

SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY (SYMCA)

Annual Internal Audit Report 2023/24

17 May 2024

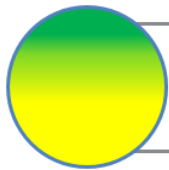
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THE ANNUAL INTERNAL AUDIT OPINION

This report provides an annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The opinion should contribute to the organisation's annual governance reporting.

The opinion

For the 12 months ended 31 March 2024, the Head of Internal Audit opinion for South Yorkshire Mayoral Combined Authority is as follows:



The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.

Please see Appendix A for the full range of annual opinions available to us in preparing this report and opinion.

It remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be a substitute for management responsibility around the design and effective operation of these systems.

Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Audit, Standards and Risk Committee, our opinion is subject to inherent limitations, as detailed below:

- Internal audit has not reviewed all risks and assurances relating to the organisation;
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the SYMCA takes into account in making its Annual Governance Statement (AGS);
- The opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management;
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance; and
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.

FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

Governance

We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2023/24 internal audit plan when forming our opinion on governance at the SYMCA.

There is an adequate governance framework in place, and we have also observed that the Audit, Standards and Risk Committee is effective in monitoring and challenging management and holding them to account.

We also provided a reasonable assurance opinion as part of the governance internal audit undertaken within the year.

Risk Management

Our risk management opinion was informed by our observation of risk management systems and processes throughout the course of all audits within the audit plan.

Our internal audit plans are driven by and linked to strategic and operational risk, and a number of audits have provided positive opinions in relation to how some of the risks are managed and mitigated.

We also conducted a review of risk management as part of our internal audit plan which resulted in a reasonable assurance opinion being provided.

Internal Control

We undertook eight internal audit reviews in 2023/24 which resulted in an assurance opinion. There were two reviews (25%) from which the SYMCA could take substantial assurance, five reviews (63%) from which the MCA could take reasonable assurance, and one review (12%) from which the SYMCA could take partial (negative) assurance.

During the year we agreed a total of 64 management actions across assurance and follow up reviews.

Of the 64 actions agreed: five (8%) were 'high' priority, 24 (37%) were 'medium' priority, and 35 (55%) were 'low' priority.

Details of the reviews where assurance opinions have been provided, or advisory input are as follows:

Bus Data Quality – Reasonable Assurance

We noted that whilst there were steps to share and use data effectively, including the development of a joint Tendered Services and Concessions Steering Group, there were areas where the SYMCA could enhance the use of available data to better inform decision making regarding the cost effectiveness of the two primary tendered service contract offerings of minimum cost against minimum subsidy. We noted that a number of validation processes for data from operators had not been operating due to resource shortage, and that the MCA was hiring to fill the vacancies to recommence these established validation

Cyber Risk Assessment – Partial Assurance

Overall, we identified a number of controls designed to protect the information systems network. However, we identified a number of areas for improvements and agreed a total of five high, six medium and two low priority actions with management.

Purchasing and Creditors – Reasonable Assurance

Our review identified that the SYMCA had 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 lacked 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.

processes. As a result of our testing, we agreed four medium actions relating to understanding the circumstances on the network where the SYMCA should not be making concessionary payments, reviewing the process by which it calculates if a minimum cost or minimum subsidy contract type is more cost effective, updating its process for deciding to put a route out to tender to ensure it is reflective of the current network status, and implementing established performance monitoring for the operators running tendered services routes, to hold them accountable for poor performance.

We also agreed a further six low priority management actions.

Tram Services Progress Healthcheck and Health and Safety Framework – Reasonable Assurance

Our testing found that there were a number of monitoring and reporting meetings involving different representatives from the Concession End Team, SYMCA, SYSL and the planned NewCo Team. There was a clear focus on communication and regular updates at all levels.

However, our testing highlighted a number of areas where the control framework of the programme could be strengthened. The new Programme Manager was reviewing the programme arrangements at the time of this audit, and it was noted that a number of areas for improvement had also been identified by the new Programme Manager. Issues appeared to have root causes stemming from the original project structure and project management approach including; unclear reporting structures, lack of change control for the Mobilisation Plan and tasks being incorrectly reported as complete.

Risk Management – Reasonable Assurance

Overall, the risk management framework was well designed and operating effectively. Our testing confirmed that SYMCA had adequate governance and reporting in place to ensure that there was a holistic approach to managing risk.

However, our testing highlighted a number of areas for improvement regarding the risk identification process and the use of risk appetite. In addition, we noted that the SYMCA had not identified the assurances in relation to the risks. As a result of our review, we agreed one medium priority and five low priority actions.

These findings resulted in the agreement of two medium priority management actions, as well as eight low priority management actions.

Assurance Framework – Substantial Assurance

Overall, we confirmed that the SYMCA had effective controls and processes in place to support their assurance framework and scrutiny of applications for grant funding and projects. We confirmed that the current assurance framework had been reviewed to identify what improvements could be made and were able to evidence that the changes identified as part of the 2022 assurance framework review, had been incorporated into the 2023 version of the assurance framework. We were also able to evidence that the new assurance framework had been made available to stakeholders and evidenced that the key changes had clearly been highlighted; and through a review of ten business cases from the 2022/23 financial year, we were also able to evidence that the assurance framework guidance had been adequately followed.

We agreed two low priority actions with management, in relation to ensuring that the Corporate Induction delivered to all new starters

We recognised that a number of planned processes intended to address these issues were in the process of being implemented at the time of our testing. Therefore, we agreed one medium and four low management actions to further strengthen the programme control framework.

Adult Education Budget (AEB) Framework – Reasonable Assurance

Overall we have found that the SYMCA had processes and procedures in place in relation to their devolved AEB funding and the changes made since the previous audit had strengthened the performance monitoring arrangements in place.

However we identified a small number of incidences of non-compliance with the procedures in place and agreed two medium and one low priority management action.

The two medium priority actions were in relation to agreements and contracts not being signed in a timely manner prior to the commencement of delivery, and there was one provider who was delivering learning, but the due diligence checks had not been fully complete.

Governance – Substantial Assurance

We confirmed that the MCA had embedded the new governance structure and from the feedback provided from the individuals interviewed, we were informed that the changes were delivering the required outcomes.

We highlighted one area for improvement, specifically regarding the lessons learnt process from the initial changes made. The review led to the agreement of one low priority action with management.

was updated to reflect the new SYMCA governance model, and for the SYMCA to consider the implementation of training logs, to ensure that all staff members who have a role that supports the assurance framework, undertake any assurance framework training, as a mandatory requirement.

Topics judged relevant for consideration as part of the annual governance statement

There was one area, Cyber Risk Assessment, where only partial (negative) assurance could be taken over the effectiveness of controls in place. The AGS should therefore include appropriate detail regarding the weaknesses identified and any actions that have already been taken to address the issues identified as part of this audit.

THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines previously discussed, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at Appendix B.

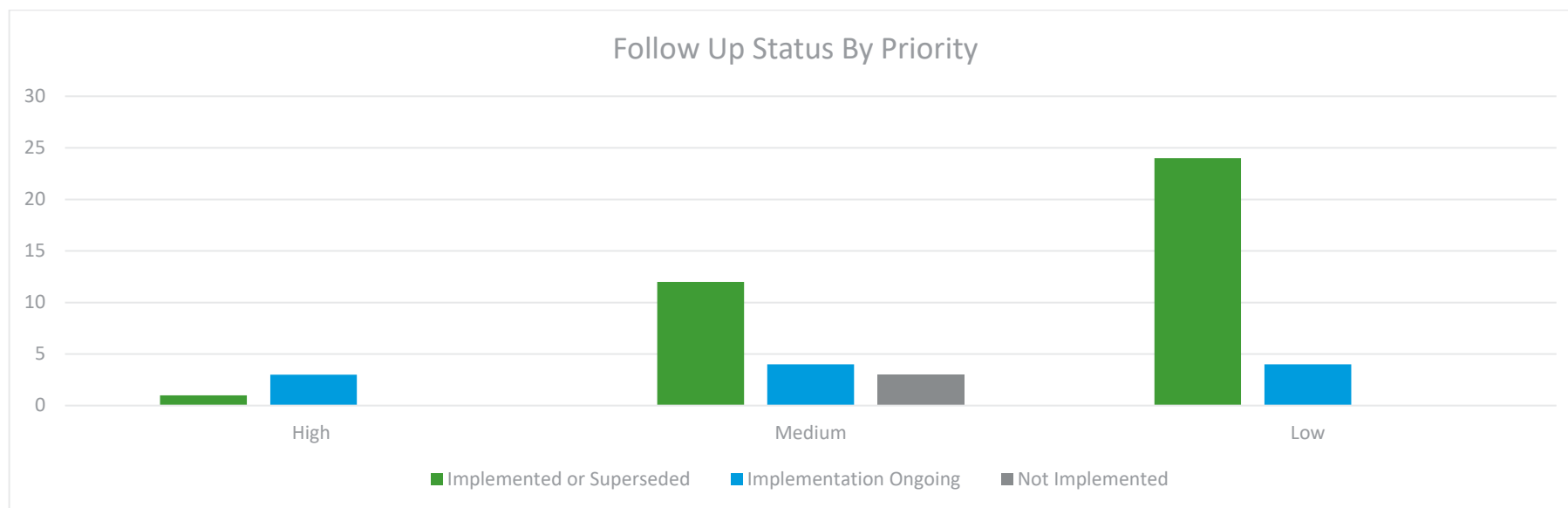
Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2023/24.

Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through their internal action tracking processes in place. During the year progress has been reported to the Audit, Standards and Risk Committee, with the validation of the action status confirmed by internal audit through the two follow up reviews.

Our follow up of the actions agreed to address previous year's internal audit findings shows that the SYMCA had made **reasonable progress** in both follow up reviews.



Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

OUR PERFORMANCE

Wider value adding delivery

Area of work	How has this added value?
Flexible annual planning approach	We have remained flexible with our annual planning approach. This enables us to react to changes in priority and risk, to ensure internal audit is focused in the right areas at the right time, to be the best source of assurance where needed in specific areas of risk or control.
1:1 meetings / discussions	<p>We have met on a monthly basis with the Executive Director of Resources and Investment, Head of Corporate Governance and Assistant Director of Finance to discuss progress with the audit plan and to understand any updates from the SYMCA.</p> <p>We also conducted an Annual Service review on 19 February 2023 to assess our performance against our agreed client care standards. Feedback from both parties was positive. We also conducted a similar exercise with the Chair and Vice Chair of the Audit, Standards and Risk Committee.</p>
Data Analytics	As part of our audit work for 2023/24, we have utilised data analytics to support our sample testing within the Purchasing and Creditors Review.
4Questionnaire	As part of our audit fieldwork, we also utilise software such as 4Questionnaire which we used as part of our Risk Management review. This was sent to gauge opinions on the risk management framework and what potential future improvements could be made.
Subject Matter Experts	As part of our audit work for 2023/24, we have ensured that our 'subject matter experts' have been involved in the planning and / or delivery. For example our Technology Risk Assurance (TRA) Team delivered the Cyber Risk Assessment review.
Good and best practice	As part of our risk management review, we provided management with three different styles of how to map and document their assurances of the controls in place to mitigate the strategic risks. We also mapped the MCA onto a Risk Maturity Matrix to help to identify future areas for improvement.
Sector Briefings and Articles	<p>We have issued a number of briefings during the year providing information on key developments, publications and guidance including:</p> <ul style="list-style-type: none"> • Emerging Risk Radar - January 2024; • Emerging Risk Radar - July 2023; and • Procurement and Contract Management Newsletter.
Webinars / Conferences	We have issued an invite to the Industry Finance Connect Summer Drinks. We have also issued our invite to the 2023 Procurement Conference.

Conflicts of interest

We provided risk management software to the SYMCA during 2023/24. This was under a separate Letter of Engagement and an independent team has undertaken this work, led by another Partner, independent of the internal audit team.

We also conducted a reasonable assurance review in accordance with International Standards on Auditing UK ('ISAs (UK)') including ISA 805 'Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement' on the Claim or Statement of Use of Funds. This was under a separate Letter of Engagement and an independent team has undertaken this work, led by another Partner, independent of the internal audit team.

Therefore, we have actively managed potential conflicts and do not consider any conflicts of interests need to be declared.

Conformance with internal auditing standards

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

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2021 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice, as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA, on which PSIAS is based.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

* The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

Resulting from the programme in 2023/24 there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

Performance indicators

Delivery

Quality

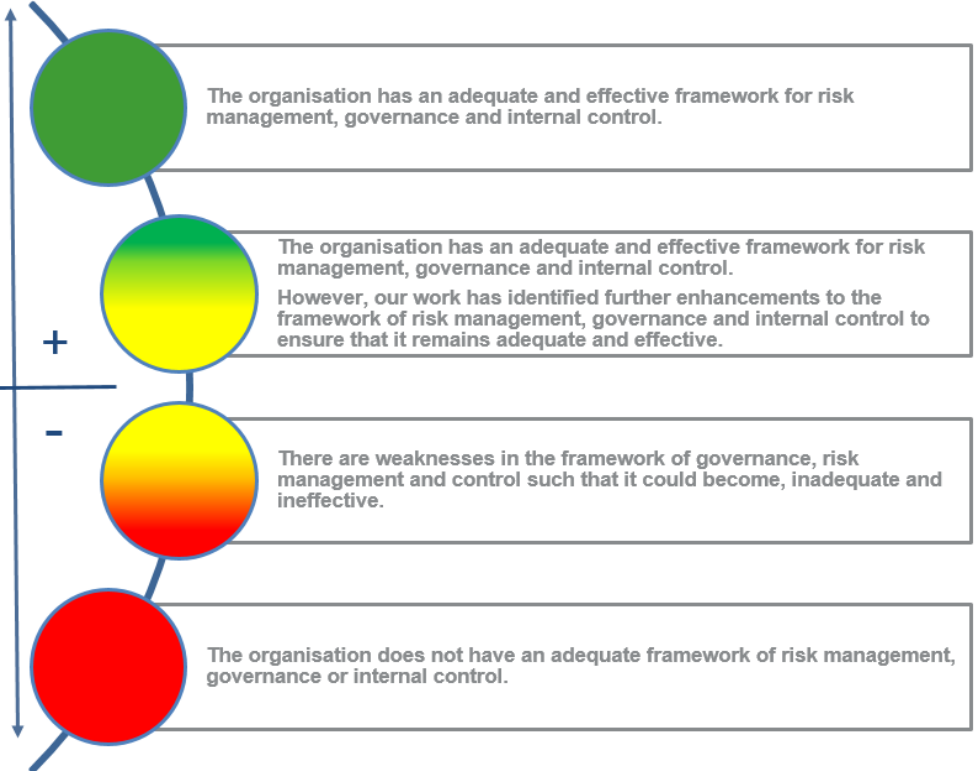
	Target	Actual		Target	Actual
Audits commenced in line with original timescales*	Yes	Yes	Conformance with PSIAS and IIA Standards	Yes	Yes
Draft reports issued within 10 days of debrief meeting	100%	7 working days (average)	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes
Management responses received within 10 days of draft report	10 days	18 working days (average)**	Response time for all general enquiries for assistance	2 working days	2 working days (average)
Final report issued within 3 days of management response	100%	1 working day (average)	Response for emergencies and potential fraud	1 working day	N/A

* This takes into account changes agreed by management and Audit, Standards and Risk Committee during the year; reflecting our 'agile' / 'flexible' approach to our service delivery.

** This is largely due to the Bus Data Quality Report being delayed until the December Audit, Standards and Risk Committee from the September meeting. The delay is also due to all reports requiring review and approval at ELB before finalising. Excluding Bus Data Quality, the average days for management responses is 12 working days.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p> <p>The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.</p> <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p> <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited; • limitations in the individual audit assignments; • the adequacy and effectiveness of the risk management and / or governance control framework; • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

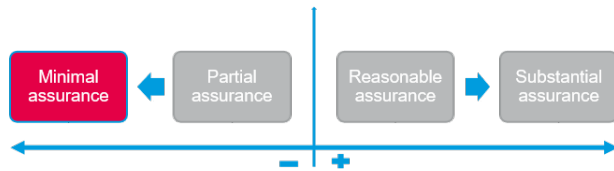
APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2023/24

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Audit Lead	Assurance level	Actions agreed		
			L	M	H
Bus Data Quality	Director of Public Transport Operations	Reasonable Assurance [●]	6	4	0
Cyber Risk Assessment	Head of Digital Transformation	Partial Assurance [●]	2	6	5
Follow Up 1	Head of Corporate Governance	Reasonable Progress [●]	3	3	0
Purchasing and Creditors	Executive Director Resources and Investment	Reasonable Assurance [●]	8	2	0
Tram Services Progress Healthcheck and Health and Safety Framework	Executive Director of Transport	Reasonable Assurance [●]	4	1	0
Risk Management	Head of Corporate Governance	Reasonable Assurance [●]	5	1	0
Assurance Framework	Head of Assurance and Evaluation	Substantial Assurance [●]	2	0	0
Adult Education Budget (AEB) Framework	Corporate Director Growth, Business and Skills	Reasonable Assurance [●]	1	2	0
Follow Up 2	Head of Corporate Governance	Reasonable Progress [●]	3	5	0
Governance	Director of Legal and Governance	Substantial Assurance [●]	1	0	0

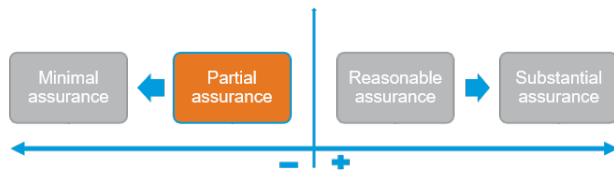
APPENDIX C: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:



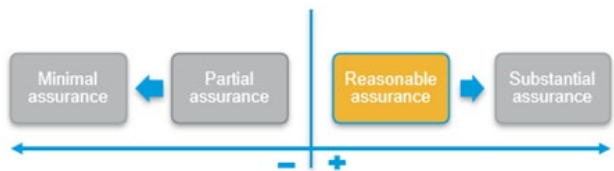
Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



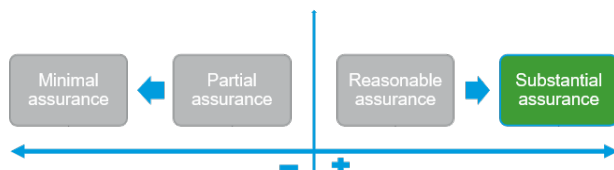
Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk 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 risk(s).



Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

YOUR INTERNAL AUDIT TEAM

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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.

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

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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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