

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

WEDNESDAY, 19 OCTOBER 2022 AT 11.00 AM

SOUTH YORKSHIRE MCA, 11 BROAD STREET WEST,
SHEFFIELD, S1 2BQ



Present:

Councillor Phillip Lofts (Chair)
Rhys Jarvis (Vice-Chair)
David Phillips
Councillor Austen White
Councillor Mike Levery (Reserve)

Barnsley MBC
(Independent Member)
(Independent Member)
Doncaster MBC
Sheffield City Council

In Attendance:

Martin Swales	Chief Executive and Head of Paid Services	SYMCA Executive Team
Dr Ruth Adams	Deputy Chief Executive	SYMCA Executive Team
Liz Morris	Risk Manager	SYMCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	SYMCA Executive Team
Mike Thomas	Assistant Director of Finance & Deputy s73 Officer	SYMCA Executive Team

Peter Clark
Lisa Mackenzie
Hassan Rohimun

Sarah Pugh (Minute Taker)

Apologies:

Councillor Simon Ball
Councillor Ian Auckland

Rotherham MBC
Sheffield City Council

72 Welcome and Apologies

The Chair welcomed attendees to the meeting, and welcomed new member of the Committee, David Phillips.

The Committee noted that this was the final meeting before the Deputy Chief Executive's departure from the MCA, and thanked her for her work.

Apologies were noted as above.

73 **Urgent Items/Announcements**

None.

74 **Items to be Considered in the Absence of Public and Press**

None.

75 **Declarations of Interest by any Members**

None.

76 **Reports from and Questions by Members**

None.

77 **Questions from Members of the Public**

None.

78 **Minutes and Actions of the Previous Meeting held on 14 July 2022**

RESOLVED: That the minutes of the meeting held on 14 July 2022 be agreed as a true record, with the amendment that minute 62 now read “**ACTION:** Democratic Services to edit the minutes to reflect that Cllr Auckland was present, and that following Councillor Loft’s nomination as Chair, it was Cllr Lofts who welcomed everyone to the meeting.”

79 **Matters Arising and Action Log**

An update was requested on the External Audit meeting of 19th July 2022. A summary was given of this meeting, including that it had been identified that better communication was needed between the Committee and External Auditors, but that as a result an Audit Plan for 2021/22 had been delivered for the Committee to review.

The Committee noted that a Governance Improvement Plan was not included on the present agenda, but instead a broader Strengthening Corporate Governance paper was being presented.

It was confirmed that a health & safety update would be presented to the committee in future.

RESOLVED: to note the Action Log.

80 **Transport Risk Working Group Update**

A verbal update was given on the most recent Transport Working Group meeting, noting that:

- There was a continuous red risk relating to an intersection between a road and the tram system at Barnard Road. It was noted that whilst discussions were ongoing with the highways authority some initial improvements had been made through the clearance of vegetation nearby.
- Bus service continuity presented a red risk, due to decreasing patronage and the prospect of franchising of the bus system.
- The decision to bring the tram system back into public ownership also presented a red risk, due to operational risks and maintenance of trams being borne by the MCA.

RESOLVED: to note the Transport Risk Working Group Update.

81 **Terms of Reference Review**

The Committee recommended the following amendments to the reviewed Terms of Reference:

- At 3.2 to update the language of “External Auditor’s Annual Audit and Inspection Letter” to “Auditors Annual Report”, and to include an ISA 260 Audit Results Report.
- At 3.4 to specify which review of internal audit is being referred to.
- To expand 3.7 to include specific controls and names of reports.
- To include a minimum number of reports which will be provided to the Committee.
- That the Chair will provide an annual report to the Committee.

ACTION – Head of Corporate Governance: to make the above amendments to the reviewed Terms of Reference.

RESOLVED: to recommend the reviewed Terms of Reference with the above amendments for approval by the MCA Board.

82 **Public Sector Audit Appointment Procurement and Fees**

The Committee viewed correspondence from Public Sector Audit Appointments (PSAA) which outlined that:

- Scale fees, the price at which the audit service was delivered, would increase by around £3000 for both the MCA and SYPTTE.
- The re-procurement exercise for 2023/2024 had been completed, and that there was likely to be a nationwide 150% increase from the current costs. The PSAA had raised this with Government to seek support for the sector.

It was also noted that the PSAA had written to the MCA, stating that KPMG would be appointed as External Auditor for the financial year 2023/24 onwards.

It was asked whether the integration of the MCA and SYPTTE would decrease costs. It was hoped that it would, but this was unconfirmed.

RESOLVED: To note the correspondence and the intention to not challenge

the fee-scale changes.

83 External Audit Plan Update

Two reports on the external audit of the MCA and SYPTTE were presented. Both covered:

- The overall audit strategy, and key areas of risk and focus
- Any changes to risk assessments
- An overview of pensions liability, and liability for property, plant, and equipment
- The different thresholds and materiality levels used during external audit
- Risks identified and the procedures to be undertaken to address them
- Value for money planning by the External Auditor

It was stated that performance materiality had been placed at 75%, which was determined to be a positive figure.

It was noted that the scale fees were not adequate to undertake an audit of this kind, so a higher price had been proposed and submitted to the PSAA for approval. Concern was raised by the Committee that the bid given by External Auditors had been increased once work was undertaken, and as a result a dispute was raised by the MCA and included in the paper. The PSAA would arbitrate on the dispute, but there was no expected timeline for when this would be completed.

A question was raised on the potential delay to completing the Internal Audit Plan and the requirement to publish audited accounts in line with statutory obligations. The Committee received reassurance that, though the MCA was under a great deal of pressure to deliver its obligations, Officers were working with Internal Auditors to complete the audit work plan as soon as possible. It was added that the MCA was prepared to add additional resource where needed to meet statutory obligations, and that an organisational review was being undergone to ensure all areas of the organisation were resourced adequately.

It was asked whether the PTE was still expected to be wound up in 2023. It was confirmed that this was progressing and is due to take place in April 2023.

RESOLVED: To note the findings and recommendations of the external audit plan update.

84 Strengthening Corporate Governance

The Strengthening Corporate Governance report was presented to the Committee. It noted that:

- An organisational review of corporate governance was being undertaken to ensure that the “Three Line Defence” of corporate governance were being fully maintained, and processes across the organisation were aligned.
- A formal Corporate Assurance Board had been established to oversee

key assurance areas: Health and safety, human resources, information governance, information technology, business continuity, asset management and accessibility.

- The Board would likely make recommendations to be included in the Governance Improvement Plan.
- The recent decision taken by the MCA to return the tram system back into public operation presented high risks. Regular updates on this were requested by the committee.

ACTION – Head of Corporate Governance: Regular updates to be provided on risk management for the tram system to be provided to the committee.

RESOLVED: To note the Strengthening Corporate Governance update.

85

National Audit Office Report Summary - Challenging Climate Change Risk

A summary of the National Audit Office Report – Challenging Climate Change Risk was presented, which had been requested by the Committee.

The Summary Report outlined:

- Risks faced by the Public Sector, such as addressing adverse weather condition, and transitional risks affecting businesses, which may in turn impact the delivery of economic plans.
- A recommendation that Committees play a role in testing policy leadership, value for money, accountability, and coordination and delivery on climate change objectives.
- An Internal Audit report on environmental compliance had been concluded and would be presented to the next meeting of the Committee.
- The MCA's Assurance Framework was also reviewed every year, alongside several Government Departments, and would include new Government guidelines on how to test the impact of schemes against environmental targets.

It was noted that this was an underdeveloped area of work at the MCA, which was being addressed in the ongoing review of the organisation.

However, a Citizen's Assembly on Climate Change was being established in line with the Mayor's manifesto. Additionally, it was noted that there was space for more development for Committee members on climate literacy, and that a major plan for carbon literacy training for all Officers of the MCA was underway.

It was asked how well the report addressed local circumstances. A response was given that work was being undertaken on this issue, noting in particular the heavy reliance of South Yorkshire businesses on energy usage.

Committee noted the interdependence of this report with the work of Internal Audit on their review of the MCA's Net Zero programme. Committee agreed to invite the Net Zero Project Director and the Executive Director Place to the next session in January to discuss progress and the role of the Committee in

oversight of progress and risk.

RESOLVED: To note the National Audit Office Report Summary, and to invite the Net Zero Project Director and the Executive Director Place to the January session.

86

Risk Management Monitoring Report

The Risk Management Monitoring Report was presented to the Committee, noting that a new risk framework and new risk management system had been implemented.

The new framework had already been received by the Committee and agreed by the MCA Board in July. Corporate risks had been migrated on to the management system and learning materials had been created to induct officers in using it.

The timeline for delivery of the new framework was on track with some exceptions, such as the commencement of additional resource, and inducting users on the management system. There was also still work to be done on integrating business plan and team level risks into the system.

Medium and high corporate risks were noted as:

- Public transport and climate change, both having been considered at this meeting
- Threats of cyber attacks
- Performance against Adult Education Budget targets

More detail was asked on what risk was posed by the closure of Doncaster Sheffield Airport. It was noted that an issue log may be more appropriate for logging items such as this; Though it had occupied a significant amount of officer time and was politically sensitive, it didn't pose an immediate risk to the operations or financial health of the organisation.

ACTION: Executive Director Finance & Investment - to reconsider how Doncaster Sheffield Airport is presented in terms of risk management.

It was asked why the borrowing risk had been de-escalated given the rise in interest-rates and the potential for borrowing costs to increase. A reply was given that the MCA had not borrowed in over a decade with the risk speaking to a lack of skills and experience within the Finance team to manage this activity. It was noted that the MCA's debt is currently fixed-rate with no exposure to interest-rates, and that the MCA has no immediate need for borrowing. It was further noted that work had been undertaken to remedy the underlying risk, with the creation of a new post on the establishment structure and the access to the services of agents.

The Committee requested more information on risk trends, and how risks related to public transport could be flagged as financial risks also. It was confirmed that the management system allows risks to be flagged by theme, and that a report on a particular theme of risk, e.g. financial, could be produced.

ACTION – Head of Corporate Governance: More information on trends in risks, and specific public transport finance related risks, to be provided to the Committee.

RESOLVED: To note the progress of the implementation of the Risk Management Framework and the Corporate Risk Monitoring Report.

87 **2022/23 Internal Audit Plan Progress Report**

A Report on the Progress of the 2022/23 Internal Audit was presented. The audit was around 33% completed, but there was significant risk in terms of completion, with the Internal Audit contract due to end in March 2023.

The Committee asked whether work was on track to be completed within this timeline. It was confirmed that some field work had been delayed, but not all processes were tested during every audit, and that tasks were being prioritised to ensure completion on time.

The Committee was also informed that a report on a review of community transport options would be presented to its next meeting.

RESOLVED: To note the progress of 2022/23 audit activity and approve any changes to the Internal Audit Plan.

88 **Internal Audit Report - Governance**

The Internal Audit Report on Governance was presented to the Committee. It noted that a significant assurance opinion had been given, and some minor improvement areas had been highlighted and were being monitored such as the integration process.

It was also noted that the Internal Auditors had also been asked to test processes around use of key supply chains and supply resilience, and that additional staffing had been allocated to address this.

RESOLVED: To note the findings and recommendations of the internal audit on Governance.

89 **Internal Audit Report - GDPR**

The Internal Audit Report on GDPR was presented to the Committee. It noted that a significant assurance opinion had been given, but that again integration presented a risk here.

RESOLVED: To note the findings and recommendations of the internal audit on GDPR.

90 **Internal Audit Recommendations Tracker**

RESOLVED: To note the progress of the implementation of internal audit recommendations.

91 **Contract Procedure Rules Breach and Suspected Instances of Fraud Report**

A report was presented on Contracted Procedure Rules Breach and Suspected Instances of Fraud.

It was noted that there was currently an ongoing investigation into a suspected fraud which had been raised with Internal Audit. An update on this would be brought back to the Committee once the investigation was completed.

RESOLVED: To note the Contract Procedure Rules Breach and Suspected Instances of Fraud Report

92 **Internal Audit Re-Procurement**

The Committee was informed that the re-procurement of an Internal Auditor was underway, as the current contract was ending in March 2023. Work with the new delivery agent was expected to begin in April 2023.

It was asked how involved the Committee would be in the process of selecting an Internal Auditor. It was confirmed that the Committee had been involved in setting the specification, rather than the evaluation exercise itself.

The Executive Director Finance & Investment agreed to liaise with the Chair and Vice Chair on the procurement process at the evaluation stage.

RESOLVED: To note the Internal Audit Re-procurement progress update.

93 **Work Plan for 2022/23**

RESOLVED: To note the Work Plan for 2022/23.

I, the undersigned, confirm that this is a true and accurate record of the meeting.

Signed

Name

Position

Date