

Wednesday, 2 October 2019

To: Members of the Sheffield City Region Audit and Standards Committee and
Appropriate Officers

NOTICE OF MEETING

You are hereby summoned to a meeting of the Sheffield City Regional Audit and Standards Committee to be held at **11 Broad Street West, Sheffield S1 2BQ**, on: **Thursday, 10 October 2019 at 11.00 am** for the purpose of transacting the business set out in the agenda.



Dr Dave Smith
Head of Paid Service to the Mayoral Combined Authority

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Member Distribution

Councillor Allan Jones (Chair)
Rhys Jarvis (Vice-Chair)
Councillor Ian Auckland
Councillor David Challinor
Councillor Allen Cowles
Councillor Jeff Ennis
Councillor Josie Paszek
Councillor Chris Furness
Angela Marshall
Councillor Tom Munro
Councillor Paul Parkin
Councillor Mark Rayner
Councillor Ken Richardson
Councillor Austen White
Councillor Ken Wyatt

Doncaster MBC
(Independent Member)
Sheffield City Council
Bassetlaw DC
Rotherham MBC
Barnsley MBC
Sheffield City Council
Derbyshire Dales DC
(Independent Member)
Bolsover DC
NE Derbyshire CC
Chesterfield BC
Barnsley MBC
Doncaster MBC
Rotherham MBC

SCR - Audit and Standards Committee

Thursday, 10 October 2019 at 11.00 am

Venue: 11 Broad Street West, Sheffield S1 2BQ



Agenda

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2.	Voting Rights for Non-Constituent Members		Verbal Report
3.	Urgent Items/Announcements		Verbal Report
4.	Items to be Considered in the Absence of Public and Press		Verbal Report
5.	Declarations of Interest by any Members		Verbal Report
6.	Reports from and Questions by Members		Verbal Report
7.	Questions from Members of the Public		Verbal Report
8.	Minutes and Actions of the Previous Meeting held on 11th July 2019		5 - 12
9.	External Audit Opinion on 2019/20 Accounts	Dan Spiller	To Be Tabled
10.	Internal Audit Recommendations Update	Mrs C James	13 - 46
11.	Internal Audit Plan 2019/20 - Progress Report	L P Mackenzie	47 - 52
12.	Risk Management Monitoring	Mrs C James	53 - 60
13.	2019/20 Work Plan	Mrs C James	61 - 66
14.	Any other business		Verbal Report
Date of next meeting: Thursday, 23 January 2020 at 11.00 am At: 11 Broad Street West, Sheffield S1 2BQ			

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SCR - AUDIT AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 11 JULY 2019 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Allan Jones (Chair)	Doncaster MBC
Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Jeff Ennis	Barnsley MBC
Councillor Chris Furness	Derbyshire Dales DC
Angela Marshall	(Independent Member)
Councillor Tom Munro	Bolsover DC
Councillor Mark Rayner	Chesterfield BC
Councillor Ken Wyatt	Rotherham MBC

Officers in Attendance:

Dr Ruth Adams	Deputy Chief Executive	SCR Executive Team
Mike Thomas	Senior Finance Manager	SCR Executive Team
Andrew Frosdick	Monitoring Officer	SCRSCR Executive Team
Claire James	Senior Governance & Compliance Officer	SCR Executive Team
Gillian Richards		
Tim Taylor	Director of Customer Services	SYPTE
Simon Tompkins	Finance Manager	SCR Executive Team

Apologies:

Councillor David Challinor	Bassetlaw DC
Councillor Josie Paszek	Sheffield City Council
Councillor Paul Parkin	NE Derbyshire CC
Councillor Ken Richardson	Barnsley MBC
Stephen Clark	External Audit
Andrew Smith	Internal Audit
Dr Dave Smith	SCR Executive Team
Eugene Walker	SCR Executive Team
Steve Davenport	SCR Executive Team/SYPTE
Martin McCarthy	SCR Executive Team

1 Welcome and Apologies

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 **Voting Rights for Non-Constituent Members**

It was agreed that there were no agenda items for which voting rights could not be conferred on the Non-Constituent Members.

3 **Urgent Items/Announcements**

None.

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

None.

5 **Declarations of Interest by any Members**

None.

6 **Reports from and Questions by Members**

None.

7 **Questions from Members of the Public**

None.

8 **Minutes and Actions of the Previous Meeting held on 13th June 2019**

Councillor Furness requested an amendment to minute 13. With regard to the creation of 70,000 new houses by 2024, he had asked if this could be linked to the new dwellings figures set out in Local Plans published by all the Local Authorities. D Smith commented that there was no current link between the SEP target and the Local Plans but this would be considered within the revised Strategic Economic Plan currently under development.

Action: When the revised new SEP is published the Committee to be advised of new targets.

With regard to minute 2, R Jarvis stated that he had not seconded the proposal to appoint an independent Chair and asked that his name be removed from this.

R Jarvis commented that, with regard to the procurement of an internal audit provider it had been agreed that the terms of reference would be revised to clarify the role of the Committee in Internal Audit arrangements, and asked that this was included in the minutes.

Action: Clarify the role of the Committee in Internal Audit arrangements in the Terms of Reference.

RESOLVED: That, subject to the amendments mentioned above, the minutes of the meeting of the SCR Audit and Standards committee held on 13th June 2018 be agreed as a true record.

Annual Governance Statement for 2018/19

A report was submitted to consider the Authority's Annual Governance Statement for 2018/19 which included the Governance Improvement Plan.

The Annual Governance Statement was brought to the Committee for any questions or observations before being embedded in the accounts and presented to the Mayoral Combined Authority.

Sections 1-3 of the report provided basic background including information on the Local Enterprise Partnership, the Executive Team and the statutory officers.

Section 4 summarised the governance review activity that had taken place during the year.

These included new governance arrangements for the thematic boards, a Local Growth Fund programme review, an annual performance review undertaken by the Ministry for Housing, Communities and Local Government and an Annual Governance Review. Members noted that the outputs from the Annual Governance Review were summarised in Annex A to the report and had assisted in the preparation of the Annual Governance Statement and the Governance Improvement Plan.

Section 5 highlighted outstanding areas for development that External Audit recommended should be focused on and provided an update on outstanding recommendations from the previous Annual Governance Statement.

Section 6 was the main area of Member focus as it contained the progress made against the 2018/19 Governance Improvement Plan.

Section 7 provided a summary review in terms of risks and controls and Section 8 was a look forward to the areas of focus for strengthening governance in 2019/20.

A Marshall referred to the External Audit recommendations from 2017/18. With regard to the impairment review, the recommendation was that the Group had to have effective monitoring control over the PTE and she queried what the Group had put in place as an effective monitoring control over this.

A Marshall also queried what the Group had in place with regard to pensions assurance.

Officers gave various examples of the monitoring controls in place with regard to impairments and pensions.

The Monitoring Officer commented that the Statutory Officers Group worked with the Director General of the PTE to keep sight of all the ongoing issues.

R Adams suggested strengthening the wording in the Annual Governance Statement as to how Statutory Officers provide Group oversight and management of key issues.

With regard to Table 4 and the areas of focus for 2019/20, R Jarvis suggested that it would be helpful to include dates and responsibilities for the actions.

R Adams agreed to look at including names or groups and indicative timelines into the table.

RESOLVED: That, subject to the additions detailed above, the Committee approve the Annual Governance Statement for 2018/19.

10 Draft External Audit Results Report

This item was dealt with during the Statement of Accounts item.

11 2018/19 Statement of Accounts

A report was considered which provided the Committee with an update on changes made to the Statement of Accounts since the unaudited version was presented to Members on 13th June 2019.

M Thomas thanked S Tompkins, A Mumford and S Ahmed who had been instrumental in working to a tight schedule to pull together the draft accounts and deal with all the fieldwork questions from EY, and also to the rest of the team for their support with regard to the audit and the accounts.

He also thanked EY who, in their first year, had been very professional and thorough and also to E Walker for reviewing the draft accounts. E Walker was due to stand down as a Statutory Officer in due course and had delegated authority to M Thomas to sign off the accounts at the MCA meeting on the 29th July 2019.

As mentioned earlier, subject to the Committee's agreement or otherwise, the Group accounts should be caveated with the fact that the PTE's Audit and Risk Committee were due to meet on Tuesday 16th July, so the accounts were subject to their endorsement of the PTE's accounts. M Thomas would be asking the Committee today to recommend the Group accounts to the MCA on 29th July 2019.

There had been four adjustments in total, two on the PTE side and two on the CA side.

The adjustments to the PTE accounts (and therefore the group accounts) were:

Revaluation reserve – this acknowledged that the 2017/18 accounts contained a substantial error which was now being corrected.

Adjustment to the balance sheet - this was due to a directive from South Yorkshire Pensions Authority who had been instructed by their auditors to take the full actuarial assessment of pension liabilities for all local government bodies within South Yorkshire; this had to be done as a result of the outcome of the McCloud court case. This would lead to an increase of approximately £750k.

With regard to SYITA Properties Ltd, which was now almost liquidated, in 2017/18 PWC had advised that it was appropriate to make an adjustment to the accounts in relation to this.

However, EY's view was that the adjustment was premature and a further adjustment had been made to the accounts to reflect this.

The final adjustment was in relation to a Skills Bank grant. £1.1m should have been transferred to a reserve account but was wrongly held as a receipt held in advance. This had now been corrected.

D Spiller presented EY's audit results report.

He drew the Committee's attention to the risks that had been identified previously in the audit planning report which had been presented in April; particular attention had been paid to these areas.

There had been two changes to the scope of the audit:

- The approach to the testing of PFI balances had been updated to include the account as a higher inherent risk.
- The materiality assessment had been changed from £3.351m to £2.956m

EY had substantially completed the audit of the financial statements, the outstanding items were listed in the report. Subject to satisfactory completion of these items EY expected to issue an unqualified opinion on the Authority's financial statements.

With regard to value for money, EY had considered the Authority's arrangements and had not identified any significant risks.

D Spiller went through each area of audit focus giving brief details of the work completed; no significant issues were reported.

In relation to property, plant and equipment, testing had found that with regard to one asset, SYPTE did not appear to have documentation that adequately confirmed ownership. Since the report had been produced, officers had provided sufficient information to show that the PTE did own the property in question.

With regard to audit fees, it was confirmed that a scale variation fee would be issued for work performed relating to SYITA Properties Ltd.

The Chair asked whether there were any plans to reduce the pensions deficit.

M Thomas replied that this issue would be considered when preparing the Medium Term Financial Strategy.

The Committee considered the proposed letter that confirmed Audit & Standards Committee's oversight of management processes and

arrangements.

The Committee confirmed that it was happy for the Chair to sign the letter.

RESOLVED – That the Committee:

- i) Notes the changes made to the Statement of Accounts.
- ii) Commends the amended Statement of Accounts to the MCA for formal adoption, subject to the outcome of the meeting of the PTE's Audit and Risk Committee on 16th July 2019.
- iii) Notes that the Section 73 Officer would delegate authority to the Deputy Section 73 Officer to sign the accounts at the MCA on 29th July 2019.

12 **Update on 2019/20 Internal Audit Recommendations**

A report was submitted that presented an update on the status of the outstanding recommendations made by Internal Audit during 2018/19.

Members noted that the appendices to the report had been produced in a different format which was intended to be more transparent for Members.

The Committee noted the status of the implementation of the recommendations to audits of:

- GDPR Compliance
- Transport Capital Programme
- Inward Investment
- Payroll
- AMP Technology Centre
- Accounts Payable

Members noted that all GPC card holders would be provided with refresher training and reminded of their responsibilities, this was presently being organised.

RESOLVED: That the update on the 2019/20 Internal Audit recommendations be noted.

13 **Work Plan for 2019/20**

The Committee considered its Work Plan for 2019/20.

C James informed the Committee that it was a draft Work Plan and included training sessions which Members had requested. Further suggestions for additions to the Work Plan would be welcomed.

With regard to the training on scrutinising the accounts, M Thomas informed the Committee that three options had been considered.

- In-house training

- Asking EY to provide the training
- Use an external provider

Members were asked to communicate their preferences to officers.

14 **Any Other Business**

None.

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

Signed

Name

Position

Date

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AUDIT & STANDARDS COMMITTEE10th October 2019**Update on 2019/20 Internal Audit Recommendations****Purpose of Report**

This report presents an update on the status of the outstanding recommendations made by Internal Audit during 2018/19 and the final report for the audit undertaken by BMBC on Procurement Arrangements.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Members are asked to review the updated Internal Audit recommendation tracker and to note the Final Audit Report for Procurement Arrangements.

1. Introduction

- 1.1 The Audit and Standards Committee is responsible for overseeing and reviewing the Authority's internal audit strategy, and receive reports, as appropriate, from the Internal Auditor.

2. Proposal

- 2.1 To ensure oversight of the progress of recommendations made as a result of 2018/19 audit activity is not lost during the transition to the new provider, this report presents an update on the status of the outstanding recommendations made by Internal Audit during 2018/19. This report will be presented to the Committee on a regular basis until all actions are complete or embedded into business as usual activity.
- 2.2 Members are asked to review note the status of the implementation of the recommendations made by Internal Audit in relation to the following Audits:
- GDPR Compliance
 - Capital Programme
 - Inward Investment

- Procurement Arrangements

Recommendations relating to the following Audits are now complete:

- AMP Technology Centre
- Accounts Payable
- Payroll

3. Consideration of alternative approaches

3.1 N/A

4. Implications

4.1 Financial

None.

4.2 Legal

None.

4.3 Risk Management

Internal Audit forms part of SCR's system of internal control. The monitoring of the recommendations made by Internal Audit, and the agreed management response, supports governance improvement and the management of risk.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 None.

6. Appendices/Annexes

- 6.1 Appendix A - GDPR Compliance
 Appendix B - Capital Programme
 Appendix C - Inward Investment
 Appendix D – Procurement Arrangements
 Appendix E – Procurement Arrangements – Final Report

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ
 Other sources and references: n/a

SCRMCA Recommendation Status Report - GDPR (Overall audit opinion - Limited)

Year & Period due	Audit Report Title, Recommendation Number and Recommendation Title	Recommendation - Description	Priority	Theme	Status	Target Impl. Date	Original Target Impl. Date	No of Date Revisions	Agreed Management Action	Progress Update	Action Manager	Auditor
2019/20 Q1	SCRMCA/SYPTE Compliance with GDPR - R4 - Action Plans	Improve the functionality of the Action Plans in addressing outstanding actions and achieving full compliance with GDPR requirements.	Significant	Information Governance	Complete	31-Aug-19	30-Jun-2019	1	SCRMCA – Acknowledge the need to review action plan which has suffered due to lack of resources. Issue being addressed from May 2019. SYPTE – The action plan is version controlled in SharePoint. Both organisations intend to update the action plan twice yearly.	UPDATE OCT 19 - SCR & SYPTE Action Plans are on SharePoint to ensure version control. 19/20 Annual review is underway with GDPR Policies currently undergoing review by legal team.	Deputy Managing Director	Caroline Hollins
NOT YET DUE												
2019/20 Q3	SCRMCA/SYPTE - Compliance with GDPR - R2a - Roles and Responsibilities	The roles and responsibilities for GDPR (including SIRO and Information Governance) should be clarified and then clearly defined within the relevant Job Descriptions.	Significant	Managing People	Not Yet Due	30-Nov-2019		0	2a) The roles and responsibilities for GDPR (including SIRO and Information Governance) will be clarified and then clearly defined within the relevant Job Descriptions	UPDATE OCT 19 - this is being considered as part of the job evaluation activity currently underway.	Deputy Managing Director	Caroline Hollins
2019/20 Q3	SCRMCA/SYPTE - Compliance with GDPR - R2b - Roles and Responsibilities	Confirmation should be provided to ensure that the assigned roles and responsibilities of the Data Protection Officer have been clearly defined within the related Job Description.	Merits Attention	Managing People	Complete	30-Nov-2019		0	2b) Agreed. The DPO is aware of the requirements and is awaiting wider changes to be made to the Job Description related to SCR governance.	UPDATE OCT 19 - Closed - DPO Job Description has been updated.	Principal Solicitor & Secretary to the Executive	Caroline Hollins
2019/20 Q3	SCRMCA/SYPTE - Compliance with GDPR - R3 - Evidence to Support Assessments	Evidence should be retained / signposted to for all future actions that are signed off as "green" i.e. fully compliant.	Merits Attention	Information Governance	Not Yet Due	30-Nov-2019		0	This is to be considered by the SIRO and actioned further if required.	UPDATED OCT 19 - will be actioned as required.	Head of IT	Caroline Hollins

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SCRMCA Recommendation Status Report - Capital Programme (Overall audit opinion - Limited)

Year & Period Due	Audit Report Title, Recommendation Number and Recommendation Title	Recommendation - Description	Priority	Theme	Status	Target Impl. Date	Original Target Impl. Date	No of Date Revisions	Agreed Management Action	Progress Update	Action Manager	Auditor
2019/20 Q1	SCRMCA/SYPTE - Capital Programme 2018/19 - R6 - Low Emission Buses	The SYPTE should continue to work with the operators, MCA and also DfT/DEFRA to agree the format of information to be reported as soon as possible. Upon agreement being reached, the information should be reported to all relevant parties in accordance with the agreed timescales.	Significant	Financial Management	Complete	30-Jun-2019		0	The SYPTE Programme Manager (Passenger Transport Information) will continue to work with operators and DfT/Defra to provide monthly / quarterly updates in a suitable agreed format. Consideration will also be given as to whether this project should be brought in scope of the review of programme management arrangements.	UPDATE OCT 19 COMPLETE - DfT have confirmed to the Contracts team that they are satisfied with the quality of the emissions data that has been provided so arrangements can now be made to release the outstanding grant payment	SYPTE Programme Manager (PTI)	Caroline Hollins
2019/20 Q2	SCRMCA/SYPTE - Capital Programme 2018/19 – R5 - CA Quarterly Report	The quarterly report presented to the CA in relation to the SYPTE's Capital Programme should include a more detailed breakdown of the funding streams.	Merits Attention	Management Assurance Process	Overdue	18-Nov-19	30-Sep-2019	1	This will be rectified in the first quarterly monitoring report of 2019/20, currently scheduled to be presented to the MCA at the end of September 2019.	UPDATE OCT 19 - resources prioritised to budget review activity during Q1, this management action will be addressed in the Q2 report.	SCR Senior Finance Manager	Caroline Hollins
NOT YET DUE												
2019/20 Q4	SCRMCA/SYPTE - Capital Programme 2018/19 - R1 - Terms of Reference	The Terms of Reference for the Strategic Transport Group, Programme Board and Asset Management and Maintenance Group should be reviewed and approved by its members. Should the requirement to present the draft Capital Programme to the Programme Board for its challenge and approval remain, this should be complied with in future.	Significant	Information Governance	Complete	31-Mar-2020		0	In line with the MCA approved governance changes, the new Transport Board will agree any sub arrangements it wishes to see implemented. This may lead to a disbanding of some current groups or a repurposing of them, with clearer terms of reference agreed by the Transport Board of the MCA.	UPDATE OCT 19 COMPLETE - Transport Executive Board has strengthened the governance arrangements for Transport Executive Board to provide greater oversight of the Transport Capital Programme and have reviewed and agreed new ToR for the STG.	SCR Director of Programme Commissioning	Caroline Hollins
2019/20 Q4	SCRMCA/SYPTE - Capital Programme 2018/19 - R2 - HCM Programme Approval	The detail included within the Capital Programme 2019/20 submitted to the Executive Board and the CA for approval should be considered in terms of provision of an increased breakdown of information for the HCM programme (i.e. scheme level). In addition, the quarterly HCM related update reports should be developed to include a similar RAG rated delivery review report as that reported for the ITB.	Significant	Information Governance	Complete	31-Mar-2020		0	Consideration will be given how best to commission the HCM programme such that the new Transport Board can discharge its responsibilities to monitor the overall MCA transport capital programme.	UPDATE OCT 19 - COMPLETE	SCR Director of Programme Commissioning	Caroline Hollins
2019/20 Q4	SCRMCA/SYPTE - Capital Programme 2018/19 - R3 - ITB Change Requests	Consideration should be given to creating a standard template to be completed for all change requests. In addition, should these continue to be submitted by e-mail, a specific inbox could be utilised to minimise the risk of requests being missed and not actioned / the approvals not being recorded.	Merits Attention	Information Governance	Complete	31-Mar-2020		0	A full review will be undertaken of the programme management arrangements, including whether work is integrated into the PMO function of the MCA.	UPDATE OCT 19 - COMPLETE	SCR Director of Programme Commissioning	Caroline Hollins

2019/20 Q4	SCRMCA/SYPTE - Capital Programme 2018/19 - R4 - ITB and HCM reporting to Executive Board.	<p>All reports relating to the ITB and HCM that are presented to the SYTDG, STG and Executive Board should provide for greater transparency and consistency in the level of detail provided (i.e. the figures in terms of including carried forward and over programming).</p> <p>The MCA Finance Team should request information from / confirm accuracy of information being reported to the CA with the Local Transport Manager and SYPTE Principal Programme Delivery Manager.</p>	Significant	Financial Management	Not Yet Due	31-Mar-2020		0	<p>A per the management action noted at R3, a full review will be undertaken. The review will look at the level of reporting required to go to the new Transport Board and to the MCA via the Finance Team as a matter of urgency.</p>	<p>UPDATE OCT 19 - ITB (Integrated Transport Block) is now being scrutinised by the Transport Board ensuring greater oversight and accountability in terms of delivering the existing programme.</p> <p>HCM (Highways Capital Maintenance) - Policy decision under consideration regarding level of detail required to monitor delivery of the programme and its impact.</p>	SCR Senior Finance Manager & SCR Director of Programme Commissioning	Caroline Hollins
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SCRMCA Recommendation Status Report - Inward Investment (Overall assurance opinion - Limited)

Year & Period Due	Audit Report Title, Recommendation Number and Recommendation Title	Recommendation - Description	Priority	Theme	Status	Target Impl. Date	Original Target Impl. Date	No of Date Revisions	Agreed Management Action	Progress Report	Action Manager	Auditor
NOT YET DUE												
2019/20 Q3	SCRMCA - Review of Inward Investment - R1 - Strategic Plan	The International Trade and Investment Plan should include agreed implementation dates against each of the detailed objectives (actions) and also targets against each of the outcomes (key performance indicators), to enable the delivery of plan to be proactively managed and monitored during the year.	Significant	Performance Management & Data Quality	Not Yet Due	31-Dec-2019		0	Management Response:- The Trade and Investment Strategy and Operational Plan are currently under review and will be revised to include the international strategy of the SCR Mayor. Outputs and outcomes will be defined as part of this work.	UPDATE OCT 19 - Plan under review pending steer regarding strategic direction on international activity.	Rachel Clark, Director of Trade & Investment	Kathryn Brown
2019/20 Q3	SCRMCA - Review of Inward Investment - R4 - Key Performance Indicators	Key performance Indicators should be set for the Inward Investment Team and performance measured against these reported to the Trade and Investment Advisory Board on a regular basis to enable challenges to be made if applicable.	Significant	Performance Management & Data Quality	Not Yet Due	31-Dec-2019		0	Management Response:- Inward Investment related objectives and targets are to be considered as part of the wider review of the strategy and plan. Once agreed, they will feed into a revised MCA governance model to provide for greater oversight.	UPDATE OCT 19 - Plan under review pending steer regarding strategic direction on international activity.	Rachel Clark, Director of Trade & Investment	Kathryn Brown

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SCRMCA Recommendation Status Report - Procurement Arrangement (Overall audit opinion - Limited)

Year & Period Due	Audit Report Title, Recommendation Number and Recommendation Title	Recommendation - Description	Priority	Theme	Status	Target Impl. Date	Original Target Impl. Date	No of Date Revisions	Agreed Management Action	Progress Update	Action Manager	Auditor
NOT YET DUE												
2019/20 Q3	SCRMCA Procurement Arrangements R5 - Contracts Register	The findings of the review should be considered and addressed to ensure that the Transparency Code and associated best practice requirements are being fully met.	Merits Attention	Transparency	Not Yet Due	31st October 2019			The Contracts Register will be updated for the omissions identified from the review. The department responsible will be recorded on the register as the Operational Contracts Team who will co-ordinate with the relevant officers and provide responses to any queries received.		Assistant Director, Operational Contracts	David White
2019/20 Q3	SCRMCA Procurement Arrangements R6 - GPC Cards	The Employee Agreement should be reviewed and updated to ensure that GPC card holders formally declare the requirement to adhere to the regulatory / policy requirements.	Merits Attention	Financial & Asset Management	Not Yet Due	31st October 2019			The employee agreement is inherited from SCC. This agreement will be reviewed and updated to include the requirement for officers to declare that they will adhere to regulatory / policy requirements.		Assistant Director, Operational Contracts	David White
2019/20 Q3	SCRMCA Procurement Arrangements R3 - Procurement Procedures	All Officers should be reminded of the importance of adhering to the Public Contract Regulations, CPR and procedural requirements when undertaking procurement related activity.	Significant	Compliance	Not Yet Due	31st December 2019			A review of the processes and associated requirements specific to low value procurement activity will be undertaken with CPRs updated accordingly. Workshops will be organised for attendance by all relevant officers to inform them of the updated / revised requirements.	UPDATE OCT 19 - Underway pending team reorganisation.	Assistant Director, Operational Contracts	David White
2019/20 Q3	SCRMCA Procurement Arrangements R4 - Contracting	Formal contracts should be entered into, prior to commencement, for all future projects. In addition, the information included should accurately reflect the details of the award i.e. contract value and associated end dates.	Merits Attention	Financial & Asset Management	Complete	31st December 2019			The SCRMCA endeavour to obtain contract signatures prior to the commencement of the provision of goods, supplies and / or services and will continue to do so. However, it should be noted that delays are experienced with regard to suppliers returning contract documentation on a timely basis.	CLOSED	Assistant Director, Operational Contracts	David White

2019/20 Q3	SCRMCA Procurement Arrangements R8	All application forms and evidence of approval should be securely retained in future, in accordance with the requirements of Financial Regulations and Document Retention Policy. Management should consider the use of merchant category restrictions and individual transaction limits to provide for enhanced controls with regards to procurement card expenditure.	Merits Attention	Financial & Asset Management	Not Yet Due	31st December 2019		A reminder will be issued to all relevant officers to confirm that all approved documentation needs to be retained in accordance with specified retention policies / schedules. A review of current card holders, merchant categories, business and individual transaction limits will be undertaken. Cards will be revoked and cancelled (where appropriate) and restrictions applied following the outcome of the review.	Senior Finance Manager	David White
2019/20 Q3	SCRMCA Procurement Arrangements R9 - GPC Cards	All procurement cardholders and approving officers should be reminded of the process requirements and submission timescales that must be met. Official itemised receipts / invoices (VAT receipts where applicable) should be obtained for all purchases, in addition to the procurement card terminal receipt.	Merits Attention	Information Assurance	Not Yet Due	31st December 2019		GPC process requirements will be reviewed and updated (where appropriate). A notification will be issued to all card holders informing of requirements upon the completion of this review.	Senior Finance Manager	David White
2019/20 Q3	SCRMCA Procurement Arrangements R10 - GPC Cards	A review of the business credit limit, current card holders and individual credit limits should be undertaken to determine if there is a continued business requirement for a procurement card, with credit limits adjusted (as appropriate). Cards should be cancelled / removed where a business need is no longer required and / or allocated to additional users as considered appropriate.	Merits Attention		Not Yet Due	31st December 2019		A review of current card holders, merchant categories, business and individual transaction limits will be undertaken. Cards will be revoked and cancelled (where appropriate). Category restrictions will be considered and applied accordingly and revised limits requested based upon the analysis completed.	Senior Finance Manager	David White
2019/20 Q3	SCRMCA Procurement Arrangements R11 = GPC Cards	Procurement cards should be utilised in accordance with the terms and conditions and all purchases should be approved by the cardholder prior to orders being placed. In addition, officers should be required to complete an Employee Agreement confirming their adherence to the requirements of the T&Cs of the card and also regulatory / procedural requirements.	Merits Attention		Not Yet Due	31st December 2019		A business decision will be made with regard to the sharing / utilisation of procurement cards. All employees that utilise the cards will be required to complete an employee agreement form declaring compliance with the T&Cs and regulatory / procedural requirements.	Senior Finance Manager	David White

2019/20 Q4	SCRMCA Procurement Arrangements R1	The Contract Procedure Rules and other procurement related documentation should be reviewed and updated in conjunction with the Operational Contracts Team at the earliest opportunity. All officers should be notified of the updated documentation, upon the completion of the review and signposting provided to its location.	Significant		Not Yet Due	31st March 2020			Clear linkages will be made between the established commissioning process and the procurement process. Any new procurement procedures will reference that, where appropriate, Data Protection and Equality implications will be considered as part of the decision to procure. The CPRs, associated procurement documentation and Financial Regulations will be reviewed and updated to ensure that they are aligned, address the findings from this review and are reflective of current working practices.	UPDATE OCT 19 - The procurement procedure rules (PPR's) are being re-written to ensure they provide a comprehensive guide to the procurement procedure. Work has commenced on this re-write and it is expected that a first draft will be prepared for internal consideration by end Oct 19.	Principal Solicitor & Secretary to the Executive	David White
2019/20 Q4	SCRMCA Procurement Arrangements R2	All officers must complete and submit a return declaring any conflicts of interest (including nil returns). Declarations should be analysed and considered when undertaking procurement activity compensating controls and / or appropriate safeguards implemented (where considered appropriate) to mitigate associated risks. Conflict of interest forms should be completed by all officers within the procurement process on a risk basis and should extend to those RFQ opportunities that are openly advertised.	Significant		Not Yet Due	31st March 2020			Procurement procedures will be amended to clarify that there is a positive obligation, in accordance with the Officer Code of Conduct, to declare any conflict of interest should a conflict situation arise during the procurement process.	UPDATE OCT 19 - The obligation to declare conflicts of interest already exists and should be being complied with as it an officer code of conduct issue, the inclusion/clarification of the obligation in PPR's is part of the work under above recommendation.	Principal Solicitor & Secretary to the Executive	David White
2019/20 Q4	SCRMCA Procurement Arrangements R7	A business entertainment and foreign travel policy should be drafted and approved, to confirm the type and level of expenditure that is acceptable to the SCRMCA when attending meetings and other commercial (business) related events. The policy should be published on the Intranet Site.	Significant		Not Yet Due	31st March 2020			The current policies will be considered and, should management deem it necessary, a Business Entertainment Policy specifically for Officers will be drafted.		SCR Senior Finance Manager & Deputy Managing Director	David White

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Sheffield City Region Mayoral Combined Authority (SCRMCA)

Procurement Arrangements

Final Internal Audit Report

Date of Issue: 6th August 2019



BARNSLEY

Metropolitan Borough Council

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Audit Control Table:

Pre-audit Meeting Date:	14 th December 2018
Draft Report Issued:	28 th May & 9 th July 2019
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Final Report Issued:	6 th August 2019

Report Circulation:

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Audit Team:	Sharon Bradley, Audit Manager David White, Principal Auditor

Executive Summary

SCRMCA Procurement Arrangements

Introduction and Background

A review of the SCRMCA procurement arrangements (including utilisation of procurement cards) has recently been undertaken. This formed part of the agreed programme of work relating to the 2018/19 financial year.

Scope

To provide independent and objective assurance that procurement processes (including the use of company procurement cards) for low value spend were compliant with the legislative and regulatory requirements, whilst providing for best practice, efficient and effective processes and value for money.

Objectives

The objectives specific to this review were to ensure that:-

Governance

- Contract Procedure Rules, procurement policy and related procedures were located on the Intranet Site to provide officers with the required guidance when undertaking procurement activity and also utilising a company procurement card. The documents were up to date, i.e. provided evidence of recent review and approval.

Controls

- Procurement activity was undertaken in compliance with regulatory, policy and procedural requirements;
- There was a clear and full audit trail to support actions taken, decisions made and approvals obtained (including procurement exempt from competition);
- All required checks (e.g. financial, insurances, and health and safety) were undertaken prior to the award of the contract (where relevant to the procurement type and value);
- Contracts existed for all procurements (where the value and type of procurement require). These were fit for purpose and were entered into prior to the contract start date;
- All documentation was retained in accordance with the Document Retention Policy;
- Procurement related expenditure was monitored to identify any opportunities to aggregate spend, to provide for efficiencies and value for money;
- Procurement Card transactions were properly certified and payments were processed in accordance with established business processes.

In preparing and carrying out the review the Auditor took into account the following specific risk themes from the Strategic Risk Register. In light of the audit findings and the management action agreed it may be necessary to update the relevant risk areas / themes.

- Financial & Asset Management;
- Information Assurance;
- Decision Making and Transparency;
- Information Assurance and;
- Compliance.

Executive Summary

SCRMCA Procurement Arrangements

Overall Conclusion

The review concluded that the Contract Procedure Rules (2017) have not been fundamentally reviewed recently (it is acknowledged that minor updates have been made) and therefore they do not fully incorporate or reflect the requirements of the Public Contract Regulations 2015, current working practices and also best practice requirements. This may have contributed to the areas of non-compliance identified during the review in terms of low value procurement activity undertaken for the period reviewed.

No evidence was provided during the completion of the review to confirm that officers with delegated authority and officers involved within the ordering and purchasing process had formally declared any relationships with existing suppliers or potential contractors prior to obtaining quotations or awarding contracts. Assurance therefore cannot be provided that the requirements of the Code of Conduct and Financial Regulations had been complied with. Discussions with the Deputy Managing Director did indicate that the requirements in practice differ from those included in the Financial Regulations and that this needed to be considered with the Financial Regulations revised (if required) to reflect the approved approach.

Furthermore, a company business entertainment policy (including foreign travel) has not been developed to detail the process requirements that must be applied and also the type and level of expenditure that is acceptable when attending meetings and other business / commercial related events. It is acknowledged that a BMBC Gifts & Hospitality Policy exists for Officers and a LEP Policy for Members exists to which Officers have been signposted. However, these are not aligned and therefore may result in a lack of clarity with regards to acceptable business entertainment related spend.

Assurance Opinion

From the audit review, Internal Audit has made 11 recommendations, these have been classified as:

- Fundamental Recommendations 0
- Significant Recommendations 4
- Merits Attention Recommendations 7

Based on the above Internal Audit can provide the Principal and Secretary with a **limited** assurance opinion in relation to the internal control framework. An explanation of the ratings is included within the Glossary of Terms.

Conclusion on Control Adequacy

Limited assurance indicates that Internal Audit concluded that a risk exists of the objectives not being achieved due to the absence of key controls in the system. From the review, seven recommendations made related to the adequacy of controls. Three of the recommendations have been categorised as significant and four recommendations have been categorised as merits attention.

Conclusion on Control Application

In relation to the application of key controls in the system reviewed limited assurance indicates that there is a significant breakdown in the application of key controls. From the review, four of the recommendations made related to the application of existing controls.

Executive Summary

SCRMCA Procurement Arrangements

One recommendation has been categorised as significant and three recommendations have been categorised as merits attention.

Acknowledgement

Internal Audit would like to take this opportunity to express its thanks to the management and staff within the Finance, Procurement and Operational Contracts Teams for their help and co-operation during the audit.

Confidentiality

This report is strictly private and confidential and as such is for the exclusive use of the intended recipients. The content and results of the audit should not be copied in part or in whole without the prior permission of the receiving sponsor of the report.

Audit Methodology

The audit was conducted in conformance with the Public Sector Internal Audit Standards using a combination of enquiry, observation and sample testing techniques.

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Risk: Failure to adhere to the requirements of Contract Procedures Rules, associated procedures and documentation, resulting in processes not being fair, open and transparent. This increases the risk of challenges, claims and complaints.					
1.1 (R1) Page 30	<p>A review of the Contract procedure Rules (CPRs) confirmed that they had not been subject to a fundamental review since July 2017. It is acknowledged that minor amendments had been processed to reflect the revised OJEU thresholds (effective January 2018) and also revised requirements to strengthen the robustness of the CPR waiver process.</p> <p>Examination of the CPRs confirmed that they do not fully reflect the requirements of the Public Contract Regulations 2015, associated best practice and / or current working practices with amendments required to facilitate compliance:-</p> <ul style="list-style-type: none"> No reference is made to the screening and / or completion of a Community / Equality Impact Assessment. Similarly, no reference is made to the requirement to undertake a Data Protection Impact Assessment (DPIA) as required by the General Data Protection Regulations (GDPR) for all new contracts, contracts extensions and CPR Waivers; The wording of the approval route for CPR Waivers above £50K to £100K is ambiguous and requires amendment so that it is clear to procuring officers that approval is required from the Procurement Professional and Assistant Director, Operational Contracts Team in the first instance prior to submission to the Deputy Managing Director (and / or any other Stat Officer) to inform the approval decision; The process requirements specific to low 	<p>The Contract Procedure Rules and other procurement related documentation should be reviewed and updated in conjunction with the Operational Contracts Team at the earliest opportunity. All officers should be notified of the updated documentation, upon the completion of the review and signposting provided to its location.</p> <p>This is a control adequacy issue.</p>	Significant Y	<p>Clear linkages will be made between the established commissioning process and the procurement process.</p> <p>Any new procurement procedures will reference that, where appropriate, Data Protection and Equality implications will be considered as part of the decision to procure.</p> <p>The CPRs, associated procurement documentation and Financial Regulations will be reviewed and updated to ensure that they are aligned, address the findings from this review and are reflective of current working practices.</p>	31st March 2020 Principal Solicitor & Secretary to the Executive

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 31	<p>value procurement activity i.e. Requests for Quotations need to be more specific in terms of the processes to be completed and associated documentation to be retained. For example, the CPRs do not make reference to the RFQ receipt, opening and recording requirements;</p> <ul style="list-style-type: none"> • No reference is made to the requirement, as per the Code of Conduct, for officers with delegated authority and / or within the ordering and purchasing process to formally declare any relationships with existing or potential Authority contractors prior to the obtaining of quotations or the awarding of contracts; • No reference is made of the requirement to update the Contracts Register for all contracts awarded in excess of £5K to ensure compliance with the requirements of the Local Government Transparency Code 2015; • The contract award section is not explicit that an award notice must be publicised on Contracts Finder for all contracts awarded above £25K. This requirement is reflected within the Sections specific to procurement via the open and restricted procedures; • The contract award notice publication timescale referred to throughout the document are incorrect. The Public Contract Regulations 2015 requires that all contract award notices are publicised 30 days after the date of the contract award. <p>It is acknowledged that the Procurement Professional confirmed that a review of CPRs has not commenced and has been placed on hold until the outcome of Brexit was known.</p>				

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 32	<p><u>Procurement Rules and Process Flowchart</u></p> <p>Examination of the Procurement Rules and Process Flowchart confirmed that the procurement process requirements (end to end) had not been fully reflected and / or aligned to the governance arrangements of the SCRMCA (including the requirements of the CPRs). In addition, the process flowchart does not accurately reflect the working practices in operation. The following omissions are noted:</p> <ul style="list-style-type: none"> • No reference is made to the requirement to obtain business case and budget approval for the duration of the contract (User responsibility); • The flowchart does not make reference to the requirement to undertake screening and / or undertake a full community and /or equality impact assessment. In addition, to undertake a DPIA (User responsibility); • All RFQ opportunities are not administered via YORtender as stated. The Procurement Professional confirmed that the YORtender System is utilised on a risk based approach and / or where open competition is considered appropriate; • No reference is made to the requirement to evaluate the bids received in accordance with the specified award criteria and evaluation methodology; • Contract Award Approval Forms are not completed for low value procurement activity; • No reference is made to the requirement to publicise contract award notices and corresponding timescales for publication and • No reference is made to updating the 				

**Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 33	<p>contracts register for all contracts awarded in excess of £5K to ensure compliance with the Local Government Transparency Code.</p> <p><u>Request for Quote Template</u></p> <p>The RFQ Template had not been subject to review an update since June 2017. Examination of the document confirmed that, in the main the document contains sufficient content / information (to be updated per procurement event). However, to comply with best practice guidance a worked example of the overall weighted model for price and quality should be included for supplier reference purposes (for inclusion where appropriate).</p> <p>This finding should be considered in relation to risk / theme: Compliance</p>				
1.2 (R2)	<p>No evidence was provided during the review to confirm that officers involved within the ordering and purchasing process (including for the sample of procurement events reviewed) had formally declared any relationships with existing and / or potential contractors prior to the obtaining of quotations or awarding of contracts. Consequently, the requirements of Section 9 of the SCRMCA Financial Regulations may not have been complied with. In addition, compensating controls and / or mitigating safeguards may not have been implemented to protect the interests of both the officers and the Authority.</p> <p>Financial Regulations state officers with delegated authority and within the ordering and</p>	<p>All officers must complete and submit a return declaring any conflicts of interest (including nil returns). Declarations should be analysed and considered when undertaking procurement activity compensating controls and / or appropriate safeguards implemented (where considered appropriate) to mitigate associated risks.</p> <p>Conflict of interest forms should be completed by all officers within the procurement process on a risk basis and should extend to those RFQ opportunities that are openly</p>	Significant Y	Procurement procedures will be amended to clarify that there is a positive obligation, in accordance with the Officer Code of Conduct, to declare any conflict of interest should a conflict situation arise during the procurement process.	31st March 2020 Principal Solicitor & Secretary to the Executive

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 34	<p>purchasing process must:</p> <p><i>“Formally declare any relationships with existing or potential Authority contractors prior to the obtaining of quotations or the awarding of contracts”.</i></p> <p>It is acknowledged conflict of interest forms (COI) are completed on a risk basis for RFQ opportunities and also for tender opportunities as required by the SCRMCA Contract Procedure Rules. However, this does not extend to low value procurement activity.</p> <p>This finding should be considered in relation to risk / theme: Compliance</p>	<p>advertised.</p> <p>This is a control adequacy issue.</p>			
1.3 (R3 & R4)	<p>A sample of 6 procurement processes undertaken during the period 1st April 2018 to 31st January 2019 was included within this review. Testing focused upon lower value procurement activity (i.e. quotations and CPR Waivers) and was undertaken to provide assurance that legislative, procedural and best practice requirements had been met, and that there was a robust management trail of information and evidence to support the processes undertaken and decisions made.</p> <p>A review of the documentation provided, and discussions with key procurement officers, identified the following:-</p> <ul style="list-style-type: none"> • The requirements of the CPRs and associated best practice had not been consistently applied; • There were information gaps in the request 	<p>R3 All Officers should be reminded of the importance of adhering to the Public Contract Regulations, CPR and procedural requirements when undertaking procurement related activity.</p> <p>This is a control application adequacy issue.</p> <p>R4 Formal contracts should be entered into, prior to commencement, for all future projects. In addition, the information included should accurately reflect the details of the award i.e. contract value and associated end dates.</p> <p>This is a control application issue.</p>	<p>Significant</p> <p>Y</p> <p>Merits Attention</p> <p>Y</p>	<p>A review of the processes and associated requirements specific to low value procurement activity will be undertaken with CPRs updated accordingly. Workshops will be organised for attendance by all relevant officers to inform them of the updated / revised requirements.</p> <p>The SCRMCA endeavour to obtain contract signatures prior to the commencement of the provision of goods, supplies and / or services and will continue to do so. However, it should be noted that delays are experienced with regard to suppliers returning contract documentation on a timely basis.</p>	<p>31st December 2019</p> <p>Assistant Director, Operational Contracts</p> <p>Completed</p> <p>Assistant Director, Operational Contracts</p>

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 35	<p>for quotation documentation provided to potential suppliers, for example, award / evaluation criteria and on occasions the terms and conditions of contract had not been specified / provided;</p> <ul style="list-style-type: none"> • Failure to record the receipt, opening and recording of quotations for non-advertised opportunities; • Lack of documentation available (including in a centralised location) to support the procurement processes undertaken and to evidence consensus decisions made, increasing the potential for adverse publicity should a decision be challenged; • Contract formalities had not been completed on a timely basis; • Contract award notices had not been publicised on Contracts Finder (Government portal) for 2 contracts in excess of £25K; • Instances of non-compliance with the requirements of the Document Retention Policy. <p>Please refer to Appendix A for detailed findings identified during this review.</p> <p>This finding should be considered in relation to risk / theme: Compliance</p>				
<p>Risk: Where there is a business reason for not procuring via competition, a required waiver report is not prepared, not sufficiently detailed and/or not challenged & approved by the delegated Officers. This results in an increase in challenges, claims and complaints.</p>					
2.1 (R5)	<p>Examination of the SCRMCA Contracts Register confirmed that it does not provide for all mandatory information required for publication.</p> <p>The following omissions are noted:</p> <ul style="list-style-type: none"> • The department responsible for the contract 	<p>The findings of this review should be considered and addressed to ensure that the Transparency Code and associated best practice requirements are being fully met.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p style="text-align: center;">Y</p>	<p>The Contracts Register will be updated for the omissions identified from the review.</p> <p>The department responsible will be recorded on the register as the</p>	<p>31st October 2019</p> <p style="text-align: center;">Assistant Director, Operational Contracts</p>

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 36	<p>is not recorded;</p> <ul style="list-style-type: none"> • Value Added Tax that cannot be recovered; • The procurement route / type i.e. whether the contract resulted from a request for quotation or a published invitation to tender. <p>In addition, the internet site / register does not confirm ownership of the published information, that the data is open for re-use and the license under which it is published.</p> <p>Measurement for the above was made against the Freedom of Information Act Model Publication Scheme, Information Commissioners Definition Documents and the Local Government Transparency Code 2015.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>			<p>Operational Contracts Team who will co-ordinate with the relevant officers and provide responses to any queries received.</p> <p>Expired contracts will be removed from the register and consideration will be given to developing an archive register for publication.</p>	
<p>Risk: Policies and operational procedures with regard to procurement cards do not exist, resulting in the lack of defined and agreed roles and responsibilities, failure to meet all legislative and regulatory requirements and an inconsistent approach. No formal agreement to the corresponding terms and conditions should a future dispute occur. Increased risk of misappropriation, inappropriate and unauthorised expenditure.</p>					
3.1 (R6)	<p>Examination of the SCR GPC Employee Agreement confirmed that no reference is made to the requirement to comply with the requirements of the Contract Procedures Rules (CPRs) and / or Financial Regulations. Consequently, there is no evidence of the cardholders declaring that they are aware of the requirement to meet the regulatory / policy requirements.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>	<p>The Employee Agreement should be reviewed and updated to ensure that card holders formally declare the requirement to adhere to the regulatory / policy requirements.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>The employee agreement is inherited from SCC. This agreement will be reviewed and updated to include the requirement for officers to declare that they will adhere to regulatory / policy requirements.</p>	<p>31st October 2019</p> <p>Assistant Director, Operational Contracts</p>

**Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
3.2 (R7)	<p>Enquires with key officers during the completion of the review confirmed that the SCRMCA does not have a business entertainment policy and / or a policy with regard to foreign travel. Consequently, the absence of formal approved policies detailing the level and type of expenditure acceptable by the SCRMCA with regard to hospitality and oversees visits increases the potential for challenge with regard to public accountability / use and stewardship of public funds. It is acknowledged that there is a BMBC Gifts and Hospitality Policy for officers and an LEP Gifts and Hospitality and LEP Expenses Policy for members. However, these conflict with regards to requirements / restrictions and therefore may confuse officers regarding acceptable business entertainment expenditure.</p> <p>This finding should be considered in relation to risk / themes: Decision Making and Transparency.</p>	<p>A business entertainment and foreign travel policy should be drafted and approved, to confirm the type and level of expenditure that is acceptable to the SCRMCA when attending meetings and other commercial (business) related events. The policy should be published on the Intranet Site.</p> <p>This is a control adequacy issue.</p>	<p>Significant</p> <p>Y</p>	<p>The current policies will be considered and, should management deem it necessary, a Business Entertainment Policy specifically for Officers will be drafted.</p>	<p>31st March 2020</p> <p>Principal Solicitor and Secretary to the Executive & Deputy Managing Director</p>
3.3 (R8)	<p>Examination of documentation with regard to the application and authorisation of the procurement cards for 2 cardholders identified the following:-</p> <ul style="list-style-type: none"> For 1 cardholder, an application form could not be located or provided. In addition, no documentation was provided to evidence the approval for this officer to be allocated with a government procurement card (GPC). It is acknowledged that this card was requested via bulk upload at the time that the initial GPCs were requested by the business; For 1 cardholder, the application form completed had been authorised by one bank 	<p>All application forms and evidence of approval should be securely retained in future, in accordance with the requirements of Financial Regulations and Document Retention Policy.</p> <p>Management should consider the use of merchant category restrictions and individual transaction limits to provide for enhanced controls with regards to procurement card expenditure.</p> <p>This is a control application</p>	<p>Merits Attention</p> <p>Y</p>	<p>A reminder will be issued to all relevant officers to confirm that all approved documentation needs to be retained in accordance with specified retention policies / schedules.</p> <p>A review of current card holders, merchant categories, business and individual transaction limits will be undertaken. Cards will be revoked and cancelled (where appropriate) and restrictions applied following the outcome of the review.</p>	<p>31st December 2019</p> <p>Senior Finance Manager</p>

**Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 38	<p>signatory only. In addition, the application form had not been signed by the requesting cardholder;</p> <ul style="list-style-type: none"> • For both cardholders, merchant categories had not been determined and / or blocked for use. It is acknowledged that restrictions have been specified for cash withdrawals only. <p>Consequently, evidence has not been retained to support the application for a card and also approval. In addition, the absence of specified merchant categories per cardholder increases the potential for misappropriation and / or inappropriate purchases to be made.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>	issue.			
<p>Risk: Contract Procedure Rules and Financial Regulation requirements are not complied with resulting in value for money not being obtained. Procurement card expenditure is monitored to identify any opportunities to aggregate spend to provide for increased efficiencies and also the streamlining of processes to manage accounts.</p>					
4.1	<p>A review of 10 procurement card transactions (including supporting documentation) and discussions with key officers, for the period 1st April 2018 - 31st March 2019 confirmed:-</p> <ul style="list-style-type: none"> • Requirements of CPRs and the Barclaycard Operating Instructions had not been adhered to / consistently applied; • There is a failure to retain documentation to support the processes undertaken, decisions made and approval obtained; • Instances of non-compliance with the requirements of the Document Retention Policy. <p>Please refer to Appendix B for detailed findings identified during this review.</p>	Please refer to Recommendation 2.		Please refer to agreed management actions at Recommendations 1 & 2.	<p>31st December 2019</p> <p>Assistants Director, Operational Contracts</p>

Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
4.2 (R9)	<p>The GPC transactions logs relating to 4 cardholders (9 transaction logs, 10 transactions) for the period 1st April 2018 to 31st March 2019 were reviewed and this identified that:-</p> <p><u>GPC Transaction Logs</u></p> <ul style="list-style-type: none"> In 1 case, the transaction log had been signed but did not provide the name of the authorising officer and/ or the date that the approval had been provided; In 6 cases, the transaction logs had not been completed, authorised and submitted for reconciliation on a timely basis i.e. prior to the date of the direct debit being taken from the bank. <p><u>GPC Transactions and Supporting Documentation</u></p> <ul style="list-style-type: none"> In 2 cases, no evidence was available to confirm advance approval had been obtained from the relevant Line Manager / Cardholder. It is acknowledged that for 1 transaction, verbal approval had been obtained at the time that hospitality had been provided; An £18 gratuity charge had been paid on one occasion. In addition, for a further transaction, mini bar purchases totalling £22 had been incurred. As already reported, the absence of a policy does not provide guidance to officers with regards to the type of payments acceptable to the company; In 1 case, a purchase order should have been raised with a supplier and payment processed upon the receipt of an invoice; For 1 transaction, an itemised receipt had not 	<p>All procurement cardholders and approving officers should be reminded of the process requirements and submission timescales that must be met. Official itemised receipts / invoices (VAT receipts where applicable) should be obtained for all purchases, in addition to the procurement card terminal receipt.</p> <p>This is a control application issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>GPC process requirements will be reviewed and updated (where appropriate). A notification will be issued to all card holders informing of requirements upon the completion of this review.</p>	<p>31st December 2019</p> <p>Senior Finance Manager</p>

**Findings, Recommendations and Agreed Management Actions
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Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
Page 40	<p>been obtained and therefore details of the expenditure incurred could not be verified.</p> <p>Consequently, the requirements of the GPC Operational Instructions had not been complied with. In addition, failure to complete and submit GPC transactions logs on a timely basis increases the risk of incorrect/unapproved payments being made, inaccurate financial records being maintained (e.g. VAT) and non-compliance with the terms and conditions.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>				
4.3 (R10)	<p>Discussions with key officers, a review of documentation relating to the 6 GPC card holder accounts, confirmed that several officers had utilised their cards intermittently and incurred minimal expenditure. No evidence was provided to confirm when the total business credit limit and also individual cardholders' monthly transactions limits were last reviewed and / or if there was a continued business requirement for a procurement card.</p> <p>It is acknowledged that monthly transactions limits are approved, varied / increased on a temporary basis as required.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>	<p>A review of the business credit limit, current card holders and individual credit limits should be undertaken to determine if there is a continued business requirement for a procurement card, with credit limits adjusted (as appropriate). Cards should be cancelled / removed where a business need is no longer required and / or allocated to additional users as considered appropriate.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A review of current card holders, merchant categories, business and individual transaction limits will be undertaken.</p> <p>Cards will be revoked and cancelled (where appropriate). Category restrictions will be considered and applied accordingly and revised limits requested based upon the analysis completed.</p>	<p>31st December 2019</p> <p>Senior Finance Manager</p>

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

Ref	Finding	Recommendation	Category Accepted Y/N	Agreed Management Action	Agreed Timescale and Responsible Officer
4.4 (R11)	<p>A review of a sample of procurement card transactions confirmed that the cards are being utilised departmentally and not always by the assigned GPC cardholder. Consequently, the terms and conditions of the procurement cards are not being complied with and there is an increased risk of misappropriation and / or unauthorised purchases being made.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p>	<p>Procurement cards should be utilised in accordance with the terms and conditions and all purchases should be approved by the cardholder prior to orders being placed. In addition, officers should be required to complete an Employee Agreement confirming their adherence to the requirements of the T&Cs of the card and also regulatory / procedural requirements.</p> <p>This is a control adequacy issue.</p>	<p>Merits Attention</p> <p>Y</p>	<p>A business decision will be made with regard to the sharing / utilisation of procurement cards.</p> <p>All employees that utilise the cards will be required to complete an employee agreement form declaring compliance with the T&Cs and regulatory / procedural requirements.</p>	<p>31st December 2019</p> <p>Senior Finance Manager</p>

Glossary of Terms
SCRMCA Procurement Arrangements

1. **Classification of Recommendations**

- Fundamental** A recommendation requiring immediate action – imperative to ensuring the objectives of the system under review are met.
Significant A recommendation requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
Merits Attention A recommendation where action is advised to enhance control or improve operational efficiency.

2. **Assurance Opinions**

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS Page 42	Substantial Assurance	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Adequate Assurance	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	Limited Assurance	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	No Assurance	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

Appendix A

SCRMCA Procurement Arrangements

Examination of supporting documentation for the sample of 6 transactions reviewed identified the following detailed findings:-

Competition Requirements

Three of the 6 transactions selected for review had been procured via an exception / waiver to competition. The following findings were noted:-

- For 1 project, the commissioning proposal change request did not fully record the costs for the contract variation to inform the approval decision i.e. excluded maintenance costs to be incurred during 2019/20. In addition, the CPR Waiver Report had not been subject to review and approval by the Assistant Director, Operational Contracts Team. Consequently, Clause 2.6.6 of the CPRs had not been complied with (Deetu).

The remaining 3 contracts were procured by requesting quotations (including via open competition where considered appropriate). The following findings were noted:-

- For 1 project, the commissioning proposal (including budget) was approved retrospectively i.e. after the completion of the procurement event and contract award. No evidence was provided to confirm that approval had been obtained in advance via separate cover. Consequently, insufficient funds may have been available to fund the duration of the contract awarded. In addition, the SCRMCA governance arrangements / Clause 3.2.1.1 of the CPRs had not been complied with (Affinity Works);
- For 1 project, the advertisement did not accurately reflect the duration of the contract opportunity i.e. the end date did not account for programme reporting to 2020 (Affinity);
- In 1 case, the RFQ standard documentation / template had not been utilised. The documentation (briefing pack) provided to the suppliers was insufficiently detailed and did not provide for an award criteria and scoring methodology to inform the suppliers how the bids would be evaluated. In addition, a pricing schedule and the terms and conditions of contract were not provided at the time that of issuing the RFQs (Salt Street);
- For 2 projects, a worked example of the overall weighted model for price and quality had not been included for supplier reference purposes (SCP and Affinity).

Consequently, best practice requirements with regard to the publication of all RFQ documentation at the point of invitation to quote had not been complied with.

Submission, Receipt and Opening of Quotations

- In 1 case, quotations had been e-mailed directly to the Procuring Officer and opened in isolation. A document is not maintained to record the receipt and opening of quotations (i.e. date opened, by whom, prices submitted). Consequently, the bids had not been opened in a controlled and independent environment (Salt Street).

Evaluation of RFQs

In 3 cases, the quotations submitted required an evaluation to be completed. This identified that:-

- For 1 project, the procuring officer confirmed that all bids had been subject to an evaluation (based upon price and quality criteria). However, the evaluation completed had not been documented to evidence that the successful supplier was the most economically advantageous to the SCRMCA. As a consequence, the scores awarded / evaluations completed to evidence decisions made are not fully supported. It is acknowledged that the Procurement Professional provided a summary evaluation matrix separately detailing the characteristics of each bid that informed the evaluation decision / outcome (Salt Street Productions);

Appendix A

SCRMCA Procurement Arrangements

- In 1 case, the suitability assessment criteria evaluation did not provide details of the evaluating officer or date completed. Similarly, for a separate project, the combined suitability assessment and price evaluation did not provide details of the evaluating officer(s) (Affinity);
- In 1 case, the price submitted by one of the suppliers had been transferred incorrectly to the pricing evaluation schedule / record. No evidence was available to confirm any revised pricing submitted prior to the deadline for the opportunity and evaluation completed. It is acknowledged that the increase in price would have had no impact in the outcome of the evaluation / award decision (SCP LTD);
- In 1 case, the minimum aggregated quality points score was not achieved by any of the suppliers evaluated and therefore the evaluation had not been completed in accordance with the specified instructions / requirements. It is acknowledged that 15 suppliers were evaluated as part of the procurement process and therefore proceeding with the award decision was considered appropriate in this instance (Affinity Works);
- In 2 cases, the summary evaluation matrix did not provide details of the dates that the evaluations were completed and evidence (i.e. signature or e-mail) to confirm the agreement of consensus scores (SCP LTD and Affinity Works).

Contract Award Approval

Page 44
For 3 projects procured via competition, no evidence was available to confirm that the contracts had been awarded in accordance with Constitution requirements and / or by officers with approved delegated authority. The Constitution (Part 4E General Delegations to all Statutory Officers and the Clerk Routine Management) states the following:

Contracts and Accounts

2.3 The acceptance of a tender or quotation:-

- (a) for the supply of goods, materials or services for which financial provision has been made in the Authority's Revenue Budget up to a limit of £100,000 in value for any one transaction, or*
- (b) for building and civil engineering works provided that the value of the tender is within the estimate previously approved by the Authority as part of the capital programme and does not exceed £250,000;*

where the tender or quotation is in accordance with the Authority's Contracts Procedure Rules and is either the most economically advantageous tender decided by reference to pre-determined weighted award criteria or the subject of a waiver of the Authority's Contracts Procedure Rules granted in accordance with those Rules.

Notification to Suppliers & Contract Award Notices

- In 1 case, there was no evidence of the award decision being notified in writing to the successful and unsuccessful suppliers (Salt Street);
- In 2 cases, the successful letters did not provide details of the scores awarded and / or accepted contract price. In addition, whilst the unsuccessful notifications confirmed the name of the preferred supplier, the actual scores awarded were not provided for comparative purposes (SCP LTD and Affinity Works);
- For 2 contracts, no evidence was provided to confirm if contract award notices had not been publicised on Contracts Finder. Consequently, the requirements of the Public Contract Regulations 2015 may not have been complied with (CCM Consulting and Deetu);

Appendix A

SCRMCA Procurement Arrangements

- In 2 cases, the contract award notices did not provide for the total value of the contracts awarded. In addition, for 1 project, the contract end date was incorrect. In both cases, the contract end dates publicised did not account for the full potential duration of the contracts i.e. did not account for all permitted options to extend the contracts as per the contract terms and conditions (SCP Ltd, Affinity Works).

Contracts Register

An examination of the data / information publicised to the SCRMCA Contract Register for the 6 projects was undertaken. The following findings were noted:-

- In all cases, contracts extension periods as included within the contract terms and conditions had not been recorded;
- In 1 case, the contract information published had not been updated to reflect the agreed variations processed i.e. increase in cost due to functionality requirements and / or the revised contract end date. In addition, the title of the contract had not been updated to reflect the revised requirements as per the Local Government Transparency Clause included within the contract documentation (Deetu Consulting).

Contract Formalities

A review of the contracts for the 6 transactions included in this review confirmed that, in 5 cases, the contracts had not been entered into i.e. signed prior to the commencement of the delivery of the services. It is acknowledged that this in the main was attributed to suppliers not returning signed copies of contracts to enable the completion of formalities on a timely basis. The absence of a formal contract signed on a timely basis by all parties subjects the SCRMCA to increased risk of challenge should a dispute or claim be received.

In addition:-

- In 1 case, the contract variation processed had not been completed on a timely basis and it did not confirm the revised contract end date as per the approved waiver report;
- In 1 case, the contract value included within the publication data clause within the terms and conditions of contract did not correspond to the maximum contract value as per the approved waiver and / or to that publicised on the contracts register;
- In 3 cases (subject to competition), the contract terms and conditions included an extension period that had not been included within the RFQ documentation provided to all suppliers and / or publicised to the contracts register. Consequently, the RFQ documentation did not provide for complete information.

Appendix B SCRMCA Procurement Arrangements

A review of 10 procurement card transactions, including supporting documentation and discussions with key officers, for the period 1st April 2018 - 31st March 2019 confirmed:-

- For 1 transaction, an exception to competition was processed for the provision of advertising via social media. However, examination of the report confirmed that this exception had been processed retrospectively and provided no evidence of approval from the Assistant Director, Operational Contracts Team. Consequently, the requirements of CPRs had not been complied with (Facebook);
- For 2 transactions (in relation to foreign travel), no documentation was available to evidence that flight price comparisons had been undertaken. Consequently, assurance cannot be provided that value for money had been obtained. It is acknowledged that the Procuring Officer confirmed that searches were undertaken for the delegation as a package. However, restrictions applied in meeting the timeframe for the delegation to attend the event / summit (P&P Manchester Airport / Trip.com - Uk Regional Summit - China);
- For 1 transaction (in relation to foreign travel), the Procuring Officer stated that the hotel accommodation utilised was sourced via a commissioned supplier as part of an existing contract. However, examination of the contract confirmed that this provision was not catered for in which the contract had expired. In addition, no evidence was provided to confirm that this approach had been subject to Manager approval (Taj Lands - Hotel Accommodation re Trade Mission to India);
- For 1 transaction, no documentation was provided to evidence the process completed re the purchase of flights in relation to foreign travel. Consequently, assurance cannot be provided that CPR requirements had been applied and complied with and value for money obtained (Emirates - Trade Mission to India).

Audit & Standards Committee

10th October 2019

Group Internal Audit Plan Progress Report

Purpose

This report provides an update on the 2019/20 Internal Audit Plan.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

The Audit and Standards Committee are asked to note:

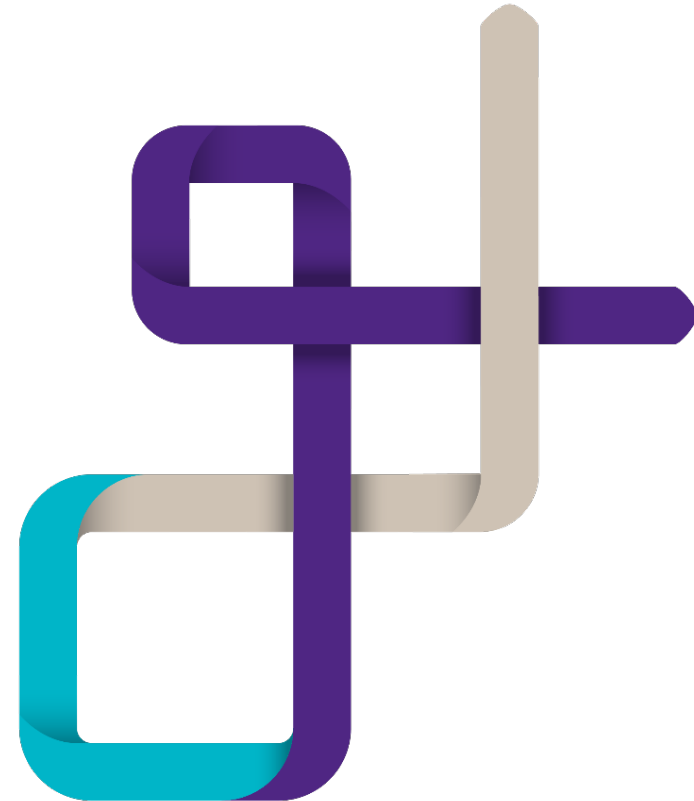
- the progress of audits underway.
- the changes to the Internal Audit Plan since the plan was agreed.
- The additional work undertaken outside of the agreed plan.



Internal Audit Progress Report

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

October 2019



Introduction & headlines

Purpose

This report provides an update on progress against the 2019/20 internal audit plan. We have delivered 20 of the 69 days in respect of SCRMCAs reviews and a total of 64 of the 250 days in the joint audit plan, a full detailed breakdown can be found at pages 3 and 4.

Final reports issued

We have completed the grant certification work and issued the sign off certification letters in respect of the following grants:

- Transport Capital Funding
- Growth Hub

Work in progress

As at the date of preparing this report we are currently working on the following review:

- Resource Management / HR systems review.
- Risk Management

The outcome of these reviews will be reported to the Audit and Standards Committee meeting in January 2020.

Scoping and planning has also commenced for those reviews scheduled to be undertaken in Quarter 3:

- Back Office Transformation
- Programme Management

Resourcing

We confirm that we have sufficient internal audit team members available to deliver the internal audit plan on time. We will flex the plan where needed for emerging priorities and to accommodate timescales requested by management.

Changes to the audit plan since the last meeting subject to approval

Following initial scoping discussions with the Senior Finance Manager and Director of Transport, Housing and Infrastructure, it has been proposed to postpone the review of Capital Programme until Quarter 4 to enable the actions agreed as part of the 2018/19 review to be fully implemented and embedded. It is also proposed that the initial number of planned days be reduced from 25 to 12 to complete a follow up of the original report. It is proposed that the remaining time be used to cover the additional grant certification work required and contingency.

As a result of the Capital Programme review being postponed until Quarter 4, the Risk Management review has been brought forward to commence in Quarter 2 and it is now in progress.

Additional work undertaken outside of the audit plan

The Authority has asked us to undertake some additional work as follows:

- Growth Hub – urgent grant certification work not included within the original Audit Plan.
- Adult Education Budget - the scope, objectives and resource requirements to be discussed and agreed.

Progress against 2019/20 Internal Audit Plan

Audit	Planned days	Start date	Scope Meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report sent	Mgt response received	Final report sent	Days used
Annual Reviews for HOIA opinion and Joint Authority Audits											
Core financial controls	30	Quarter 3									0
Risk Management	14	Quarter 4									6
Governance	14	Quarter 4									0
Information Governance / GDPR	15	Quarter 4									0
Capital Programme	12	Quarter 4									1
Sub-total	85										7
Sheffield City Region Mayoral Combined Authority											
Resource Management / HR Systems	12	Quarter 2									1
Back Office Transformation	12	Quarter 3									1
Grant Claims	6	Quarter 2									6
Programme Management	12	Quarter 3									1
Adult Education Budget	4	Quarter 3									0
Follow up of recommendations	5	Ongoing									1
Attendance at Audit Committee & other client meetings	18										10
Sub-total	69										20

Progress against 2019/20 Internal Audit Plan

Audit	Planned days	Start date	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report sent	Mgt response received	Final report sent	Days used
South Yorkshire Passenger Transport Executive											
Ticketing and Concessions	16	Quarter 3									0
Grant Claims	3	Quarter 3	[Progress bar: 100%]								3
Project Management	12	Quarter 2	[Progress bar: 75%]								9
Asset Management	15	Quarter 2	[Progress bar: 40%]								6
Assurance Mapping	8	Quarter 1	[Progress bar: 50%]								4
Air Quality and Environment	8	Quarter 2	[Progress bar: 25%]								2
Follow up of recommendations	5	Ongoing									1
Attendance at Audit Committee & other client meetings	20	Ongoing									12
Sub-total	87										37
Contingency	9										0
Total	250										64

AUDIT & STANDARDS COMMITTEE10th October 2019**Strategic Risk Management Monitoring****Purpose of Report**

This paper provides an update on changes to Risk Ownership, Status of Risk Management Action Plans and on the establishment of a new Risk Management Action Plan relating to Brexit.

Freedom of Information and Schedule 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

The Committee is asked to:

- Note the changes in Risk Ownership
- Note the status of Risk Management Actions Plans
- note the establishment of a new Risk Management Action Plan relating to Brexit.

1. Introduction

- 1.1** The Mayoral Combined Authority Constitution specifies that the Audit and Standards Committee should oversee the effectiveness of the Authority's risk management arrangements.
- 1.2** This paper provides an update on changes to Risk Ownership, Status of Risk Management Action Plans and on the establishment of a new Risk Management Action Plan relating to Brexit.

2. Proposal and justification

2.1 Risk Ownership Changes

Risk Areas of 'Compliance', 'Decision Making & Transparency', 'Audit & Scrutiny'

In June 2019, Steve Davenport took over from Andrew Frosdick as Monitoring Officer for the MCA. As a result of this, Steve is now the Risk Owner for the following strategic risks:

Compliance

Risk description - Failure to create, maintain and develop an effective strategic and operational approach to ensuring legislative, regulatory and statutory compliance may have the consequence of the MCA being unable to adequately demonstrate adherence to legal, regulatory and statutory duties.

Decision Making & Transparency

Risk description - Failure to have in place clear, defined, effective decision-making processes that are in line with transparency rules and public accountability obligations may have the consequence of the MCA potentially making poor and questionable decisions, leading to a loss of stakeholder and partner confidence and ultimately a failure to achieve intended outcomes.

Audit & Scrutiny Arrangements

Risk description - Failure to have in place effective audit and scrutiny arrangements which may have the consequence of a lack of assurance that the MCAs affairs are administered in a proper and effective manner, resulting in poor accountability, transparency and ultimately a failure to achieve intended outcomes.

Risk Area of 'Financial & Asset Management'

Further to the departure of Eugene Walker as Section 73 Officer/CFO, Mike Thomas is currently acting as Risk Owner for the following risk until an interim CFO is in post:

Financial & Asset Management

Risk description - Failure to create, maintain and develop an effective strategic and operational approach to financial & asset management may have the consequence of the MCA being unable to adequately manage its resources and demonstrate compliance with statutory obligations, resulting in potentially poor financial management, accountability, transparency and ultimately a failure to achieve intended outcomes.

Risk Area of 'Ethics & Integrity'

During 2019 Stephen Batey, who has joined the organisation as Head of the Mayor's Office Governance and is now the Risk Owner for:

Ethics & Integrity

Risk description - Failure to create, maintain and develop an effective strategic operational approach to embedding high levels of ethical standards may have the consequence of the MCA being unable to identify and eliminate fraud and bribery, and failing to meet transparency requirements, resulting in corrupt or improper practices leading to compliance issues, potential reputational damage, loss of grant and ultimately a failure to achieve intended outcomes.

2.2 Status of Risk Management Action Plans

The status of each of SCR's Risk Management Action Plans is summarised at Appendix 1.

2.3 Establishment of a new Risk Management Action Plan

Further to consideration and deliberation by the ¹LEP Board on the appropriate organisational response to the uncertainty around the UK leaving the European Economic Union, Statutory Officers have established a Risk Management Action Plan (Appendix 2) for the following risk:

Risk description - There is a risk that the MCA/LEP is not sufficiently resourced, organised effectively and undertakes the right activities to respond to the threats and opportunities presented by Brexit which may result in the organisation being unable to fulfil its purpose.

The Plan documents the activities underway (current controls) to manage this risk. These are aligned to the 3-point plan agreed by the LEP Board at the beginning of the year of 'practical support', 'intelligence' and 'lobbying'.

As agreed by the LEP Board at their meeting 9th September, further targeted responses will be agreed, and additional actions identified, once the impact of the UK leaving European Economic Union on the City Region becomes clearer.

3. Consideration of alternative approaches

3.1 SCR's approach to strategic risk management has been endorsed by the Audit and Standards Committee and approved by the MCA.

4. Implications

4.1 Financial

Failure to manage significant risks could result in fines, loss of revenue etc.

4.2 Legal

Failure to manage significant risks could result in legal action.

¹ LEP Board Paper [14th January 2019](#), LEP Board Paper [4th March 2019](#), , LEP Board Paper [9th September 2019](#)

4.3 Risk Management

Risk management is vitally important to the successful delivery of SCR MCA / LEP objectives. Therefore, a defined risk management process is a key component of the governance and control framework that underpins this. The Audit and Standards Committee plays a vital role in providing assurance to the MCA of the effectiveness of risk management arrangements.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 Strategic risks, and the progress of their management, are communicated internally via Statutory Officers, Senior Leadership team meetings and staff briefings.

6. Appendices/Annexes

6.1 Appendix 1 – Update on the status of Risk Management Action Plans

Appendix 2 – Risk Management Action Plan - Brexit

REPORT AUTHOR	Claire James
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Officer responsible	Stephen Batey
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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: n/a

Risk Management Action Plan Status Report: Oct 19			
Strategic Risk	Risk Owner	Status of Action Plan	Qualifying Comments
<p>Financial & Asset Management Cause: Failure to create, maintain and develop an effective strategic and operational approach to financial & asset management Event: may have the consequence of the MCA being unable to adequately manage its resources and demonstrate compliance with statutory obligations, Consequence: resulting in potentially poor financial management, accountability, transparency and ultimately a failure to achieve intended outcomes.</p>	Mike Thomas	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	The Risk Management Action Plan previously recognised that the expansion of SCR's programme had started to create issues for the operating model for Procurement. A 'Procurement Arrangement's Internal Audit was undertaken and the recommendations from the audit will feed into this action plan. An interim CFO/S73 Officer commenced in post at the end of Sept and will take forward actions relating to group financial systems.
<p>Programme Performance & Portfolio Management Failure to create, maintain and develop an effective strategic and operational approach to programme performance and investment management may have the consequence of the CA being unable to adequately manage activity and demonstrate the effectiveness of its investments. This would result in poor performance, poor accountability and a lack of transparency, potential loss of grant and future funding compromised and, ultimately a failure to achieve intended outcomes.</p>	Ruth Adams	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	Commissioning Officers are working with project promoters to improve options appraisals in business cases. The Programme Performance Unit will be represented on the Finance System Update project to ensure the programme management requirements are considered appropriately. Thematic dashboards are now being produced for each area to allow ensure high level programme risks are managed at thematic board level.
<p>Reputation Management Failure to create, maintain and develop an effective strategic and operational approach to engaging, communicating and influencing stakeholders and partners on a local, national and international level. This could result in less effective engagement and missed opportunities and as well as misaligned objectives and outcomes potentially being delivered that have not taken into account the views of those affected by changes. A consequence of this could be that SCR's reputation doesn't reflect successes or future ambitions to deliver the Growth Strategy in partnership with stakeholders, including partners and residents.</p>	Ruth Adams	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	An overall communications and marketing strategy for SCR, incorporating the work and priorities of the Mayor, Mayoral Combined Authority, and Local Economic Partnership, is currently being devised. Once this work has been completed an updated Reputation Management risk register will be produced which addresses the risks associated with the new strategy.
<p>Decision Making & Transparency Failure to have in place clear, defined, effective decision-making processes that are in line with transparency rules and public accountability obligations may have the consequence of the MCA potentially making poor and questionable decisions, leading to a loss of stakeholder and partner confidence and ultimately a failure to achieve intended outcomes.</p>	Steve Davenport	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	We will be producing a summary of the Scheme of Delegation to ensure officers have clarity on decision making. The processes around recording decisions made by Statutory Officers within the limits of the Scheme of Delegation is being considered.
<p>Ethics & Integrity Framework Failure to create, maintain and develop an effective strategic and operational approach to embedding high levels of ethical standards which may have the consequence of the MCA being unable to identify and eliminate fraud and bribery, and ensure transparency, resulting in corrupt or improper practices leading to compliance issues, potential reputational damage, loss of grant and ultimately a failure to achieve intended outcomes.</p>	Stephen Batey	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	The role of the independent Chair is being embedded into the Appraisal Panel. The approach to anti-fraud and bribery training is being considered.
<p>Information Assurance Failure to create, maintain and develop an effective strategic and operational approach to information governance having the consequence of the MCA having the inability to manage and secure its information assets and systems potentially resulting in poor decision making, security breaches non-compliance and ultimately a failure to achieve intended outcomes</p>	Ruth Adams	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	Information Asset Registers will be reviewed in the next quarter.
<p>Audit & Scrutiny Arrangements Failure to have in place effective audit and scrutiny arrangements which may have the consequence of a lack of assurance that the MCAs affairs are administered in a proper and effective manner, resulting in poor accountability, transparency and ultimately a failure to achieve intended outcomes.</p>	Steve Davenport	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	We are reviewing the protocols and processes in place for Scrutiny in order to implement best practice following the issue of MHCLG statutory guidance. An induction pack/handbook for Audit Committee members has been drafted and awaits sign off.
<p>Business Continuity Management Failure to have in place an adequate, effective approach to business continuity management having the consequence of the MCA lacking resilience to factors that could affect objectives, operations and infrastructure and the ability to recover and continue to deliver its intended outcomes in the instance of a negative event or operational disruption.</p>	Ruth Adams	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	The BCP has been updated to reflect recent line manager changes/responsibilities. The draft document will be taken to the senior management team meeting in October for approval.
<p>Risk Management Failure to create, maintain and develop an effective strategic and operational approach to risk management that would have the consequence of the MCA being unable to actively identify, assess and manage threats and opportunities resulting in poor decisions and a failure to achieve intended outcomes.</p>	Dave Smith	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	The current activity to refresh of job profiles will incorporate risk management responsibilities and training requirements will be identified.

<p>Leadership & Organisational Capability Failure to have in place an appropriate organisational structure and leadership and to create, maintain and develop an effective strategic and operational approach to workforce recruitment, development and reward, that may have the consequence of the the MCA being unable to have in place a structured, skilled and empowered workforce resulting in a lack of organisational capability and a failure to achieve intended outcomes.</p>	Dave Smith	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	SCR's Mission, Vision and Corporate Plan have been developed these reflect undertaken to identify organisational values and behaviours to ensure there is a clear interpretation and translation into the achievement of strategic goals. A piece of work is underway to design bespoke SCR processes for recruitment and appraisal & review. This is scheduled to complete by the end of Oct. Work is also underway to review all job descriptions and person specs . These will then be mapped to an agreed competency framework. A leadership development programme is currently being scoped.
<p>Compliance Failure to create, maintain and develop an effective strategic and operational approach to ensuring legislative, regulatory and statutory compliance may have the consequence of the MCA being unable to adequately demonstrate adherence to legal, regulatory and statutory duties.</p>	Steve Davenport	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	We will ensure any changes to legislation, as a result of Brexit, are implemented accordingly e.g. Data Protection legislation, tendering rules, state aid.
<p>Organisational Performance & Viability Failure to create, maintain and develop an effective strategic and operational approach to managing the performance of the organisation and to ensuring organisational viability having the consequence of the MCA being able to adequately manage and demonstrate the effectiveness of its service, and to be able to foster the sustainable development of the organisation. This could result in potentially poor performance, reputational damage, a failure to meet intended outcomes and longer term goals.</p>	Dave Smith	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	Short term budget challenges are being addressed. Longer term sustainable financial situation dependent on Devo settlement and successor funding for LGF. Live debate regarding potential SEP targets.
<p>Strategy-Led Prioritisation Failure to create, maintain and develop and effective strategic and operational approach to setting the SCR agenda for economic growth and identifying and validating transformational schemes that deliver maximum growth, having the consequence of the MCA being unable to deliver potentially game-changing projects which would have the impact of the MCA not capitalising on opportunities that could bring about most change.</p>	Dave Smith	Overall on track - we are actively monitoring the progress of the action plan in order to manage the risk by established risk management processes.	Timescales for the production of the SEP have been revised - the draft SEP was originally scheduled to be presented to the LEP Board in Sept, this is now scheduled for Nov.

Strategic Risk: Brexit		DATE: Oct-19												
Risk Owner: Dave Smith Risk Description Cause: There is a risk that the MCA/LEP is not sufficiently resourced, organised effectively and undertakes the right activities Event: to respond to the threats and opportunities presented by Brexit Consequence: which may result in the organisation being unable to fulfil its purpose.				<table border="1"> <thead> <tr> <th colspan="3">Current Risk Assessment</th> </tr> <tr> <th>Likelihood</th> <th>Impact</th> <th>Risk Rating</th> </tr> </thead> <tbody> <tr> <td>2</td> <td>3</td> <td>Yellow</td> </tr> </tbody> </table>		Current Risk Assessment			Likelihood	Impact	Risk Rating	2	3	Yellow
Current Risk Assessment														
Likelihood	Impact	Risk Rating												
2	3	Yellow												
Current Controls (Controls that are confidently in place and relied upon)		Adequacy concerns												
Intelligence - participation on the SCR Local Resilience Forum, engagement with key local stakeholders, supporting businesses to collaborate on business intelligence.		Business and market intelligence remains in development and therefore is evolving to inform plans for an economic resilience / rapid response taskforce.												
Intelligence - Lessons learned document from economic shock experienced with TATA in 2016 was produced, identifying a number of steps which could be taken to respond at pace in the event of further shocks. A virtual network across the MCA Local Authorities is established to support areas where shocks are experienced, promoting vacancies that may be suitable for those displaced by the process. JobCentre Plus and National Careers Service, which form the core of the Rapid Response to Redundancy service, have strong relationships with the LAs and SCR Exec through Local Integration Boards which are active across the City Region.		The Lessons Learnt exercise was conducted in 2016. Some, but not all, recommendations have been implemented, which may reduce the impact of responses in some areas.												
Intelligence - Regular meetings with Chambers, DIT and local authorities to ensure activities and future actions do not duplicate activity.		Government is constantly shifting its priorities around Brexit preparation and delivering via DIT Brexit-related support (e.g. events) at short notice. This makes it difficult to plan activity, but a range of options are being explored.												
Intelligence - Garnering intelligence via Key Account Management Programme regarding post-EU exit plans of foreign-owned companies that are more at 'flight-risk' i.e. the parent company is overseas and are more likely to be concerned with the impact of Brexit on their business. An action plan to explore the support required to retain and support expansion of foreign-owned companies is in place.		Resource to work with relevant companies will be focussed on key areas.												
Intelligence - SCR's relationship with DWP/JCP provides a forum for ongoing dialogue regarding any planned response to an increase in the volume of employable people looking for work. SCR are also actively engaged in each of the Local Integration Boards (LIBs) - a forum of key stakeholders (health, he, fe, 3rd sector, public sector all sit around the table) - which are well placed to agree strategies alongside the LEP and local economic boards, where economic shocks appear. With a voice on LIBs, SCR contribute to working to better align pathways of support for vulnerable community members.		JCP are waiting to implement any significant plans until there is clarity sign posting as appropriate to gov.uk published information. Budgets restraints may also restrict their ability to respond to any increase in the volume of employable people looking for work.												
Practical support - Brexit Toolkit for businesses to consider and evaluate their preparedness and seek additional support available since January 2019.		Intelligence shows that the uncertainty around the Brexit deal means that businesses are unable to access their preparedness confidently until more is known. Business support needs to be more targeted once there is more certainty on the impact of Brexit.												
Practical support - Providing support for City Region companies looking to non-EU markets for export opportunities through SCR's developing China and India Programmes. SCR's approved Trade and Investment Plan reflects this.		Intelligence is required regarding which companies export solely to the EU.												
Practical support - Provision of relevant wrap-around support to foreign-owned companies through the Key Account Management Programme.		Key Account Management Programme for foreign-owned companies in the City Region will be targeted.												
Practical support - ESF programmes provide a pipeline of skills labour to employers that are more vulnerable to the loss of migrant workers.		Whilst these programmes support individuals and will be able to link into employers, they do not support employers on human resource planning.												
Practical support - 'Skills Support for the Workforce and Redundancy' and 'Skills for the Unemployed' Programme are established and available for individuals at risk of redundancy or requiring 'upskilling'. The next wave of ESF projects in appraisal will add value providing further employment and skills support for unemployed participants.		The EU programmes are only able to support people once they are unemployed providing skills training up to a level 4. The forthcoming ESF programme may be able to support this cohort, however there are concerns about the length of the appraisal process of bids for the delivery of this programme meaning that support may not be available for everyone at the point of need.												
Practical support - Skills Bank provision is contracted through to DATE and is available to support businesses who need to invest in training in order to meet the needs of diversification. There is also support under Skills Support for the Workforce for organisations with lower level skill requirements.		Businesses are less likely to invest in training in a period of economic downturn or expected economic downturn.												
Lobbying - SCR continues to lobby civil servants and politicians on the importance of replacing European funding.		Current political environment and Government priorities may mean lobbying activity does not have the desired impact.												
Lobbying - Lobbying regarding Shared Prosperity Fund has taken place through a number of channels including a written submission to an APPG, Mayoral meeting with the former Chancellor and leading a Westminster Parliamentary debate.		Current political environment and Government priorities may mean lobbying activity does not have the desired impact.												
Action Plan (Identified risk mitigations to reduce the impact and/or likelihood)		Update												
Once there is more certainty around the impact of Brexit explore the options for establishing a economic resilience/rapid response taskforce.		Action Owner		Completion/Review Date										
Explore options for developing a campaign to highlight the importance of skills and investment in training in an economic downturn.		PJ		31/12/19										
Explore the possibilities around refocusing Skills Bank activity and funding to subsidise businesses who need to develop employee skills to meet the needs of diversification.		KW		31/12/19										
Take forward a change request to increase the capacity of Key Account Management resources to increase the number of foreign-owned companies who can be supported via the programme.		DCM		31/10/19										
				Progress against the Action Plan (RAG)										
				Red										
				Red										
				Red										
				Yellow										

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AUDIT & STANDARDS COMMITTEE10th October 2019**Work Plan for 2019/20****Purpose of Report**

This report presents the SCR Audit and Standards Committee work plan for 2019/20.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Members consider:

- the revised work plan for 2019/20 and agree any additional items to be scheduled
- the proposal for providing Member training
- the proposal to amend the date of the July 2020 meeting

1. Introduction

1.1 The Audit and Standards Committee work plan for 2019/20, is required to facilitate the Committee in meeting its accountabilities.

1.2 This work plan is revised quarterly to ensure it remains on schedule.

2. Proposal**2.1 Work Plan**

The proposed work plan is attached at appendix A. This document aims to ensure the Audit and Standards Committee are appropriately sighted on key governance issues and activities in a timely manner and ensure that items relevant to their statutory accountabilities are appropriately scheduled.

2.2 Since the workplan was presented to the Committee in July the following items have been deferred.

- Devolution (threats & opportunities e.g. AEB)
- New Guidance

2.3 Training

Members have requested training sessions on key areas of Audit & Standards Committee responsibility. It is proposed that the first item of each meeting is dedicated to knowledge development and members are asked to advise on appropriate topics. In addition to this, it is proposed that the following sessions are scheduled:

Early December – Treasury Management (ahead of the mid-year Treasury Management Report and Treasury Management Strategy being presented to the 23rd January 2020 meeting)

Early April – Scrutinising the Accounts (ahead of the first set of draft accounts being presented to the 11th June 2020 meeting)

2.4 Revised date for July meeting

A paper was presented to the June meeting proposing meeting dates through to July 2020. The paper identified 9th July for the meeting to review the final accounts and make a recommendation to the MCA (scheduled for 27th July). To ensure the sequencing of SCR's & PTE accounts sign off is efficient this year, it is proposed that the MCA Audit & Standards Committee is re-scheduled from the 9th July to the 16th. The sequence would then work as follows:

External Audit field work – until the end of June

PTE Audit & Risk Committee – 9th July

SCR Audit & Standards Committee – 16th July (there is a LEP Board taking place this day 11am-2pm therefore the Audit & Standards Committee would have to take place 3-5pm)

SCR MCA Papers published - 17th July

SCR MCA meeting to sign off the accounts – 27th July

Members are asked to agree this change.

3. Consideration of alternative approaches

3.1 A work plan is required to ensure the Audit and Standards Committee is able to meet its accountabilities.

4. Implications

4.1 Financial

None.

4.2 Legal

None.

4.3 Risk Management

Failure to consider this annual work plan could result in ineffective controls of the SCR MCA / LEP.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 Appendix A – Work Plan

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: n/a

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Appendix A

Date	Agenda items
Training	Treasury Management
Thursday 23 rd January 2020	Draft Treasury Management Strategy Update on 18/19 AGS Governance Improvement Plan Actions 19/20 AGR Process IA Progress Report Financial Regs Review 19/20 Draft Treasury Management Strategy Strategic Risk Monitoring Risk Management deep dive - Reserves Strategy & Financial Planning
Thursday 26 th March 2020	AGR findings (inc annual review of code of corporate governance) IA Plan 2018/19 IA Progress Report IA Charter External Audit Annual Plan Updated Assurance and Accountability Framework - Implementation Review of Risk Management arrangements (updated Policy and Strategy) Strategic Risk Monitoring (annual action plan review)
Training	Scrutinising the Accounts
Thursday 11 th June 2020	Draft AGS Draft Accounts IA Annual Report
Thursday 16 th July 2020	Final AGS Final Accounts IA Progress Report

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