We selected five samples of new suppliers, and five supplier amendments. As the ARM system had no capacity to run a report of new suppliers or recent supplier amendments, we selected these from a shared folder of completed and signed forms. As there is a risk that this doesn't capture all new suppliers, we also selected a sample of five of the highest supplier numbers which were not present in the new supplier folder, to confirm that these had also been processed correctly. Our testing noted the following:</p> <ul style="list-style-type: none"> <li>• For the five new suppliers and five amended bank details, all sampled instances had been verified by one member of staff and signed off by a second, with a date recorded on the source evidence. All instances had been correctly adjusted on the ARM system to reflect the changes.</li> <li>• The record keeping approach used does not provide any evidence as to how the changes were verified, and the lack of procedural documentation resulted in us being unable to confirm how these checks were being made. Only one date was used alongside both signatures, making it unclear whether the date on the document was the date of verification or the date of approval. The MCA should document guidance on how to verify requests for changes to supplier details. These verification checks should be recorded and dated, with the approval signature being separately dated, to provide accountability for the independence of checks being made, as well as providing a clearer timeline of the stages of verification and approval.</li> <li>• Due to the record keeping approach currently used, where PDF files are moved between various shared folders at different stages of the verification and approval processes, and the lack of system generated reports for supplier detail changes, we were unable to verify that changes were not being made prior to the verification of details. The MCA may wish to investigate whether a supplier amendment report can be generated, to provide greater assurance that changes are only being made following appropriate verification.</li> <li>• Four of the five samples of high supplier numbers had been performed in the same manner as the new suppliers tested previously, and as such have the same action raised regarding clear recording of the verification method and ensuring that dates are recorded for both elements of the process.</li> </ul>	

## Area: Purchasing and Creditors

- In the final instance, the supplier was an interviewee who was being reimbursed for travel expenses. As a result, no new supplier form had been completed, and instead, an email with the bank details and the amount owed had been provided. This document had only been signed by one member of the Finance Team.
- Whilst it is acknowledged that there are no verification checks to be performed in this instance, the lack of countersignature creates risk that the bank details have not been independently checked once they are in the system, which risks incorrect bank details being paid. The MCA should ensure that the process of countersigning for checking bank details once they are in the finance system is completed for all suppliers, including those which are expected to be one offs.

<b>Management Action 8</b>	<p>The MCA will document guidance as to how to verify bank details. A process for documenting the method and timing of these checks will be created, and will be completed for all new suppliers and supplier amendments going forwards. The countersigning for changes to bank details and new suppliers will be performed for all suppliers, including those where verification is not feasible.</p> <p>The MCA will also consider if there is a possibility to extract reports of changes to supplier details from the ARM system.</p>	<b>Responsible Owner:</b> Financial Services Manager	<b>Date:</b> 31 March 2024	<b>Priority:</b> <b>Medium</b>
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## Area: Purchasing and Creditors

<b>Control</b>	We completed various duplicate checks on both suppliers and invoices.	<b>Assessment:</b>
		<b>Design</b> ✓
		<b>Compliance</b> ×
<b>Findings / Implications</b>	<p>We undertook full population data analyses across all 1,492 suppliers within the supplier ledger, to identify potential duplicates. It should be noted that the MCA has not completed a cleansing exercise of the ledger since combining the SYPTE and SCR financial data in April 2023. As a result, there are a high number of duplicates which were present on both individual ledgers previously. Whilst this has somewhat inflated the number of duplicates identified, we selected our samples with the intention of identifying duplicate suppliers with the same supplier code naming convention, thus identifying genuine duplicates and not just those created as a result of the combined ledgers. Should the MCA wish to complete a cleansing exercise to remove the duplicate suppliers, the duplicate reports produced as a result of our analysis may serve as a good starting point, and will be available in full if required.</p> <p>We identified 107 instances where suppliers had duplicate or similar addresses. Sample testing of 10 of these instances identified that five of these instances appeared to be genuine different businesses, four belonged to different elements of the same company, having different bank details for each element. In one final instance, the Barnsley Chronicle appeared to have been duplicated, with the same bank details on file for both suppliers. These suppliers had the new, post merge supplier naming convention, and as such, this identifies a risk that the MCA is not reviewing existing suppliers when it receives a new supplier request.</p> <p>We also identified 497 instances where suppliers had duplicate, or similar, supplier names. Sample testing 10 of these instances identified eight instances where the suppliers belonged to different elements of the same business, with different bank details for each element. In the final two instances, the suppliers appeared to be duplicates, again utilising the post merge supplier naming convention. One of these was the Barnsley Chronicle, identified in the previous test, and the other was for BDB Pitman's.</p> <p>We identified 90 instances where two or more suppliers had the same bank details. This covered a total of 187 different supplier accounts. Our sample testing of 10 of these duplications identified four instances where the duplicates were either from different ledgers, were separate codes required by the MCA for bus operators, or were two separate entities within the same organisation (BT). Both the Barnsley Chronicle and BDB Pitman's were present as genuine duplicates within this sample, three further duplicates were identified:</p> <ul style="list-style-type: none"> <li>• Ruby Starheart - this supplier was added twice to the finance system, was believed to be a one off each time. We confirmed neither duplicate had been paid this financial year;</li> <li>• Andrews Sheffield LTD and Yorkshire Traction Company - The Financial Systems Manager informed us that they assumed that this supplier changed name and was re-added. We confirmed neither duplicate had been paid this financial year; and</li> <li>• Amari Plastics, Graphic Printing technologies and Vink UK Limited - The Financial Systems Manager informed us that they assumed that this supplier changed name and was re-added. We confirmed none of the duplicates had been paid this financial year.</li> </ul>	

## Area: Purchasing and Creditors

All of these duplicates should be actioned to avoid the risk of duplicate payment. Furthermore, appropriate supplier change processes should be followed so that companies changing names does not lead to the creation of duplicate suppliers.

The final duplicate in the sample belonged to two different payee names, which we confirmed through review were different lawyers working for the same law firm, who were paid to the same firms bank account but required different payment references. No action is required for this duplication.

Duplicate suppliers create risk of erroneous double payments, leading to potential financial loss and reputational damage to the MCA. All instances of duplication identified in our testing should be rectified, and appropriate controls put in place to address the risk of adding duplicate suppliers to the ledger in the future.

<b>Management Action 9</b>	The MCA will consider implementing a cleanse of the supplier ledger to identify all instances where suppliers have been duplicated, and will consider using the RSM generated duplicate reports as a starting point for this process.	<b>Responsible Owner:</b> Financial Services Manager	<b>Date:</b> 31 March 2024	<b>Priority:</b> <b>Low</b>
<b>Management Action 10</b>	The duplicate suppliers identified in our testing will be addressed and rectified. The MCA will implement processes to ensure that new suppliers with duplicate information are not added to the ledger, and to ensure that suppliers changing trading names does not lead to duplications.	<b>Responsible Owner:</b> Financial Services Manager	<b>Date:</b> 31 December 2023	<b>Priority:</b> <b>Medium</b>

## 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
Purchasing and Creditors	1 (10)	8** (10)	8	2	0
<b>Total</b>			<b>8</b>	<b>2</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.

\*\* More than one action has been raised against one control area

## APPENDIX B: 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 risk(s)

#### Objective of the risk under review

This review will focus on the creditors and payments processes in place to ensure that goods are ordered following approval from a delegated authority, receipted, and matched to a supplier invoice. The review will also consider the management of supplier standing data.

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

**The audit will consider the following;**

- Whether the Financial Regulations are maintained up to date and include overarching purchasing processes.
- Whether a scheme of delegation is maintained outlining approval authorities and how this is maintained up to date. Whether the approval authorities are built into the finance system to allow for approvals via a workflow.
- Whether access to the purchase order and accounts payable systems are limited to staff who require access and whether access rights are in line with their job roles.
- Whether purchase orders are raised and approved in line with delegated authorities and how these are matched to the GRN and invoice prior to payment.
- The processes followed when invoices received do not match to the order and goods receipt note including additional authorisations.
- How credit notes are processed and allocated to suppliers accounts in a timely manner.
- How payments to suppliers are processed including the review of exception reports and ensuring adequate segregation of duties.
- How new suppliers are setup within the finance system and supplier amendments to bank details are processed, including independent checks of bank details and appropriate segregation of duties.

Our work will incorporate the use of Computer Assisted Audit Techniques (CAATs) using the Alteryx software package in order to:

- Identify potential duplicate supplier accounts.
- Identify multiple supplier accounts with the same bank details.
- Identify purchase orders approved above delegated authority thresholds.
- Identify duplicate payments.



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

- We will not comment on the selection process for the use of suppliers and / or goods and services. Procurement, ordering or value for money processes will not form part of this review.
- We will not verify any changes to supplier standing data, rather the processes in place for checking the changes are genuine.
- We will not confirm whether goods or services procured are fit for purpose.
- We will not substantively re-perform reconciliations.
- Testing will be completed on a sample basis from transactions within the current financial year.
- The results of our data analytics work are reliant on the quality of data provided to us.
- Our work does not provide assurance that material error, loss or fraud do not exist.

**Debrief held** 25 October 2023  
**Draft report issued** 7 November 2023  
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**Responses received** 1 December 2023

**Final report issued** 1 December 2023

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[RSM post-engagement survey](#)

We thank you again for working with us.

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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.

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

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