

# Public Document Pack



Wednesday, 21 October 2020

To: Members of the SCR - Audit and Standards Committee and Appropriate Officers

You are hereby invited to a meeting of the Sheffield City Regional Mayoral Combined Authority to be held at **Virtual Meeting**, on: **Thursday, 29 October 2020 at 10.00 am** for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink, appearing to read 'D. Smith'.

Dr Dave Smith  
**Chief Executive**



You can view the agenda and papers at [www.sheffieldcityregion.org.uk](http://www.sheffieldcityregion.org.uk) or use a smart phone camera and scan the QR code

## Member Distribution

Councillor Allan Jones (Chair)  
Rhys Jarvis (Vice-Chair)  
Councillor Josie Paszek  
Councillor Ian Auckland  
Councillor Jeff Ennis  
Angela Marshall  
Councillor Ken Richardson  
Councillor Austen White  
Councillor Ken Wyatt  
Councillor Allen Cowles

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

SCR - Audit and Standards Committee

Thursday, 29 October 2020 at 10.00 am

Venue: Virtual Meeting

## Agenda

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<b>Date of next meeting:</b> Thursday, 21 January 2021 at 11.00 am <b>At:</b> 11 Broad Street West, Sheffield S1 2BQ			

**SCR - AUDIT AND STANDARDS COMMITTEE**

**MINUTES OF THE MEETING HELD ON:**

**THURSDAY, 16 JULY 2020 AT 3.00 PM**

**VIRTUAL MEETING**



**Present:**

Councillor Allan Jones (Chair)	Doncaster MBC
Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Jeff Ennis	Barnsley MBC
Angela Marshall	(Independent Member)
Councillor Ken Richardson	Barnsley MBC
Councillor Austen White	Doncaster MBC
Councillor Ken Wyatt	Rotherham MBC

**Officers in Attendance:**

Dr Dave Smith	Chief Executive	SCR Executive Team
Gareth Sutton	Chief Finance Officer	Officer/S73 SCR Executive Team
Steve Davenport	Principal Solicitor & Monitoring Officer	SCR Executive Team/SYPTE
Claire James	Senior Governance & Compliance Manager	SCR Executive Team
Daniel Wright	Head of Communications & Marketing	Sheffield City Region Executive Team

**In Attendance**

Dan Spiller	External Audit
Lisa Mackenzie	Internal Audit
Gillian Richards (Minute Taker)	

**Apologies:**

Councillor Josie Paszek	Sheffield City Council
Stephen Clark	External Audit
Andrew Smith	Internal Audit
Dr Ruth Adams	SCR Executive Team
Mike Thomas	SCR Executive Team

**1 Welcome and Apologies**

The Chair welcomed everyone to the meeting.

There were no apologies.

**2 Urgent Items/Announcements**

None.

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

None.

**4 Declarations of Interest by any Members**

None.

**5 Reports from and Questions by Members**

None.

**6 Questions from Members of the Public**

None.

**7 Minutes and Actions of the Previous Meeting held on 11th June 2020**

The Chair commented that there wasn't a list of actions from the previous meeting within the pack. C James replied that she would ensure the paper was included in the future.

With regard to minute 14 and the extra days that were needed to certify and sign off the DfT's Light Rail Recovery grant claims, A Marshall commented that there had been a discussion at the last meeting around this and the Committee had been of the opinion that days already allocated for audit work should not be used for this, additional days should be added to the Audit plan and paid for by the DfT.

RESOLVED – That the minutes of the meeting held on 11 June 2020 be agreed as an accurate record.

**8 External Audit Progress Update**

G Sutton reminded Members that it had been the intention to bring the final accounts to the meeting for approval. Unfortunately this had not been possible as the South Yorkshire Pension Fund audit had not been completed and therefore EY could not complete the audit of the MCA and PTE's accounts. This was because the actuarial assumptions calculated earlier in the year could not be used due to major movements in the stock market caused by the effects of the Covid 19 pandemic.

It was proposed to hold a special meeting of the Committee, likely to be 3<sup>rd</sup> September, to review the external auditor's final set of findings and to endorse the audited statement of accounts for approval by the MCA on 21<sup>st</sup> September.

D Spiller informed the Committee that, subject to the satisfactory completion of several outstanding items which were listed within the report, it was expected that an unqualified opinion on the financial statements would be issued.

Two adjustments had been identified and these had both been agreed by management.

RESOLVED – That the Committee:

- i) Note the external audit progress update.
- ii) Endorse the proposal to convene a special meeting of the Audit and Standards Committee by early September in order to review the external auditor's final set of findings and to endorse the audited statement of accounts for approval by the MCA on 21<sup>st</sup> September 2020.

## 9 Internal Audit Progress Report

A report was submitted which provided an update on the progress of the 2020/21 Group Internal Audit Plan.

L Mackenzie informed the Committee that the Audit Plan was put together before Covid 19 and this was the plan that progress was being tracked against. The plan would be kept under review quarterly to ensure that it was still relevant.

With regard to the additional work required to sign off the Light Rail Recovery Grants, it was noted that the DfT had commissioned their own auditors nationally to carry out that work.

There was a possibility that two extra days may still be required to certify the grant.

Members noted that 5 of the 79 days in respect of the MCA reviews had been completed and also a total of 24 of the 272 days in the joint audit plan. A full detailed breakdown of these was contained within the report.

A Marshall questioned when the Committee would see the Core Financial Controls report; this was in the report as completed but not in the pack.

L Mackenzie confirmed that the report had been completed and had been sent to officers for a management response which was still awaited.

In response to a question from Cllr Richardson, G Sutton confirmed that he would enquire as to why a response had not been received and report back to the Committee by email as soon as possible.

RESOLVED – That the Audit and Standards Committee note the progress of 2020/21 audit activity undertaken by Grant Thornton for:

- Joint SCR & SYPTE audits.
- SCR MCA audits.

SYPTE audits.

## 10 **Internal Audit Report - Governance**

L Mackenzie presented a report which detailed the outcome of a review of the governance across the MCA and the SYPTE.

The objective of the review had been to provide an independent assessment of the design and operational effectiveness of the organisations' Governance Arrangements.

The review had focused on the following potential risk areas:

- The inability to demonstrate good governance due to the lack of a Code of Corporate Governance, aligned to the key principles of good governance.
- Inadequate processes for receiving assurance of compliance with the Code of Corporate Governance which may lead to inappropriate decision making.
- Inadequate or unclear processes for the compilation of the Annual Governance Statement which may lead to non-compliance with statutory requirements.

The outcome had been positive with significant assurance with some improvements required.

There was one improvement point for the MCA which was regarding the frequency the Governance Improvement Action Plan was brought to the Audit and Standards Committee to provide assurance of the progress being made against the Plan. It had been agreed that the report would be brought to the Committee more often.

RESOLVED – That the report be noted.

## 11 **Internal Audit Recommendation Tracking Report**

The Committee considered a report which provided an overview of the status of internal audit recommendations that were due for implementation prior to the Audit and Standards Committee meeting. The report also identified the progress made in respect of the outstanding recommendations.

The Committee noted that currently there were 19 recommendations that had not reached their due date and 8 recommendations that had reached their due date, details of these 8 recommendations and progress made against them were contained within the report. Due to the disruption caused by Covid 19 it was intended to revise these dates after consultation with officers.

Members were informed that the electronic tracking system had now been implemented and was being rolled out to individual action owners. This would give officers access to Grant Thornton's system to enable them to update their actions themselves as progress was being made.



RESOLVED – That the report be noted.

## 12 **Internal Audit Annual Report**

The Committee considered the Internal Audit Annual Report which summarised the conclusions and key findings from internal audit work undertaken at SCR MCA during the year ended 31<sup>st</sup> March 2020 and included the Head of Internal Audit's overall opinion on SCR MCA's internal control system.

It was noted that seven Internal Audit reports had been issued during the year, these were detailed within the report. Of these, six had been issued with significant assurance with some improvement required opinions and one with partial assurance with improvement required opinion.

A Marshall commented that the Committee had only seen five of the reports, the Core Financial Controls and the Capital Programme reports had not been published and felt that this should have been reflected in the report.

L Mackenzie accepted the point and assured the Committee that although the reports had not yet been published the findings within the reports had been discussed with management and the recommendations had largely been agreed.

It was agreed that the reports would be circulated to Members as soon as possible.

It was noted that the Head of Internal Audit had given a significant assurance with some improvement required opinion to the overall adequacy and effectiveness of SCR MCA's framework of governance, risk management and control.

RESOLVED – That the Internal Audit Annual Report and Head of Internal Audit opinion be noted whilst recognising that there was still two outstanding reports to be presented to the Committee.

## 13 **Work Plan**

The Committee considered a draft SCR Audit and Standards Committee work plan for 2020/21.

Members noted that the proposed meeting on 3<sup>rd</sup> September had been included and that the Governance Improvement Plan and Risk Management had been added as standing items.

The Chair suggested that, as previously discussed, a combined meeting with the Overview and Scrutiny Committee should be arranged to discuss the findings of the Bus Review.

R Jarvis agreed noting that the Bus Review's recommendations would have significant implications with regard to the organisation and that the Committee needed to review this.

The bus network was currently being propped up by government at the moment and First Group had issued a profits warning last week. There was a clear risk that the Committee needed to take on board with regard to the running of the bus network in the future.

A Marshall commented that the PTE Audit Committee also had an interest in the Bus Review as one of the recommendations had been that the PTE should be disbanded and suggested that they should be included in a joint meeting. This was agreed.

It was agreed that the Committee should review how the MCA would take forward the recommendations contained within the Bus Review.

The Committee then discussed at length the challenges and risks facing the public transport network and the importance of having sight of emerging risks. D Smith agreed to provide the Committee with a regular briefing on emerging risks.

It was noted that the Risk Register would be a standing item on future agendas and this would provide the opportunity to discuss emerging risks.

A Marshall questioned when the revised Whistleblowing and Anti-Fraud and Money Laundering policies would be brought to the Committee.

C James commented that these would be scheduled as appropriate along with other policies which were currently being updated.

RESOLVED – That:

- i) The report be noted.
- ii) That officers look into the possibility of arranging a joint meeting with the Overview and Scrutiny Committee and the PTE Audit Committee to discuss how the MCA would take forward the recommendations contained within the Bus Review.

14 **Any other business**

None.

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

Signed .....

Name .....

Position .....

Date .....

**AUDIT & STANDARDS COMMITTEE**

**29<sup>th</sup> October 2020**

**Actions arising from the SCR Audit and Standards Committee held on 16<sup>th</sup> July 2020**

<b>Minute No</b>	<b>Action</b>	<b>Status/Update</b>
13	Look into the possibility of arranging a joint meeting with the Overview and Scrutiny Committee and the PTE Audit Committee to discuss how the MCA would take forward the recommendations contained within the Bus Review.	OSC held a formal meeting with the Mayor and Clive Betts MP on 24 <sup>th</sup> September. A further paper on the integration of the MCA and PTE is scheduled for the MCA meeting 16 <sup>th</sup> November. It is proposed that an item is scheduled for the Audit & Standards Committee agenda in January on the Governance workstream of the Integration Project.

The webcast for the OSC meeting can be accessed here [https://sheffieldcityregion.public-i.tv/core/portal/webcast\\_interactive/499176](https://sheffieldcityregion.public-i.tv/core/portal/webcast_interactive/499176)

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**Audit & Standards Committee**

**29<sup>th</sup> October 2020**

**EXTERNAL AUDIT UPDATE**

**Purpose of Report**

This report provides an update on the external audit process for the 2019/20 statutory MCA financial accounts, noting ongoing delays to the conclusion of the process. The report outlines a number of options to allow the Committee to offer recommendations to the MCA ahead of the Board's formal meeting on the 16<sup>th</sup> November.

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

This paper will be available under the Combined Authority Publication Scheme

**Recommendations**

1. Note the continuing delays to the conclusion of the external audit process for the 2019/20 accounts
2. Consider the options available to the Committee to allow it formally consider the final audit opinion and make recommendations to the MCA Board
3. Note the recommendation for the Committee to delegate endorsement of the accounts to the Chair and Vice Chair

**1. Introduction**

- 1.1 Under the Committee's terms-of-reference it is obliged to make a recommendation to the MCA Board on whether to accept and approve the audited annual Statement of Accounts.
- 1.2 The meeting of the Committee on this date was planned to enable the Committee to receive the external auditor's final opinion on the accounts and take a decision on whether to formally endorse the accounts to the MCA Board.
- 1.3 At the time of writing the external auditor's opinion was not available, pending the conclusion of the audit process for the South Yorkshire Pension Fund.
- 1.4 This report notes that in the event of the auditor's opinion not being received by the Committee date a decision will be required on how the Committee formally takes a decision.

- 1.5** The report offers a number of options on how to proceed, and recommends that the Committee delegate the decision on the endorsement of the accounts to the Chair and Vice Chair should the audit opinion not be available by the Committee date.

## **2. Background**

- 2.1** Under its terms-of-reference the Committee is charged with supporting the MCA in its governance duties by scrutinising the Annual Statement of Accounts and offering the Board a recommendation on whether the Board – as ‘those charged with governance’ – should approve the accounts.
- 2.2** The Committee forms this judgement through scrutiny of the accounts throughout the external audit process and ultimately receipt of the external auditors’ formal opinion.
- 2.3** The Committee has previously received updates noting the delays to the conclusion of the audit process, largely due to issues with the audit of the South Yorkshire Pension Fund (SYPF). Although the audit of the MCA’s accounts is substantially complete, and the Committee has received regular updates on the findings of the audit, until the audit of SYPF is concluded the external auditor will be unable to release his formal opinion.
- 2.4** At the point of the conclusion of the SYPF audit, the external auditor will be able to identify whether any changes are required to the MCA’s accounts, or whether the auditor is in a position to conclude the process and issue the audit opinion.
- 2.5** To meet statutory deadlines for the publication of the audited accounts, the MCA Board must receive the accounts at their meeting of the 16<sup>th</sup> November. For the Board to consider the accounts, the Committee’s recommendation must be received by the time papers are released on the 6<sup>th</sup> November.
- 2.6** At the time of writing the timeline for receipt of the ISA 260 (formal audit opinion) was still unclear, but there is a significant possibility the opinion will not be received by the time the Committee meets in session on the 29<sup>th</sup> October. External audit colleagues do, however, believe that the opinion will be ready for release by the paper deadline date of the 6<sup>th</sup> November.
- 2.7** With no additional Committee time planned between the 29<sup>th</sup> October and the 6<sup>th</sup> November, a decision is required at this point on how to enable the Committee to formally conclude its review of the accounts and make a recommendation to the Board within the limited time available.
- 2.8** This report proposes that the Committee delegate the final endorsement of the accounts to the Chair and Vice Chair of both the SYPTE and MCA Committees. This gives the Committee the maximum flexibility to receive the audit opinion and reach a conclusion ahead of the deadline for the publication of papers for the MCA Board.

### **3. Consideration of alternative approaches**

**3.1** Following discussion with the Legal team the following options are available to the Committee:

1. Call an additional single-item meeting by the 6<sup>th</sup> November for the Committee to formally receive the audit opinion and take a decision;
2. Delegate the decision-making to the Chair and Vice-Chair of the MCA and SYPTE Committees, and for the Chair and Vice-Chair to meet informally before the 6<sup>th</sup> November
3. Recommend to the MCA Board that an additional MCA Board meeting be called in late November to allow the Committee to formally receive the audit opinion and have time to review the documentation.

**3.2** Both options 1 and 2 are dependent on the following happening before the 6<sup>th</sup> November:

1. The external auditor determining whether any further changes are required to the MCA's accounts following the conclusion of the SYPF audit;
2. Those changes being actioned by SYPTE and the MCA;
3. External audit reviewing those changes;
4. The audit opinion being released in sufficient time for the documentation to be received and reviewed by the Committee.

**3.3** Under Option 1, the latest the Committee could meet would be the 5<sup>th</sup> November to allow papers to be dispatched the following day. When the audit opinion would be dispatched to Committee members ahead of this meeting would be dependent on when documentation was ready for release. To meet the five working days rule, the opinion would be required by Thursday 29<sup>th</sup>, which is the existing Committee date,

**3.4** Option 2 affords the Committee additional flexibility, since the logistics of organising an informal meeting between the Chairs and Vice-Chairs of the Committees are likely to be simpler than that of the wider Committee.

**3.5** Option 3 is the ultimate back-stop option and will be necessary should the audit opinion not be available before the 6<sup>th</sup> November. However, this option is not preferred given the complexities of arranging full Board meetings.

### **4. Implications**

#### **4.1 Financial**

The statutory deadline for the publication of the audited accounts is the 30<sup>th</sup> November.

#### **4.2 Legal**

The legal team have been engaged in the presentation of the options presented to the Committee in this report.

#### **4.3 Risk Management**

None.

#### **4.4 Equality, Diversity and Social Inclusion**

None.

**5. Communications**

5.1 None.

**6. Appendices/Annexes**

6.1 *None*

<b>REPORT AUTHOR</b>	<b>GARETH SUTTON</b>
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Background papers used in the preparation of this report are available for inspection at:

Other sources and references:



**Audit & Standards Committee**

**29<sup>th</sup> October 2020**

**Annual Governance Statement for 2019/20**

**Purpose of Report**

To consider and approve the Authority's Annual Governance Statement for 2019/20 (Appendix A) which includes a Governance Improvement Plan for 2020/21.

**Thematic Priority**

Good governance arrangements are the basis upon which the MCA is able to establish policies and ultimately the efficient delivery of its programme of work within the city region therefore this report meets all six of the thematic priorities of the Strategic Economic Plan.

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

This paper and any appendices will be made available under the 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 Committee is asked to consider and approve the Annual Governance Statement (AGS) for 2019/20.

**1. Introduction**

- 1.1** It is a statutory requirement for the Authority to review its systems of governance and internal control at least once each year, and to publish an Annual Governance Statement, **(Appendix A)** with its Statement of Accounts.
- 1.2** In addition, there is a requirement to have in place a Governance Improvement Plan (GIP) which highlights any identified governance issues, their current status and timelines for completion. This can be found at section 7 of the AGS.

**2. Proposal and justification**

- 2.1** An annual review of the effectiveness of systems of internal control is required by the Accounts and Audit Regulations 2015.

During February and March 2020, further to endorsement of the approach by the MCA Audit & Standards Committee, the MCA Governance team worked with the Executive team to conduct an assessment of compliance with the MCA's Code of Corporate Governance,

to gain assurance the effectiveness of current arrangements and to identify any opportunities for improvement.

The outputs from the Annual Governance Review process have assisted in the preparation of the Annual Governance Statement. An earlier draft of the AGS was presented to the Committee on 11<sup>th</sup> June, with a final version schedule to be presented to the Committee in July, however due to an extension of the deadline for submission of the accounts, finalising the AGS was pushed back.

- 2.3** The Statement has been prepared in accordance with 'Delivering Good Governance in Local Government Framework 2016' guide, published by CIPFA. The main principles underpinning this guidance from CIPFA continues to be that local government should develop and shape its own approach to corporate governance, taking into account the environment in which it operates.

### **3. Consideration of alternative approaches**

- 3.1** The Combined Authority has a statutory requirement to publish an AGS.

### **4. Implications**

#### **4.1 Financial**

There are no financial implications this report.

#### **4.2 Legal**

The Accounts and Audit Regulations 2015 requires Combined Authorities to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance.

#### **4.3 Risk Management**

There are no risks associated with this report.

#### **4.4 Equality, Diversity and Social Inclusion**

There are no equality, diversity or social inclusion issues associated with this report.

### **5. Communications**

- 5.1** The actions required to achieve the governance improvements highlighted within this statement will be communicated appropriately internally.

### **6. Appendices/Annexes**

- 6.1** Appendix A – Annual Governance Statement.

<b>REPORT AUTHOR</b>	<b>Claire James</b>
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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

**Annual Governance Statement 2019/20**

## Document Properties

### Change Record

Date	Version	Author	Changes
03/01/20	0.1	C James	First draft (final draft of 18/19 as a starting point)
03/06/20	0.2	Ruth Adams	Made some minor amends
19/10/20	0.3	C James	Added GIP

### Document Approval

Approving Body or Person	Role (review, approve)	Date
Statutory Officers	Review	
Combined Authority Audit & Standards Committee	Review & approve	
S73 Officer, Head of Paid Service	Approve	
Combined Authority	Approve	

# 1. Background to the Annual Governance Statement

## Introduction

The Sheffield City Region Mayoral Combined Authority (“the MCA”) is responsible for ensuring that its business is conducted in accordance with law and that proper standards of governance are employed; that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The MCA has a duty under the Local Government Act 1999 to make proper arrangements for the governance of its affairs and to secure continuous improvement in how its functions are exercised.

## What do we mean by Governance?

By governance, we mean the arrangements that are put in place to ensure that the MCA’s intended outcomes are defined and achieved. The term ‘Governance Framework’ is used to describe the systems and processes, cultures and values, by which the activities we are accountable for are directed and controlled. The MCA recognises that to be truly effective, these arrangements must be robust but also adaptable to changing circumstances including the expectations of the public and the actions of other stakeholders.

## What is good governance?

The MCA’s commitment to **good** governance is set out in its Code of Corporate Governance. This Code, which is aligned to CIPFA Principles of Good Governance, describes how the MCA will carry out its functions in a way that shows accountability, transparency, effectiveness, integrity, and inclusivity. Fundamentally, good governance is about making sure we do the right things, in the right way, for the right people.

Working in this way will allow the MCA to pursue its vision and deliver its objectives in the most effective and efficient manner, bringing about better outcomes for the residents, businesses and visitors to the Sheffield City Region.

## What is the Annual Governance Statement?

The MCA is required, by the Accounts and Audit Regulations 2015, to prepare an annual governance statement.

This statement is a public report on the extent to which the MCA complies with its own Code of Corporate Governance. It outlines how the effectiveness of governance arrangements has been reviewed during the year, on any planned changes in the coming period and plans for continually improving arrangements. The process of preparing the governance statement has also added value to the effectiveness of the governance and internal control framework.

# 2. Who are we, how are we structured and what do we do?

## Sheffield City Region Mayoral Combined Authority

The Sheffield City Region Combined Authority was formally constituted in law in April 2014. It comprises the four constituent local authorities for South Yorkshire and five non-constituent local authorities. The constituent members are Barnsley, Doncaster, Rotherham and Sheffield. The non-constituent members are Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North East Derbyshire. With the election of the Mayor in May 2018, the Authority became a *Mayoral* Combined Authority (MCA).

The MCA has a distinct and separate role from each of the individual local authorities it is comprised of. The MCA’s remit is to coordinate and drive forward strategic economic development, housing, skills and transport initiatives for the benefit of citizens and the business community within its boundaries.

The MCA is responsible for setting the policy direction for the Sheffield City Region and for

maximising financial investment to achieve economic growth. It is also responsible for making investment decisions on projects and ensuring that the policy and strategic objectives of its strategic economic plan are delivered.

The MCA is the legal and Accountable Body for funding devolved to it and to the Local Enterprise Partnership, including all money allocated to the City Region through the Growth Deal, and any devolution and transport funding. The MCA is also the Local Transport Authority for South Yorkshire. This role and its accompanying responsibilities are defined in the [MCA Constitution](#).

## **MCA Group**

The MCA **Group** includes an operational subsidiary, the South Yorkshire Passenger Transport Executive (SYPTTE). SYPTTE is the MCA's operational transport arm and is tasked with delivering the South Yorkshire Transport Plan. Though separate entities, the MCA and SYPTTE work closely to ensure strategies, policies and resources are aligned deliver the priorities of the Group.

Within the group structure there are a limited number of other subsidiaries, including the SCR Interventions Holding Company, which supports delivery of the Local Growth Fund (LGF) programme.

## **Local Enterprise Partnership (LEP)**

LEPs are private sector led voluntary partnerships between the private and public sector set up in 2010 by the Department of Business Innovation and Skills.

The Sheffield City Region Local Enterprise Partnership ("the LEP") lead on strategic economic policy development within the Sheffield City Region and set the blueprint for how the Sheffield City Region economy should evolve and grow. Until the 1<sup>st</sup> April 2020 the membership of the Sheffield City Region LEP included the 4 constituent members and 5 non-constituent members or the MCA plus a majority of private sector representatives. Due LEP boundary changes, the non-constituent members, whilst still members of the MCA, left the Sheffield City Region LEP.

The LEP works closely with the MCA and is the developer, author and custodian of the Sheffield City Region Strategic Economic Plan. The LEP also bids for funding from Government and is responsible for delivering programmes of activity that drive economic growth across the Sheffield City Region.

The LEP is also responsible for ensuring that both policy and decisions receive the input of key business leaders, and by extension, reflect the views of the wider business community. The LEP fulfils this responsibility by leading on engagement with local businesses and policy makers at a regional, national and international level.

## **MCA Executive Team**

The MCA and LEP are supported by a dedicated, independent Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and governance. Through close co-ordination with member authorities, local authority Leaders and Chief Executives, and private sector LEP Board members, the team pro-actively advances MCA and LEP decision making processes. From the 1<sup>st</sup> April 2019 the MCA became the employing body for the Executive Team prior to this the team were employed via Barnsley Metropolitan Borough Council.

## **Statutory Officers**

The Statutory Officers of the Authority lead the MCA Executive Team and have delegated powers as set out in the Scheme of Delegation. This includes, but is not limited to, ensuring good governance; monitoring operational and financial performance; agreeing executive team budgets; and providing overview and management of strategic and operational risks.

### **3. Governance Review Activity**

During 2019/20 the MCA has continued to ensure that governance arrangements are robust and transparent and are aligned to deliver the planned programme of work efficiently and effectively.

Several activities have taken place during the year to review and strengthen governance arrangements including:

#### **Annual Governance Review**

An assessment of compliance with the Governance Framework and compliance with the Code of Corporate Governance has been undertaken to gain assurance of the effectiveness of arrangements in place during 2019/20 and to identify any opportunities for improvement. The outputs from the Annual Governance Review process are summarised in annex A and have assisted in the preparation of this Annual Governance Statement and the development of the 2020/21 Governance Improvement Plan.

#### **Annual Performance Review by Government**

The MCA delivers the Accountable Body function for the Sheffield City Region LEP and in January the Ministry for Housing, Cities and Local Growth (MHCLG) undertook a review to look at the performance of our LEP. The review covered three themes: governance, delivery and strategy, with one of four markings available for governance and delivery: inadequate; requires improvement; good; or exceptional, and met or not met available for strategy. Following the conclusion of the Annual Performance Review it was confirmed that the Sheffield City Region LEP is compliant with the national guidance and is considered to be 'good' in all areas of the review.

#### **Programme Review**

Building on the work to assess the deliverability of the Local Growth Fund programme, that took place in 2018/19, a further forensic risk assessment of all schemes in delivery, pending contract and in the pipeline, was been undertaken during the year. This informed the decision making to address over-programming and headroom issues and has resulted in 2019/20 targets for scheme investment being exceeded. The LEP Annual Report, which is published on the website, goes into more detail about the LGF investments made.

#### **Employing Body**

The MCA became the employing body for the Executive Team on 1<sup>st</sup> April 2019 and Statutory Officers have led on reviewing the organisational structure and policies to ensure the organisation has the capability and capacity to deliver its objectives.

### **4. External Audit Recommendations**

No recommendations were made as a result of our 2018/19 external audit. There are no outstanding recommendations from any years prior.

### **5. Progress against the 2019/20 governance improvement plan**

Through the review of governance arrangements in 2018/19, improvements in three key areas were identified and an action plan was included in the 2018/19 Annual Governance Statement. This plan has been monitored during the year by Statutory Officers and members of the MCA Audit and Standards Committee. The table below reports on the progress of the governance improvement plan.

**Table 1: Progress against the 2019/20 governance improvement plan**

<b>Governance Area - Strategic</b>	
<b>Focus for 2019/20</b>	<b>Progress made in year</b>
<p><b>Strategy Led Prioritisation</b> Develop a refreshed Strategic Economic Plan and Local Industrial Strategy and identify innovative interventions that deliver the Region's ambitions.</p>	<p>A draft SEP was presented to the LEP in March. A public consultation on the draft was scheduled for April but was delayed due to the Covid-19 pandemic. Consultation with key stakeholder organisations is continuing. Government have paused work on Local Industrial Strategies.</p>
<p><b>Strategy Led Prioritisation</b> Continue to support Leaders and the Mayor in developing an integrated set of priorities that effectively deliver the economic, social and environmental ambitions of the City Region.</p>	<p>A review of Mayoral priorities has taken place with the Mayor every quarter in order to ensure appropriate resources are deployed. A number of MCA workshops and one to one sessions with Leaders and CEX have taken place to agree priorities.</p>
<p><b>Reputation &amp; Influence</b> Effectively communicate refreshed strategic ambitions securing stakeholder support and buy-in and successfully make our case for future funding.</p>	<p>Over 50 meetings with stakeholders, businesses and national bodies have been led by the LEP Chair and CEX to secure buy-in to the revised vision for growth. Within the year the MCA was awarded £166m of Transforming Cities Funding.</p>
<b>Governance Area - Operational</b>	
<p><b>Financial Planning</b> Develop and agree a Medium-Term Financial Strategy and Reserves Strategy that support longer term ambitions and short-term operational performance.</p>	<p>The Medium-Term Financial Strategy was approved by the MCA in November. A detailed budget seminar to inform resource planning on was held in January and the final budget prepared for the MCA in March. Due to the cancellation of the meeting the budget was approved informally and re-scheduled for formal ratification 1<sup>st</sup> June.</p>
<p><b>Financial Planning</b> Undertake a full review of the governance arrangements of the Transport Capital Programme.</p>	<p>In line with the transition to the revised governance approach for the MCA/LEP i.e. the introduction on Thematic Boards, arrangements for Transport Governance has been reviewed and refreshed. At a programme level, in view of award of TCF funding, operational programme governance arrangements have been amended to manage any delivery risks for this programme.</p>
<p><b>Monitoring &amp; Evaluation</b> In line with Government requirements review the monitoring and evaluation framework in order to strengthen project and programme evaluation and to strengthen future decision making.</p>	<p>Work is underway, and is a condition of government approving a revised Assurance Framework, to review our published framework. A number of programme / project evaluations have concluded in year, including a review of the Growth Hub performance and a local evaluation of Working Win. These evaluation reports are reported to the relevant Thematic Board for consideration.</p>
<p><b>Assurance Processes</b> Embed the agreed arrangements to strengthen processes for the appraisal and assurance of schemes.</p>	<p>The arrangements agreed with the LEP and MCA for 2019/20 were implemented to the agreed timeframe. Further work to refresh and update the Assurance Framework for 2020/21 commenced in Q4.</p>
<b>Governance Area - Delivery</b>	
<p><b>Programme Management</b> Ensure the orderly conclusion of the LGF Programme during 19/20 and 20/21</p>	<p>A forensic risk assessment of all schemes in delivery, pending contract and in the pipeline was undertaken during the year and reported on to the Management Board on a fortnightly basis. This resulted in a number of schemes withdrawing from the programme. The LEP Board were updated on the position regularly and agreed remaining LGF allocations.</p>



<p><b>Programme Management</b> Further to the development and agreement of the refreshed Strategic Economic Plan, develop effective programmes to deliver new priorities.</p>	<p>The LEP Board approves an annual delivery plan at the commencement of each year.</p>
<p><b>Programme Management</b> Secure successor funding to continue with SCR's programme or work at pace and avoid disjointed delivery.</p>	<p>The MCA has been awarded £166m from the Transforming Cities Fund. However, Government has delayed decision making on other future funds including Shared Prosperity Funds and / or a further LGF round. Any future submission/funding bid will be supported by a robust, evidence led business case.</p>
<p><b>Organisational Capability</b> Ensure the organisation has the capability and capacity to transition from programme delivery into a strategic development and policy led negotiations.</p>	<p>The structure of the Executive Team has been reviewed, in the approved budget envelope for resources, to ensure the capacity and capability exists to achieve objectives and is best placed to secure additional resource.</p>
<p><b>Organisational Capability</b> Ensure organisational vision and challenges are understood by workforce.</p>	<p>A revised suite of organisation values have been developed. These were rolled out to the organisation by the CEX, with the input of the Mayor and the LEP Chair, in January 2020. A number of staff briefings have been held on the economic evidence base and development of the Strategic Economic Plan and regular staff briefings take place to ensure staff understand priorities and challenges.</p>
<p><b>Organisational Capability</b> Identify training and development requirements.</p>	<p>A range of organisational development activities have been delivered during the year, including:</p> <ul style="list-style-type: none"> <li>• An all staff development day;</li> <li>• Chief Executive staff briefings every fortnight;</li> <li>• A management development programme;</li> <li>• Better Business Case Training, in partnership with HMT, to staff and partner organisations;</li> <li>• A formalised organisational development plan commenced in March.</li> </ul>

## 6. Governance issues during 2019/20

Financial year 2019/20 has seen some significant political and social events including a general election, Brexit uncertainty, environmental issues and latterly, the Covid-19 pandemic, all of which have impacted on the economy of the Sheffield City Region. These external issues, and the MCA's response to them, have tested the robustness and flexibility of governance arrangements.

A review of these arrangements and internal control measures, led by Statutory Officers, has concluded that arrangements are efficient, effective, robust and embedded. This review, and other governance review activity, whilst not identifying anything fundamental, has highlighted the following issues and challenges faced during 2019/20.

**The MCA's fundamental challenge has been trying to deliver long term sustainable benefits in an environment where there lacks a consensus about the strategic direction of the organisation.** This has meant the MCA has not been able to access the funding necessary to achieve the transformation change needed to meet the region's economic ambitions. However, the Mayor and Leaders, supported by the Executive team, continued to work together, and with Government, to reach a position where devolution can be unlocked.

**The strategic vision, articulated through the 2014-24 Strategic Economic Plan, isn't**

**based on up to date evidence.** A significant amount of work has been undertaken during the year, led by the LEP Board, to review economic evidence and develop a new Strategic Economic Plan. The Plan will be an overarching strategy which will set out how to grow the economy in a way that better includes and benefits all communities across SCR and improves natural capital.

## 7. Governance improvement plan 2020/21

Key areas of focus for strengthening governance in 2020/21 are outlined in the Governance Improvement Plan at table 2. The Deputy Chief Executive who leads on Organisational Development and Governance Improvement will lead on the implementation of the plan.

**Table 2: Areas of focus for 2020/21**

Focus for 2020/21	Milestones/ Deadline
<b>Strategic</b>	
Adoption of the SEP and RAP and the development of agreed implementation plans for the SEP and the RAP	Dec 20
Implementation Bus Review recommendations including progressing the full integration of the PTE into the MCA	Mar 21 and beyond
Implementation new Thematic Board arrangements	Oct 20
Continuation of negotiation and implementation of Devolution agreement	Ongoing
<b>Operational</b>	
Embedding risk management processes	Mar 21
Introduction of new CPRs and a Social Value Policy	Jan 21
Review and implementation of new corporate induction	Jan 21
Refresh Assurance Framework to take account of devolution	Dec 20
Refresh Evaluation Strategy to take account of devolution and implement programme level evaluations for LGF and TCF	Feb 21
<b>Delivery</b>	
Embed cross organisational Collaboration Teams to improve the effectiveness of major programme delivery	Mar 21
Full review of the lifecycle of programme development and delivery to inform continual improvements	Mar 21

## 8. Conclusion

### Statement by the Chair of the MCA and the Chief Executive

We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The action plan, monitored by the Audit and Standards Committee, will (when implemented) further enhance the MCA's governance, risk and internal control framework.

On the basis of the sources of assurance set out in this statement, we are satisfied that, throughout the year 2019/20, the MCA has had in place satisfactory systems of internal control which have facilitated the effective exercise of MCA functions.

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**On behalf of the Sheffield City Region Mayoral Combined Authority**

## 1. The Governance Framework

The governance framework comprises the systems, processes and the culture by which the Mayoral Combined Authority (MCA) directs and controls its activities to deliver its intended outcomes. These systems and processes are mapped against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government 2016*. These principles underpin the governance of the organisation and provide a framework against which to structure the approach to governance. Commitment to these principles is outlined in the [Code of Corporate Governance](#).

The MCA, in delivering the Accountable Body function for the Sheffield City Region Local Enterprise Partnership (LEP), is obliged to consider the requirements of the [National Assurance Framework](#) in processes related to the delivery of the Local Growth Fund (LGF) programme.

## 2. Governance arrangements: their effectiveness

The scope of the governance and internal control framework spans the whole of the MCAs and the LEPs activities and is described in the Code of Corporate Governance. The Constitution and policies of both the MCA and the LEP also set out the requirement that business is conducted in accordance with the <sup>1</sup>Nolan Principles. The following section considers the main components of the framework, their effectiveness during 2019/20, describes any improvements made in year and plans to strengthen arrangements into 2020/21.

### 2.1 Developing, communicating and embedding codes of conduct which define standards of behaviour for members and staff, and for policies dealing with whistleblowing and conflicts of interest.

#### The MCA Constitution

The Constitution defines the operating principles of the MCA and embraces a suite of policies including a Code of Conduct, which define the standards of behaviours for members. Other Constitutional policies and procedures include:

- **Whistleblowing Policy** – this policy sets out the protocols to be followed in relation to any allegations of misconduct. The policy states that any allegations should be directed to the MCA's Monitoring Officer and that, where a complaint cannot be resolved locally, and the matter relates to the use of public money, the issue can be escalated to a relevant Government department.
- **Gift and Hospitality Procedures** – any gifts or hospitality declared in line with this policy are published on the authority's website.
- **Register and Declaration of Interest** – each member of the MCA is required to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. Registers are updated as necessary and reviewed annually, are available on the authority's website and compliant with the requirements of the Localism Act 2011. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares an interest, clear protocols exist within the Constitution to ensure that members do not participate in any decision making related to that interest.
- **Financial Regulations** which include Anti Bribery, Fraud and Money Laundering procedures.

Contracts for the supply of goods and services also include standard clauses relating to anti-bribery, anti-corruption, human rights, human trafficking and counter terrorism, information laws and environmental regulations.

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<sup>1</sup> Selflessness, integrity, objectivity, accountability, openness, honesty, leadership

## The Sheffield City Region Local Enterprise Partnership

The SCR LEP policies are reviewed annually and are available on the website. The LEP suite of policies includes:

- **Code of Conduct** – it is a condition of appointment that all LEP Board Members adhere to the LEP Code of Conduct. This has been developed in accordance with the Nolan principles.
- **Terms of reference** – these set out the role and purpose of the Board and how it will operate to fulfil its role.
- **Declaration of gifts and hospitality** – this policy is aligned with existing local authority standards and Government guidance.
- **Whistleblowing and confidential complaints** – these policies set out the process by which individuals can ‘whistle-blow’ and raise confidential complaints about the work of, and decisions made, by the LEP. These policies are published on the website and are compliant with Government guidance.
- **Register and declaration of interests** – each member of the LEP is required to declare and register any interest, pecuniary and non-pecuniary. These registers must be updated and published within 28 days appointment or of a change in a Members interest. All Members registers are available on the website. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares an interest, clear protocols exist to ensure that members do not participate in any decision making related to that interest. National guidance requires that protocols for conflicts and declaration of interests for members extends to any officers advising on decision making therefore senior officers of the SCR Executive team are also required to complete Registers of Interest.
- **Diversity** – this policy sets out the LEP’s commitment to promoting diversity, including through recruitment processes and other activities. The LEP Chair leads on equality and diversity and is the LEPs nominated Equality and Diversity Champion.
- **Gifts and hospitality** – this policy sets out the LEP’s protocol on accepting gifts and hospitality offered as a result of being LEP Board member.
- **Expenses** – eligible claimable items and associated amounts are set out within this policy. LEP expenses claims are published on the website.

The MCA Executive Team, who are employees of the MCA, are also bound by an employee Code of Conduct and other related policies.

There have been no standards or Code of Conduct issues during the year.

### 2.2 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The MCA’s **Financial Regulations** determine how money can be spent and ensure that expenditure is lawful.

**Contract Procurement Rules** are in place and are aligned to Public Contracts Regulations 2015. These have undergone a thorough review during the year to ensure that processes are consistent across the Group, robust and designed to minimise risk.

An **Anti-Money-Laundering Policy** is in place. The Deputy Finance Director is appointed as the ‘Money-Laundering Reporting Officer’ and has undertaken specific training regarding this role.

A **Data Protection Policy** and **Privacy Notice** compliant with Data Protection Act 2018 and General Data

Protection Regulation are published on the website. All data protection policies and processes have been reviewed and updated in year. An internal audit in Q3 found evidence of good practice and concluded that there is 'significant assurance' regarding data protection across the group. The audit report highlighted opportunities to create a more robust and efficient level of compliance which have been incorporated into the existing annual GDPR action plan.

A **Freedom of Information Publication Scheme** and related Guide to Information is published on the website. Compliance with the **Freedom of Information Act 2000** and information law is co-ordinated by the MCA Governance Team, assured by the legal team and internal audit and overseen by Statutory Officers through strategic risk management processes.

All schemes seeking funding are tested for **State Aid compliance** prior to being submitted to the MCA for a funding decision. The responsibility for obtaining a legal opinion formally resides with the Scheme Promotor however, this is tested prior to a legal opinion being provided to the MCA.

### **2.3 Demonstration of SCR's commitment to openness and acting in the public interest.**

Unless there are good reasons to exclude the press and public, MCA meetings are held in public at Broad Street West, Sheffield. This location is accessible by public transport and the facilities are Disability Discrimination Act 2010 compliant. All public meetings held at Broad Street West are webcast.

All agendas and reports for the MCA and its statutory committees are published online, in accordance with statutory access to information requirements. The paper publication approach is replicated for the LEP Board and for five thematic boards who have delegated authority to make investment decisions up to £2m. Agendas, papers and minutes for these meetings are also available on the website.

Annual accounts are reviewed by external auditors, their opinion, together with the final accounts are published and available for inspection.

SCR's Assurance Framework is reviewed annually to ensure compliance with any revisions to the National Assurance Framework requirements. This Framework, which is published on the website, sets out public money will be used responsibly and outlines the processes for ensuring openness and accountability for public funds. During 2020/21 the Framework will be updated to include the processes for the 'Transforming Cities Fund' allocation as well as for other budgets devolved to the MCA.

All schemes seeking funding are independently appraised and objectively considered by the Appraisal Panel. The Panel establishes whether the proposed scheme can be considered 'value for money' and produces a 'value for money statement'. This statement, which is published on the website, informs the MCA when making an investment decision.

Scheme Promotors are required to publish their business cases on their own websites to enable comments to be made. The MCA Executive also publish the business cases to ensure consistency and provide opportunity for feedback from the public.

A 'LEP Governance and Transparency Policy Framework', which includes protocols regarding conflicts of interest and gifts and hospitality, and is aligned to Government guidance, is reviewed annually and is available on the website.

### **2.4 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

Key documents and information are made accessible to communities and stakeholders through the website. Modern.gov, a meetings management system designed to help deliver good governance and ensure transparency, is integrated into the website. This system ensures information that supports, and reports on decision making, is accessible.

A range of channels including social media, digital media, the press and a programme of events are used to communicate with communities, business and stakeholders. A communications and marketing strategy

is in place to ensure engagement with wide range of audiences at the right time, through the channels that they prefer to use. Social and digital media are increasingly important channels for engaging with communities and business audiences, particularly during events like the severe flooding in November 2019 and more recently the Covid-19 pandemic. The main Twitter account remains the MCA's most active channel, with more than 13,000 followers, whilst the number of followers and engagement rates on Facebook and LinkedIn continue to grow rapidly. A new newsletter from the Growth Hub, sent directly to businesses across South Yorkshire, was also launched and received good feedback. Engagement with the traditional media, meanwhile, has been strengthened over the last year, with the work of Mayor Dan Jarvis, the LEP and the MCA receiving coverage in national print and broadcast media, as well as in regional, local and sector-specific titles.

An events programme, while restricted in the early part of 2020 due to Coronavirus, has enabled stronger relationships with stakeholders, partners, businesses, community groups and members of the public. In May 2019, a transport conference was held in Rotherham and launched the Mayor's vision for the future of transport in South Yorkshire, while a series of business-focused events, including workshops held in partnership with McLaren, enabled engagement directly with private sector stakeholders.

The MCA Executive, LEP and MCA also engage with partners through a range of Boards, Forums and events including, but not limited to, Thematic Boards, Executive Directors Forums, Directors of Finance Groups and Business Membership meetings. This engagement provides clear channels of communication with local authority partners on a range of issues including economic performance, devolution, the Local Growth Fund programme, Transport Strategy and priorities and, in particular, a direct stakeholder consultation has been carried out on the draft Strategic Economic Plan (SEP). A full public consultation on the SEP will be delivered in 2020/21, this will ensure people have the opportunity to give their views on plans for the region's economic growth up until 2040.

In order to deliver on his manifesto commitments and progress the collective ambitions of the MCA and LEP, the Mayor has engaged with stakeholders and the community on a number of key issues including the independent Bus Review and Active Travel. An interactive map, launched to enable members of the public to pinpoint opportunities for improvements to walking and cycling infrastructure, has gained more than 4,000 views since being launched in October 2019 and is shaping the work of the Active Travel Commissioner, Dame Sarah Storey.

In addition, the Mayor has continued to work with the Youth Mayoral Combined Authority which provides a voice for young people across the region, providing opportunities for influencing and informing regional decisions that affect young people's lives.

A formal public consultation on the Scheme and Governance Review for the South Yorkshire Devolution Deal took place during the year offering the public and stakeholders the opportunity to share their views on the additional functions proposed be conferred on the MCA as a result of devolution. The consultation was designed so that every resident, business and stakeholder could respond if they wished to do so and the purpose was to enable responses to devolution proposals.

Due to LEP boundary changes, which result in the Non-constituent members of the MCA, no longer being part of the LEP from 1<sup>st</sup> April 2020, a Collaboration Framework has been developed with the D2N2 LEP to ensure, where there is a clear rationale to do so, collaboration on shared interests, common issues or economic priorities takes place.

## **2.5 Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.**

A Strategic Economic Plan (SEP), which captures the ambition, vision and strategic priorities for the MCA and LEP has been in place since 2014. Led by the LEP, the development of a new SEP has been a key focus for 2019/20 and will ensure future policies are founded upon robust, up-to-date and independent evidence. This SEP will be an overarching strategy which will set out how to grow the economy in a way that better includes and benefits all communities across SCR and improves our natural capital. Once the SEP is agreed implementation plans will be developed to work through the detail of the proposed interventions.

## **2.6 Translating SCR's vision into courses of action for the SCR, its partnerships and collaborations.**

The Programme Commissioning directorate within the MCA Executive are responsible for the development of project and programmes, at scale, some of which are directly delivered by the MCA Executive but most of which involve externally commissioned activity which is delivered by partners and outside agencies. Proposed projects and programmes are evaluated to ensure they contribute towards strategic objectives and to establish that they are good value for money. Once validated, the Programme Performance Unit enters into contract with scheme promoters, coordinates activity in the programme and reports on performance. Remedial action is agreed by the MCA and LEP to improve delivery where necessary.

The Local Growth Fund money awarded to the LEP in 2015 concludes in 2020/21 and a key focus for 2019/20 has been to ensure the orderly conclusion of the LGF Programme over the two final years. Working closely with delivery partners during the year has enabled the annual target of investment in schemes that deliver benefits for the City Region, to be met and exceeded.

The new Strategic Economic Plan will be used to engage with Government to secure further funding to continue with the agreed programme of work and avoid disjointed delivery.

## **2.7 Ensuring the decision-making framework is effective, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.**

The MCA's decision-making framework is described in the Constitution and, for the delivery of the Local Growth Fund Programme, in the Assurance Framework.

There are robust processes in place for strategic decisions and the prioritisation of investments. Evidence from various sources is considered including; economic analysis, national government policy and strategic developments

Capital Programme decisions are based on objective and robust information. Schemes seeking investment are considered following an analysis of strategic alignment, options appraisal, potential impact and risk assessment to ensure any investment will deliver the outcomes required and represent good value for money.

The new and updated appraisal models and tools used to inform decision making, which were introduced in 2018/19, are now embedded. This has built capacity in the assurance process and ensured greater consistency of approach. In particular, the new strategic transport model, has allowed the appraisal of large schemes and will support the transformation of transport infrastructure in order to achieve economic growth objectives.

The Assurance Framework requires clear communication with partners through publication of any programme commissioning the decision-making criteria that will be used. This is evidenced through the communication of criteria for the deployment of Skills Capital Funding, open calls for Expressions of Interest (EOIs) for acceptance onto a reserve pipeline of schemes funded by LGF.

Governance arrangements for the Transport Capital Programme have been strengthened in year and has ensure that funding is spent in line with priorities.

## **2.8 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.**

A comprehensive Monitoring and Evaluation Framework sits alongside the Assurance Framework and is

designed to provide robust feedback on any lessons learnt from individual projects and monitor and measure the success and impact of Local Growth Fund (LGF) investments on the economy. The framework is being updated during 2020/21 to measure the performance schemes funded through other grants given to and budgets devolved to the MCA. This includes the 'Transforming Cities Fund' allocation as well as the Adult Education Budget (AEB) and Gainshare funds received as a result of devolution.

Monitoring, including site visits and the auditing of evidence, takes place throughout the lifespan of a scheme to ensure the investment delivers its approved outputs and outcomes in line with strategic priorities. Funding agreements tie projects to delivering outcomes e.g. job creation that represent the best use of public resources and value for money, whilst the use of clawback and retention clauses ensure mitigation of risk.

Controls introduced during 2018/19 to manage the pipeline of schemes seeking LGF investment have continued to maximise spend, meaning the annual investment target for the LGF programme 2019/20 has been exceeded.

## **2.9 Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the MCA and partnership arrangements.**

The broader context for the MCA's governance and internal control environment is provided by the Constitution (see section 2.1) which gives comprehensive information on how the MCA is organised, the roles and responsibilities of members and officers, its decision-making processes, how authority is delegated through the Scheme of Delegation, and how probity and due process are promoted.

## **2.10 Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.**

The MCA's Chief Finance Officer (CFO) is a Statutory Officer (Section 73) of the MCA and operates in line with the CIPFA Statement on the Role of the CFO (2015). An interim Group Chief Finance Officer has been in post since September 2019 during which time a permanent CFO has been recruited taking up the role in June 2020.

The CFO is actively involved in, and able to bring influence to bear on all material decisions to ensure that immediate and longer-term implications, opportunities and risks are fully considered. The CFO leads on the promotion and delivery of good financial management, which aims to ensure that public money is safeguarded and used in an appropriate, economic and effective manner.

To deliver these responsibilities, the CFO leads and directs the finance function to ensure it is resourced in such a way as to be fit for purpose and that staff are professionally qualified and suitably experienced. A new finance system has been introduced during the year which will ensure compliance with the CIPFA Code of Financial Management. The new system will also introduce new efficiencies and stronger internal controls.

The CFO and the Finance Team have a close working relationship with the LEP. This relationship provides a strong framework for managing LEP finances, including a role in ensuring propriety and regularity of spend. The CFO, or their representative, attends as an advisor on all MCA/LEP decision-making boards as well as the Overview and Scrutiny Committee and Audit and Standards Committees.

The CFO's deputy is embedded in the MCA Executive Team and is therefore positioned to ensure financial risks and issues are managed on an operational level. The deputy also has overview and provides advice to projects and the programme in general.

## **2.11 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function and the Head of Paid Service function.**



The MCA Constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service (Chief Executive), the Chief Finance Officer and the Monitoring Officer. Statutory Officers meet regularly, along with the Management Team, and focus on the specific statutory nature and responsibilities of their roles and the authorities delegated to them through the Scheme of Delegation. The Monitoring Officer and the Head of Paid Service have direct access to the Chair of the MCA and LEP with reference to their core statutory and professional roles.

## **2.12 Inducting and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.**

**MCA Leaders** – Local Authority Leaders who are the members of the MCA lead on the development of the policy, priorities and their delivery. Individual members are advised and supported by officers of the MCA.

**Overview and Scrutiny Committee members** - An Overview & Scrutiny Committee toolkit is in place and ensures a consistent approach to scrutiny is taken by members and officers. This toolkit is used to structure the induction of new OSC members and is available to current members to support them in their strategic role. Workshops have taken place during the year to further enhance members skills and to establish the approach to scrutiny within a Mayoral Combined Authority.

**LEP Induction** - A formal programme of induction is in place for new LEP Board Members which covers the role and purpose of the LEP, economic performance and the opportunities and challenges facing Sheffield City Region, the Strategic Economic Plan, corporate affairs and governance. This is followed up with a 6-monthly review with the Chief Executive and LEP Chair to identify any additional support or development. Further to a successful recruitment process for new LEP Board members the induction process is being developed further.

**MCA Executive** - During 2019/20 a range of organisational development activities have taken place including regular staff briefings, an all staff away day, a management development programme and the launch of organisational values and behaviours. All MCA Executive staff have a corporate induction which covers statutory matters including health and safety at work, IT compliance and HR matters. In addition, organisational specific induction modules, such as the MCA and LEP governance, financial systems, programme management approach are also delivered to new team members. A suite of comprehensive online training resources is also available. The corporate induction will be reviewed and refreshed during 20/21 to ensure it remains relevant and appropriate.

## **2.13 Reviewing the effectiveness of the framework for identifying and managing risks and for performance, and demonstrating clear accountability.**

The approach to risk management is embedded in working practices and Risk Management Action Plans, covering areas of strategic and operational significance, are in place and managed by Statutory Officers.

The Risk Policy and Process are reviewed annually in conjunction with the Audit and Standards Committee and Risk Management Action Plans are reviewed and provided to the Audit and Standards Committee regularly. An internal audit conducted during the year recommended that there is 'significant assurance' around risk management processes. The report made a number of improvement recommendations to increase risk management maturity and this is reflected in the 2020/21 Governance Improvement Plan.

The SCR Assurance Framework includes a comprehensive issue and risk management approach developed in accordance with the Green Book guidance and project management methodology. Project/scheme risks are recorded and managed by individual scheme promoters. Risks are referenced in the Business Case, appraised as part of the assurance process and are part of the scheme monitoring approach in the project delivery phase.

In relation to Local Growth Fund investments, programmes of work are monitored throughout their lifespan. The Programme Performance Unit work closely with the Finance Team to understand the overall scale of investment and the conditionality of constituent components of the funding. This ensures that there is ongoing assessment of the effectiveness of each type of investment in line with the expectation of funding

providers.

#### **2.14 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).**

The MCA Constitution includes a Fraud Response Plan, Whistleblowing Policy, Anti-Money-Laundering and Anti-fraud and Bribery Policy, which provides direction and guidance for dealing with suspected cases of theft, fraud and corruption. It also gives direction on reporting matters of concern. The MCA also participates in the National Fraud Initiative.

Partners and all other stakeholders are expected to have strong anti-fraud and corruption measures in place. In the case of any investigation they are required to provide the MCA with full access to their financial records and staff. Agreements or contracts include these conditions, and appropriate due diligence is undertaken before entering into any agreement.

There have been no instances of fraud, money laundering, bribery or whistle-blowing during the year.

#### **2.15 Ensuring an effective scrutiny function is in place.**

The MCA has an established SCR Overview and Scrutiny Committee to exercise scrutiny functions over its activities and decisions (and those of formal committees and the LEP). Until 31<sup>st</sup> March 2020, the Committee which is politically balanced, comprised 16 members from the 4 constituent and 5 non-constituent local authorities. From 1<sup>st</sup> April 2020, due to LEP geography changes, non-constituent members are no longer represented. Each local authority appoints at least one elected member to the Overview and Scrutiny Committee – often this is the chair of each authority's own overarching scrutiny committee.

The MCA has a dedicated Scrutiny Officer which ensures the function of scrutiny within the organisation is effective and compliant with the 2017 Order. The Committee produces an Annual Report which is made available on the SCR website.

#### **2.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.**

Grant Thornton are the appointed Internal Auditors for the MCA.

The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the MCA's arrangements and the Internal Audit providers are fully compliant with Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit (HoIA) role is recognised as important in assisting in delivering strategic objectives.

The HoIA agrees the Annual Internal Audit Plan with Statutory Officers and the Audit and Standards Committee and ensures that internal audit service is appropriately resourced, fit for purpose, professionally qualified and suitably experienced.

#### **2.17 Ensuring the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) are undertaken.**

In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance an Audit and Standards Committee is established. The Committee, chaired by an elected member, comprises 10 members, two of whom are independent and is responsible for providing independent assurance on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management.

Ernst and Young, who are appointed as external auditors also attend Audit and Standards Committee

meetings. This process is in keeping with arrangements in place for a local authority. As the Accountable Body for all funds awarded to the LEP, the Audit and Standards Committee covers the requirements for both the LEP and the MCA.

The Committee receives regular reports relating to its remit, including issues arising from the work of Internal Audit, updates on the progress of implementing recommendations that have been made, updates on the risk management process, financial management reports, and reports from the external auditors.

As part of its governance remit, the Audit and Standards Committee have considered this AGS and, have provided challenge and comments where necessary. In addition, the Committee will monitor the progress of the Governance Improvement Plan developed as a result of the governance review process.

### **2.18 Provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.**

The Statutory Officers of the MCA maintain working relationships with the external auditors throughout the year to ensure that the auditors remain informed of changes to the MCA's business and processes. Officers collaborate with the external auditors on the annual audit plan, conduct a self-assessment review and liaise on any external audit recommendations and the management actions taken to affect them.

External auditors are embedded within the MCA's oversight functions through their attendance at the Audit and Standards Committee. All audit reports include management mitigation plans with named responsible officers, and these are followed up by both internal and external audit. There are no outstanding recommendations from previous external audits.

### **2.19 Incorporating good governance in respect of partnerships and other joint working**

The Constitution determines how the MCA interacts with its subsidiary (SYPTTE) and the financial regulations determine the limitations of their autonomy in relation to expenditure. The MCA's operating subsidiaries have also adopted Articles of Association that limit their operational independence, this effectively imposes MCA governance on them.

More broadly, the scale of ambition of the current Strategic Economic Plan (SEP) means that its delivery is co-dependent on the MCA and the LEP. This collaboration and, true partnership approach, has been a cornerstone of SEP achievements to date. During the year this collaboration has underpinned the development of a new SEP and will continue to deliver better outcomes for the Sheffield City Region, particularly in the context of the economic challenges resulting from the Coronavirus pandemic and Brexit.

The MCA, along with the LEP, play a full role in the Northern Powerhouse through engagement with Transport for the North on their Strategic Transport Plan, the Department for International Trade on trade missions. Regular meetings have also been held with Department for Work and Pensions (DWP) on the Work and Health Unit trial 'Working Win', with the Department for Business Innovation and Skills (BEIS) on the Local Growth Fund Programme and with the Education and Skills Funding Agency (ESFA).

## **3. Monitoring and evaluating the effectiveness of the governance framework**

The MCA has responsibility for conducting a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of Statutory Officers who have responsibility for the development and maintenance of the governance environment, and are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework.

The MCA's review is also informed by the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates. The HoIA is responsible for providing assurances on the robustness of the MCA's internal control arrangements to the Audit & Standards Committee. The Head of Internal Audit's annual report on audit activity and the performance of the Internal Audit division was presented to the Audit and Standards Committee on 11<sup>th</sup> June 2020. Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the

HoIA has provided an overall '**significant assurance with some improvement required**' assurance opinion for 2019/20.

**Audit & Standards Committee**

**29<sup>th</sup> October 2020**

**Group Internal Audit Plan Progress Report**

**Purpose**

This report provides an update on the progress of the 2020/21 Group 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 2020/21 audit activity undertaken by Grant Thornton for:

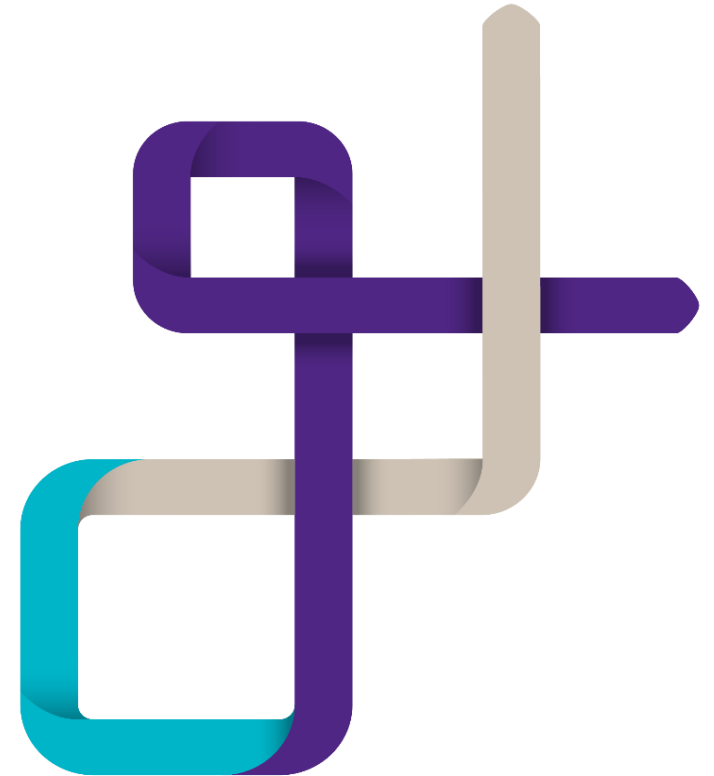
- Joint MCA & SYPTE audits
- MCA audits
- SYPTE audits



# Internal Audit Progress Report

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Sheffield City Region Mayoral Combined Authority  
October 2020



# Introduction & headlines

## Purpose

This report provides an update on progress against the outstanding reviews within the 2019/20 internal audit plan and the 2020/21 internal audit plan.

We have delivered 31 of the 71 days in respect of SCRMCA reviews (44%) and a total of 98.5 the 272 days (36%) in the joint audit plan, a full detailed breakdown can be found at pages 3 & 4.

## Final reports issued

Since the last meeting of the Audit Committee, we have completed the grant certification work and issued the sign off certification letter in respect of the Growth Hub and Local Transport Capital Funding

We have also finalised two audit reports, a copy of the reports are attached with the agenda papers:

Audit Completed	Overall Assurance Level
Capital Programme (2019/20)	Significant assurance with some improvement required
Core Financial Controls (2019/20)	Significant assurance with some improvement required

Our assurance levels are shown at appendix 1.

## Work in progress

The following reviews are at draft report stage::

- Public Engagement and Consultation
- Programme Management – Follow up
- AMP Technology Centre

Planning and scoping has also commenced in respect of:

- Climate Emergency

## 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

Due to the outbreak of COVID-19 and the uncertainty of its impact, we will continue to keep the audit plan under review and will reflect on the scope of each review to include emerging issues.

Following discussions with the Deputy Section 73 Officer, the following changes have been proposed:

- The review of the SCRMCA ledger implementation be cancelled as this will be undertaken by External Audit as part of their work. Eight days to be moved into contingency.
- The requirements of the Adult Education Budget have not yet been agreed, therefore it is proposed to postpone this review from Quarter 1 and will be confirmed by management when this is required.
- The Inward Investment Business Plan is not yet fully developed, therefore it is proposed that the review of Inward Investment be postponed from Quarter 2 to Quarter 4.

## Additional work undertaken outside of the audit plan

In light of COVID-19, the Department for Transport have made available additional grant funding which requires Head of Internal Audit certification.

In addition, the Executive has requested an additional review in respect of concessionary reimbursement, tendered services and community transport budgets.

Scoping around the arrangements and work requirements are still being sought and it is still to be decided as to whether we agree additional days or replace a review in the existing plan.

# Progress against 2020/21 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
<b>Annual Reviews for HOIA opinion and Joint Authority Audits</b>											
Core financial controls	30	Quarter 3									0
Risk Management	12	Quarter 4									0
Governance	12	Quarter 4									0
Climate Emergency	12	Quarter 2									0.5
Procurement	18	Quarter 4									0
Public Engagement and Consultation	12	Quarter 1									11
Follow up of recommendations	10	Ongoing									5
Attendance at Audit Committee & other client meetings	25	Ongoing									14
<b>Sub-total</b>	<b>131</b>										<b>30.5</b>



# Progress against 2020/21 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
<b>Sheffield City Region Mayoral Combined Authority</b>											
Grant Claims: • Growth Hub • Local Transport Capital Funding	8	Quarter 1/2									8
Ledger Implementation	0	Cancelled									0
Adult Education Budget	8	To be confirmed									1
AMP Technology Centre	13	Quarter 2									11
Programme Management – Follow up	4	Quarter 2									3
Inward Investment	12	Quarter 4									8
Travel and Expense Claims	12	Quarter 3									0
Back Office Systems	14	Quarter 3									0
<b>Sub-total</b>	<b>71</b>										<b>31</b>
<b>South Yorkshire Passenger Transport Executive</b>	<b>57</b>										<b>37</b>
<b>Contingency</b>	<b>13</b>										<b>0</b>
<b>Total Plan</b>	<b>272</b>										<b>98.5</b>

# Appendix 1 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>



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**Audit & Standards Committee**

**29<sup>th</sup> October 2020**

**Internal Audit Reports**

**Purpose**

This report presents the Internal Audit Report for Capital Programme and for Core Financial Controls.

**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 consider the findings and recommendations of the internal audit on

- Capital Programme (Appendix 1)
- Core Financial Controls (Appendix 2)

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# Sheffield City Region Mayoral Combined Authority (SCRMCA) & South Yorkshire Passenger Transport Executive (SYPTEx)

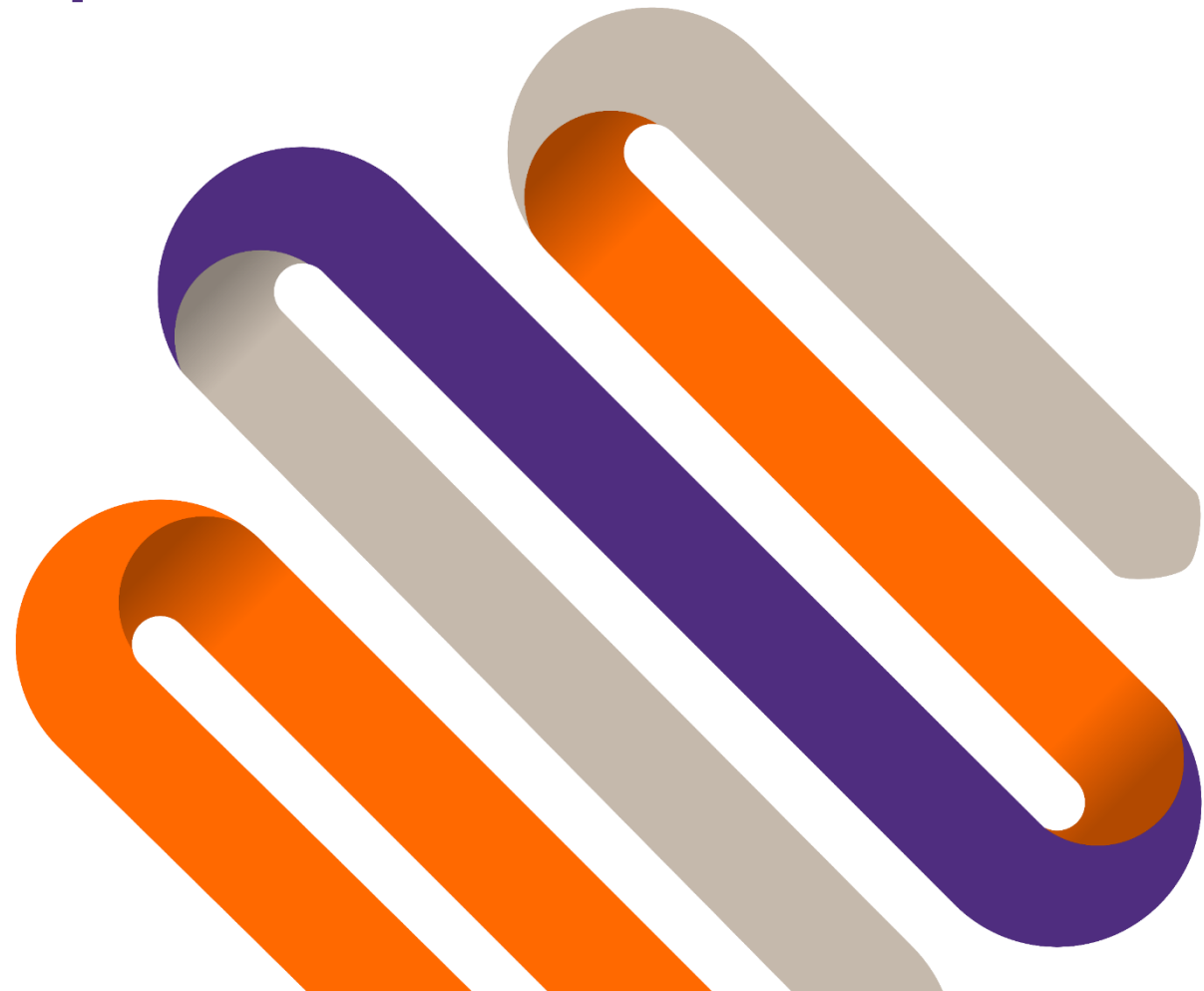
## Capital Programme - Follow-Up July 2020

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1 Executive Summary	3
2 Follow Up Findings	5
3 Appendices	15

## Report distribution:

- Dave Smith, Managing Director (SCRMCA)
- Gareth Sutton, Group Chief Financial Officer
- Mike Thomas, Head of Financial Services
- Mark Lynam, Director of Transport, Housing and Infrastructure (SCRMCA)
- Stephen Edwards, Executive Director (SYPTTE)
- Steve Davenport, Principal Solicitor and Secretary to the Executive (SYPTTE) & Monitoring Officer (SCRMCA)
- Jennefer Holmes, Assistant Director for Strategic Transport, (SCRMCA)
- Alex Linton, LTP Programme Manager (SYLPT)
- Louise Fannon, Programme Manager, Public Transport Investment (SYPTTE)

## For action:

- Alex Linton, LTP Programme Manager (SYLTP)
- Louise Fannon, Programme Manager, Public Transport Investment (SYPTTE)

## Responsible Executives:

- Mike Thomas, Head of Financial Services
- Mark Lynam, Director of Transport, Housing and Infrastructure (SCRMCA)

This report is confidential and is intended for use by the management and directors of Sheffield City Region Mayoral Combined Authority (SCRMCA) & South Yorkshire Passenger Transport Executive (SYPTTE). It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the organisations' management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



# Executive Summary

## Background

South Yorkshire Passenger Transport Executive (SYLTE) is an executive body of the Sheffield City Region (SCR) Mayoral Combined Authority (SCRMCA) and is responsible for public transport in the Sheffield City Region which covers Barnsley, Doncaster, Rotherham and Sheffield City Councils. These four areas along with SYLTE form the Local Transport Partnership (LTP).

The South Yorkshire Transport Capital Programme covers the LTP and largely comprises funding from central government grants as below;

- Highways Capital Maintenance (HCM) (mainly carriageway resurfacing projects carried out by 3 of the 4 constituent member authorities). Funds are paid to SCR and distributed to Barnsley, Doncaster and Rotherham Councils. Priorities are set by the councils and SYLTE monitor the expenditure.
- Integrated Transport Block (ITB) (a range of schemes designed to meet local transport needs and priorities). An annual programme, approved by the Strategic Transport Group (STG) and SCRMCA is in place and managed by SYLTE.
- Transforming Cities Fund
- SYLTE's capital programme (covering both small and large scale projects)

Governance arrangements at SYLTE include the South Yorkshire Transport Delivery Group (TDG), an operational group accountable to the STG. The STG reports to the joint Transport Executive Board (TEB).

The TEB reports to the SCRMCA Transport Board (TB) a thematic board of the Combined Authority and to the SCRMCA Board.

A review of the SYLTE Capital Programme was undertaken by the previous Internal Audit providers, Barnsley Metropolitan Borough Council and a report issued in May 2019. A Limited Assurance opinion was reported and four "significant" (medium risk) actions and two "merits attention" (low risk) actions were agreed.

## Objectives

The objective of our review was to provide an independent assessment of the extent to which the agreed actions have been implemented.

We achieved this objective by:

- interviewing key staff to gain an understanding of the actions agreed and progress of implementation.
- reviewing key documentary evidence and information.
- where appropriate, re-testing the operational effectiveness of key processes and controls.

## Limitations in scope

Please note that our conclusion and opinion is limited by scope. It is limited to the areas outlined above. Other risks exist in this process which our review and therefore our conclusion has not considered.

Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. In addition, our assurance on the completeness of the declarations recorded in the register of interest is limited to the findings from our sample testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary

## Conclusion

### Significant assurance with some improvement required

Based on the progress made in the areas reviewed, we can provide significant assurance in respect of the progress being made to implement the six actions identified by the May 2019 audit.

Two low and one medium risk actions have now been implemented. One medium risk action is partially implemented and in progress of being completed. One is outstanding which relates to collating and reporting monitoring data for a completed scheme. Our opinion reflects that the two ongoing areas are not fundamental to and do not significantly affect the improved control environment that is now in place. Actions are expected to be completed by August 2020.

## Progress

Four actions have been addressed;

- A full review has been undertaken of the programme management arrangements and a number of changes have been made to the governance arrangements and reporting lines. Reporting and oversight now takes place from the STG to the TEB, and through to SCRMCAs via the TB and to SCRMCAs Board.
- The Terms of Reference for the STG were reviewed and presented to the TEB in July 2019. Terms of Reference for the Asset Management and Maintenance Group (AMMG) have also been produced.
- The Capital and Revenue Monitoring Reports presented to the MCA by the SCR Executive team include a breakdown of the capital programme funding streams.

One action has been considered and subsequently rejected:

- The organisation has considered how the HCM programme is reported. Analysis on an individual project basis was assessed as impractical and would lead to an unreasonable management workload. Improved assurance on HCM expenditure is expected to be gained through changes to monitoring reports; rag-ratings against delivery will be reported from the end of July 2020 onwards.

## Ongoing Actions

Two actions are ongoing;

- Monitoring data required for the Low Emissions Bus Scheme was provided by operators to SYPT's Programme Manager for Public Transport Investment; this is then submitted to Defra by SYPT. However, regular ongoing reporting has not been maintained in 2019/20.
- One action is partially complete as a standard template is now in use for the ITB project funding changes. However, the second element of the action remains ongoing as rag-rating HCM delivery / expenditure has not yet been included in progress reports to STG or in the Capital and Revenue Monitoring Reports presented to the MCA by the SCR Executive Team.

## Summary of Progress

The table below summarises the progress made; more detail can be found at Appendix 1.

Risk	Actioned	Ongoing	Outstanding	Rejected
Medium	1	2	-	1
Low	2	-	-	-

## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

# Follow-Up Findings

R1 (1.1)	Medium	<p><b>Original finding</b></p> <p>A review of the Terms of Reference for the Strategic Transport Group (STG) confirmed that they had not been reviewed since March 2016 and were titled the Strategic Leadership Group, which the LTP Programme Manager confirmed was the previous name of that particular group. The Local Transport Programme Manager acknowledged that the Terms of Reference were out of date and that he intended to raise this at the next Strategic Transport Group meeting.</p> <p>No Terms of Reference could be provided for the Asset Management and Maintenance Group (AMMG). This group has responsibility for the programme management of the HCM and, therefore, the LTP Manager agreed to raise the lack of an agreed Terms of Reference at its next meeting.</p> <p>The Terms of Reference for the Programme Board, dated October 2018, were also not reflective of the change of title to the Project Board but did regularly refer to the Project Board throughout.</p> <p>In addition, the Programme Board's Terms of Reference requires that the SYPTE's draft Capital Programme is presented to it prior to the Management Board. However, there is no evidence of this being the case and therefore members have not had the opportunity to challenge and approve projects prior to Management Board approval. It is acknowledged that the Programme Support Officer stated that verbal updates are given at each meeting on the progress of the programme.</p> <p>Consequently, the lack of and/or updated Terms of Reference for the various Boards and Groups may result in a lack of clarity with regards to each forum's roles and responsibilities, membership and regulatory requirements.</p>	Actioned
		<p><b>Recommendation</b></p> <p>The Terms of Reference for the STG, 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.</p>	
		<p><b>Management response</b></p> <p>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.</p>	
		<p><b>Responsible officer</b></p> <p>SCR Director of Programme Commissioning</p>	

# Follow-Up Findings

R1 (1.1)	Medium	<p><b>Follow-up findings</b></p> <p>We confirmed that the Terms of Reference for the STG were reviewed in July 2019.</p> <p>They were presented to the TEB on 29<sup>th</sup> July 2019 as part of the Integrated Transport Block 2019/20 Programme Review paper. The minutes of this meeting recorded that the Board “noted” the draft terms of reference and although approval was not explicit, no proposed changes were minuted so we accept this as the Board’s acceptance.</p> <p>Review of the Terms of Reference confirmed that they include key areas such as purpose and role, duties, meeting conduct, voting, quoracy, and membership. Accountability is covered in the purpose and role section.</p> <p>As part of the review of the terms of reference, there were changes to the governance structure and reporting lines. The Programme Board has been disbanded and reporting is from STG to TEB, and through that to the TB and then the Combined Authority.</p> <p>Review of meeting minutes and monitoring reports presented at STG in April and May 2020 and at TEB in February and April 2020 confirmed the reporting lines between the two groups and level of detail in progress reports covering ITB and HCM.</p> <p>The Asset Management and Maintenance Group, responsible for managing HCM, is in place and meets quarterly. We confirmed that this group has up-to-date Terms of Reference in place (dated May 2020) which include the key elements such as membership, purpose, quoracy, meeting frequency etc.</p> <p>We confirmed that the draft 2020/21 programme for ITB and the allocations for the 2020/21 HCM were approved for submission of the programmes for inclusion in SCRMCA Finance’s Annual Transport Revenue Budget and Capital Programme report. Due to alignment of the timing of meetings, this was completed through written procedures. A draft of the programme was presented to STG on 15<sup>th</sup> November 2019 and submitted for written approval to TEB on 22<sup>nd</sup> November 2019 and confirmed to STG on the same day. Approval of the programme from the Chair of TEB was evidenced. Following agreement at the TB, the programme was presented to the Combined Authority who considered and approved the Capital Programme at its meeting on 27<sup>th</sup> January 2020.</p>	Actioned
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# Follow-Up Findings

R2 (1.2)	Medium	<p><b>Original finding</b></p> <p>A review of the Capital Programme 2018/19 confirmed that all ITB schemes are listed, but that this level of detail is not incorporated for HCM programme. Consequently, there is a lack of clarity and transparency with regards to the full programme of schemes being endorsed by the Executive Board and approved by the Combined Authority (CA) at the start of the financial year. It is acknowledged that the focus and responsibilities of the Mayoral Combined Authority (MCA) on the overall capital programme may have increased during 2018/19, with the election of a Mayor and therefore greater detail may be required in future years.</p>	Rejected
		<p><b>Recommendation</b></p> <p>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).</p>	
		<p><b>Management response</b></p> <p>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.</p>	
		<p><b>Responsible officer</b></p> <p>SCR Director of Programme Commissioning</p>	
		<p><b>Follow up findings</b></p> <p>We confirmed by review of the minutes, that the Proposed 2020/21 Capital Programme was presented for approval by the Combined Authority at its meeting held on the 27<sup>th</sup> January 2020. This included the ITB and the HCM programme. Review of the paper and appendices identified that analysis is by project for the ITB (e.g. A6109 Meadowbank Road Cycle Infrastructure) and by category of spend (e.g. bridges, lighting) for HCM.</p> <p>The Director of Transport, Housing and Infrastructure (SCRCMA) confirmed that a review of how HCM is presented for approval has been considered. It was considered that to report at an intervention / scheme level rather than a category level would create a significant amount of additional work without providing any benefit. It was also considered that scheme-level analysis may also set a pre-determined expectation that may not be met given that the network asset condition is assessed on an ongoing basis and the delivery of the allocation re-defined in accordance with the results of this assessment. The resources are deployed where they are most needed and this detail is subject to continual changes as the condition evolves.</p> <p>It was therefore decided to continue to present the HCM programme for approval at category level. However, it was also agreed that quarterly monitoring and reporting would be enhanced to provide greater assurance with the addition of RAG rated performance and narrative with respect to HCM delivery / expenditure. Oversight and scrutiny will be provided through the STG to TEB, and subsequently to the TB and the Combined Authority. This has been reported as an ongoing action at 1.4.</p>	

# Follow-Up Findings

R2 (1.2)	Medium	<p><b>Follow up findings continued</b></p> <p>We have considered the Authority's response and decision to reject the recommendation.</p> <p>We conclude that the level of information provided at category level to support approval of the capital programme is sufficient given the level of detail at scheme-level is subject to ongoing change following assessment of the network.</p> <p>We note that enhanced and improved quarterly reporting will provide the Executive and MCA assurance in respect to HCM performance, delivery and spend against allocations.</p> <p>We therefore accept the recommendation rejection, subject to the implementation of the ongoing action to enhance quarterly reporting.</p>	Rejected
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# Follow-Up Findings

R3 (1.3)	Low	<p><b>Original finding</b></p> <p>A review of a sample of ITB Change Requests in relation to overall programme changes and/or spend allocated to particular schemes confirmed that there is no standard template for the author to complete, and that these are received in various formats (i.e. e-mail, spreadsheets etc). Consequently, the level of detail provided varies and the requests could be misinterpreted or missed. For example, an emailed request for a Rotherham scheme (R031 Connectivity) could not be evidenced within the change notes worksheet dated 7th December 2018 and had been incorrectly recorded against another scheme (R030).</p>	Actioned
		<p><b>Recommendation</b></p> <p>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.</p>	
		<p><b>Management response</b></p> <p>A full review will be undertaken of the programme management arrangements, including whether work is integrated into the PMO function of the MCA.</p>	
		<p><b>Responsible officer</b></p> <p>SCR Director of Programme Commissioning</p>	
		<p><b>Follow up findings</b></p> <p>A standard template for ITB change requests has been implemented; we reviewed an example for the Sustainable Travel Access Fund. Change forms are collated by the LTP team and approved at the SYPTE Transport Delivery Group (TDG), an operational group accountable to STG consisting of LTP managers responsible for delivering their council's programmes. Reporting to STG is by exception if changes affect other councils / overall funds.</p> <p>The ITB, together with the HCM, has historically been managed / monitored by the SYPTE LTP team reporting to SCC. There has been a review of the programme management arrangements in order to ensure transparency, consistency, and greater control. From 1<sup>st</sup> April 2020, the LTP team reporting line changed to the Associate Director for Strategic Transport within the SCR Executive Team under the responsibility of the Combined Authority.</p>	

# Follow-Up Findings

R4 (1.4)	Medium	<p><b>Original finding</b></p> <p>All update reports for the Capital Programme 2018/19 (ITB and HCM schemes) that are presented to the TDG, STG and the Executive Board report on the overall scheme totals only (i.e. they do not include a detailed breakdown of the funding carried forward from 2017/18 or elements of over programming). It was noted during the review that the CA's approval (March 2018) of the 2018/19 budgeted scheme totals was based on total funding available, i.e. not the element of over programming that has been included within the programme. Consequently, the reports are not consistent in terms of the figures provided/included, and this may result in a lack of opportunity to challenge progress made due to a lack of transparent and detailed information being made available. In addition, it was noted during discussions on site that the MCA do not consistently request information from the Local Transport Manager or the SYPTE Principal Programme Delivery Manager for inclusion within / confirmation of accuracy of figures reported in the quarterly reports.</p> <p>In addition, the HCM monitoring information does not provide for a RAG rated delivery report akin to that provided for the ITB funding. This would provide for more consistent and improved assurance and monitoring arrangements to evidence that the overall programme has delivered the planned outputs / outcomes.</p>	<p><b>Ongoing</b></p> <p><b>Revised implementation Date:</b></p> <p>31 August 2020</p> <p><b>Responsible Officer:</b></p> <p>Alex Linton LTP Programme Manager</p> <p><b>Executive Lead:</b></p> <p>Mark Lynam Director of Transport, Housing and Infrastructure (SCRMCA)</p>
		<p><b>Recommendation</b></p> <p>All reports relating to the ITB and HCM that are presented to the TDG, 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> <p>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.</p>	
		<p><b>Management response</b></p> <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>	



# Follow-Up Findings

R4 (1.4)	Medium	<p><b>Responsible officer</b></p> <p>SCR Director of Programme Commissioning</p>	Ongoing
		<p><b>Follow up findings</b></p> <p>The ITB Proposed 2020/21 Capital Programme paper (January 2020) to the SCR/MCA Board confirmed that programme reports have been revised to identify allocations brought forward from the previous year and to exclude over-programming amounts to ensure consistency with MCA reporting.</p> <p>The LTP Programme Manager prepares the reports for STG and we confirmed (by review of email correspondence) that he provides input to the quarterly Capital and Revenue Monitoring Reports presented to the MCA Board covering the ITB and the HCM – this ensures consistency of reporting.</p> <p>We reviewed the 2019/20 Q2 and Q3 Capital and Revenue Monitoring Reports presented to the MCA Boards in November 2019 and January 2020 in addition to the quarterly report to STG in April 2020 to confirm that brought forward amounts are separately identified.</p> <p>The LTP Programme Manager is in the process of adding rag-rating and narrative with respect to HCM delivery / expenditure and expects to include this information in the next quarterly Capital and Revenue Monitoring Report. This additional analysis will be applied to the broad categories of spend.</p>	

# Follow-Up Findings

R5 (1.5)	Low	<p><b>Original finding</b></p> <p>The CA quarterly report fails to breakdown the funding components of the total SYPTE capital programme. Consequently, the report is not fully transparent with regards the different funding mechanisms supporting the SYPTE capital programme.</p>	Actioned
		<p><b>Recommendation</b></p> <p>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.</p>	
		<p><b>Management response</b></p> <p>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.</p>	
		<p><b>Responsible officer</b></p> <p>SCR Director of Programme Commissioning</p>	
		<p><b>Follow up findings</b></p> <p>We reviewed the 2019/20 Q2 and Q3 Capital and Revenue Monitoring Reports presented to the MCA Boards in November 2019 and January 2020.</p> <p>We confirmed that they included a breakdown of the capital programme funding streams at Appendix 4.</p> <p>We confirmed with the Senior Finance Manager (SCRMCA) that this level of detail will continue to be reported in 2020/21.</p>	

# Follow-Up Findings

R6 (1.6)	Medium	<p><b>Original finding</b></p> <p>The MCA has an agreement with the SYPTE (dated 23rd March 2018) to project manage the grant funding provided by the DfT for the Low Emissions Bus Scheme, with the SYPTE subsequently entering into separate agreements with their operators - First (dated 25th January 2019) and Stagecoach (dated 3rd December 2018).</p> <p>The agreements entered into with the operators includes (in schedule 2) a number of key milestone dates for provision of services that were prior to the agreements actually being signed. The agreements should originally have been executed by 28th February 2018, but delays were experienced due to a re-negotiation on some wording within the documents. It is acknowledged that discussions during this review confirmed that the operators had been working to the agreements and the vehicles were deployed on the streets in line with the key dates.</p> <p>The SYPTE Programme Support Manager stated that the Transport Research Laboratory are responsible for monitoring the grant funding on behalf of the DfT/DEFRA and that the format they require the information to be provided in (schedule 5 of the grant agreement) differs to that utilised by the operators (schedule 2 of their agreements). Therefore, no monthly or quarterly monitoring submissions have been provided to the MCA or Secretary of the State to date. It is acknowledged that the SYPTE are working with the operators, MCA and the DfT/DEFRA to negotiate a reporting format that is acceptable to all parties (i.e. minimises the time taken as schedule 5 requires information down to individual vehicle level). However, until an agreement is reached, there is a risk that funding could be withdrawn or clawed back due to a failure to provide the information required in the grant terms and conditions.</p>	<p><b>Ongoing</b></p> <p><b>Revised Implementation Date:</b> 31 August 2020</p> <p><b>Responsible Officer:</b> <b>Louise Fannon,</b> Programme Manager – Public Transport Investment (SYPTE)</p> <p><b>Executive Lead:</b> Mark Lynam Director of Transport, Housing and Infrastructure (SCRMCA)</p>
		<p><b>Recommendation</b></p> <p>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.</p>	
		<p><b>Management response</b></p> <p>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.</p> <p>Consideration will also be given as to whether this project should be brought in scope of the review of programme management arrangements.</p>	

# Follow-Up Findings

R6 (1.6)	Medium	<p><b>Responsible officer</b> SCR Director of Programme Commissioning</p>	Ongoing
		<p><b>Follow up findings</b>  <p>This project (receipt of new buses) has been delivered, and there is now ongoing monitoring of fuel use, AdBlue, emissions etc.</p> <p>Operators have been provided a spreadsheet to record the required data which they return to SYPTE.</p> <p>SYPTE’s Programme Manager for Public Transport Investment submits the results to Defra and we confirmed this by review of the return on 25<sup>th</sup> June 2019. However, operators have not provided data to enable this submission since June 2019.</p> <p>Changes in management at one operator as well as recent pressures as a result of Covid-19 have impacted the ability to progress this action in recent months.</p> </p>	

# Appendices

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# Appendix 1 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 1 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>





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

## Core Financial Controls

September 2020

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## Report distribution:

- Dave Smith, Managing Director (SCRMCA)
- Stephen Edwards, Executive Director (SYPTTE)
- Steve Davenport, Monitoring Officer (SCRMCA)
- Gareth Sutton, Group Finance Director
- Mike Thomas, Deputy Section 73 Officer
- Simon Tompkins, Finance Manager (SCRMCA)
- Claire James, Senior Governance and Compliance Officer (SCRMCA)
- Dawn Marshall - Secretary to Deputy Section 73 Officer (SYPTTE)

## For action:

- Finance Staff

## Responsible Executives:

- Gareth Sutton, Group Finance Director

This report is confidential and is intended for use by the management and directors of Sheffield City Region Mayoral Combined Authority (SCRMCA) and South Yorkshire Passenger Transport Executive (SYPTTE). It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the entities management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

# Executive Summary

## Background

Well designed and robust key financial systems, operating efficiently and effectively, are essential for good quality financial information used for both internal and external reporting. It is therefore necessary that the Authority identifies and addresses operational and financial risks and ensures that robust arrangements are in place to manage them, including effective systems of internal control.

Controls around core financial systems are required to support the production of accurate and timely financial reports and financial statements. For these controls to be effective, they need to be applied consistently throughout the Authority and be supported by robust standing financial instructions and operating procedures. Failure to implement effective financial controls can expose an organisation to risk.

## Objectives

Our review focused on the following potential risk areas:

- General ledger:
  - the Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and
  - Journal entries or other adjustments that were recorded without proper documentation or explanation.
  - The Authority do not have adequate back up procedures
  - Inaccurate or incomplete migration of data from the old to the new ledger system.
- Accounts payable:
  - inadequate authorisation procedures & payments not made in line with procedures; and
  - Delays in payments, leading to difficulties in dealing with suppliers in the future.

- Accounts receivable:
  - ineffective debt collection procedures; and
  - ineffective invoice raising procedures.
- Cash & bank:
  - Bank accounts are not reconciled on a regular and timely basis and that the methodology used is not robust.
- Payroll (to include HR for leavers/ joiners/ changes):
  - inadequate segregation of duties; and
  - controls over starters, changes, leavers ( permanent and temporary staff) are inadequate
- Capital Accounting:
  - Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.

## Limitations of scope

Please note that our conclusion is limited by scope. It is limited to the risks outlined above. Other risks exist in this process which our review and therefore our conclusion has not considered. Where sample testing has been undertaken, our findings and conclusions are limited to the items selected for testing. In addition, our assurance on the completeness of the declarations recorded in the register of interest is limited to the findings from our sample testing.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary

## Conclusion

### Significant assurance with some improvement required

We have reviewed the key controls around the core financial systems for both SYPTE and SCRMCA. The scope of the audit is set out in our Audit Planning Brief.

We have concluded that the processes provide **SIGNIFICANT ASSURANCE WITH SOME IMPROVEMENT REQUIRED** to the Authority.

We noted that the majority of the core financial processes across both organisations have robust controls in place and our testing has found that these controls were generally operating effectively.

Appendix 3 provides a breakdown of assurance levels by core financial process for each organisation.

## Good practice

We have identified the following areas of good practice:

- The design of controls around the majority of key financial processes for both organisations contains both preventive and detective controls where possible. Having both types of controls in place significantly reduces the risk of fraud or error.
- Generally, controls were being performed well and in accordance with policies and procedures.
- The process of transferring data from the old ledger to the new ledger for SYPTE was well planned, mitigating risk where possible. The implementation of a trial run before and performance of ledger reconciliations after the transfer, highlight good practice and the transfer was assessed to be complete and accurate.

## Areas for development

We have identified the following areas which require improvement including:

- Whilst there are controls in place limiting the ability to post journals to appropriate personnel, we found there are limited controls in place within the SCRMCA around the authorisation of journals, no user limits on the value of journals posted and no formal review of journals posted on a periodic basis.
- There were a number of instances where supporting audit evidence and documentation could not be provided at the time of the audit. This was generally where manual, paper based records are maintained and held within the office, which, due to the COVID-19 pandemic had become inaccessible. In light of this situation, both the SYPTE and SCRMCA have taken the opportunity to review their current processes and procedures and wherever possible have moved from using paper based filing systems that were in place until the end of March 2020, and replaced these with electronic filing. PDF documents are now held containing digital signatures, which are filed on the network in a secure location only accessible by appropriate, authorised staff.

## Recommendations

Based on our findings, we have raised seven risk recommendations, the grading are as follows:

	High	Med	Low	Imp
Detailed findings	-	1	4	2

## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.

# Action Plan - SYPTE

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>The Authority do not have adequate back up procedures</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the process of posting journals to the General Ledger and documented the controls in place. We note that the Journals posting process is relatively robust and includes both preventive and detective controls. These controls include limiting the ability to post journals to appropriate personnel, required authorisation of journals by appropriate personnel, maintaining signed journals for record keeping and reviewing monthly journal files against journal reports.</li> <li>• We tested a sample of 20 journal postings to ensure the controls that had been documented had been performed in an effective manner. We sample tested across both Ledger systems; 15 from the old and 5 from the new.</li> <li>• Our sample testing found that most of the controls in place are operating effectively. Journals had been input and authorised by appropriate personnel with a clear segregation of duties in place. Hand signed journal templates had been maintained and monthly journals report reviews were undertaken.</li> <li>• From our sample testing, we identified one sample that had not been signed as authorised. We also noted that 16 had not been dated when authorised.</li> <li>• The five journal samples selected from the new system were unavailable for review at the time of the audit. The outbreak of COVID-19 and subsequent lockdown has provided the Executive with the opportunity to review its current authorisation processes and has implemented a new system which requires an electronic signature or initial on a PDF, with a Sharepoint site where all journal records are held.</li> <li>• The journal documentation has now been provided and verified as appropriately authorised.</li> <li>• The Authority have robust backup procedures in place. The SQL server is backed up daily, copied to an offsite server (MS Azure) and periodically a third copy is moved into an offnet backup repository. SQL logs are truncated every hour and backups are tested annually, however new software is being implemented that will have automated test plans built in which will advise if the backups are successful or not. The process is also the same for the new EPICORE system. No issues relating to backups were reported in the period.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>The Authority do not have adequate back up procedures</p>	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>We identified one sample which had not been signed as authorised.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>The authorisation of journals and segregation of duties in this process is a key anti-fraud control. Without authorisation, there is a risk that fraudulent journals could be posted to the ledger.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>The Executive should ensure that this control is being performed for all journals which are posted and is reviewed as part of the month end journals reconciliation process.</li> </ul>	<p><b>Agreed Action:</b></p> <p>All journals will be authorised by electronic signature or initial on a PDF and stored within a dedicated Sharepoint site.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> This action has already been implemented</p>
	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>From the sample of 20, 16 were not dated when authorised.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Journals may not be authorised in a timely manner leading to a delay in the posting of journals.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>Journal authorisers should ensure they date the authorisation signature to ensure there is a clear audit trail which reflects timely authorisation.</li> </ul>	<p><b>Agreed Action:</b></p> <p>We will ensure all journals are dated when authorised.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31 December 2020</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>Inaccurate or incomplete migration of data from the old to the new ledger system.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the process around the Ledger system change, specifically examining and reperforming the work undertaken by the Executive to ensure the complete and accurate migration of data. We found the project to be well managed and the transfer to be considerate of the key risks involved, and thorough in addressing these risks from both a preventive and detective manner.</li> <li>• The Ledger system was changed part way through the year, increasing the complexity of the process, however this was mitigated by the risk averse approach which was undertaken. The transfer of data only involved opening balances at the date of system change as well as open sales and purchase invoices, with historical data being kept accessible on the old system. Whilst this meant that the finance team would have to manage two systems within the year, the risk of incomplete or inaccurate data transfer was significantly reduced.</li> <li>• A trial transfer run was undertaken in December 2019 and key learning points were identified, such as missing General Ledger accounts with zero balances, despite movements in year. The transfer was completed in three parts; the General ledger, Purchase Ledger and Sales Ledger. The actual transfer took place in January 2020 with reconciliations undertaken for each ledger comparing all the closing balances on the old ledger to the opening balances on the new ledger and no issues were identified.</li> <li>• We have reviewed and reperfomed the reconciliations undertaken by the Executive and no issues were identified relating to incomplete or inaccurate migration of data. However, the original reports for the opening Purchase Ledger balances on the new system were not stored as there were no issues, therefore we could not completely review this aspect of the performance of the control, although there were no issues identified when we reconciled the old reports back to the opening balances on the new system.</li> <li>• We also note that the External Auditors also completed a comprehensive check as part of the External Audit and were satisfied with the data submitted and did not raise any issues or concerns.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Payable – SYPTE</b></p> <p>Inadequate authorisation procedures &amp; payments not made in line with procedures; and</p> <p>Delays in payments, leading to difficulties in dealing with suppliers in the future.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Accounts Payable process from raising requisitions through to payment of suppliers, specifically documenting the controls in the process. We then tested a sample of expenditure transactions to ensure the controls that had been documented had been performed in an effective manner. We sample tested across both the new and old Ledger systems.</li> <li>• We note that the Accounts Payable process is relatively robust and includes both preventive and detective controls. These controls include appropriate requisition authorisation, three-way matching, authorised payment runs and periodic account reconciliations.</li> <li>• Our sample testing of 20 invoices found that the controls in place are operating effectively. Requisitions and payments are authorised in a timely manner by appropriate personnel, including the involvement of segregation of duties, improving the effectiveness of these controls and reducing the risk of fraud. We also verified that the accounting system requires and correctly completes three-way matches and corroborated that monthly reconciliations have been performed to date, comparing the Accounts Payable account to the General Ledger.</li> <li>• BACS payment runs are made on a weekly basis with relevant payments matched off by due date. This ensures that the Executive effectively manages cash flows whilst still meeting payment deadlines.</li> <li>• For two samples that we tested, we were unable to gain assurance over requisition approval as the relevant documentation was paper based and stored in the office, which was inaccessible due to working situations as a result of the COVID-19 pandemic.</li> </ul>	



# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Receivable – SYPTE</b></p> <p>Ineffective debt collection procedures; and</p> <p>Ineffective invoice raising procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Accounts Receivable process from raising invoices through to receiving payment, specifically documenting the controls in the process. We then tested a sample of income transactions to ensure the controls that had been documented had been performed in an effective manner. We sample tested across both the new and old Ledger systems.</li> <li>• We note that the Accounts Receivable process is relatively robust and includes both preventive and detective controls. These controls include required completion of invoice request forms, restricting invoice raising to appropriate personnel, daily cash statements and weekly reviews of debtor’s listings.</li> <li>• Our sample testing of 20 invoices found that the controls in place are operating effectively. Invoice request forms have been completed where necessary, invoices have been raised in a timely manner by appropriate personnel, daily cash statements have been completed matching income in the bank to sales invoices and weekly debtors reports have been run to reduce aged debtors.</li> <li>• A debt recovery database is maintained which highlights outstanding debtors and at which stage of the reminders process the debt is in, ensuring appropriate escalation of outstanding debtors.</li> <li>• For three samples that we tested, we were unable to gain assurance over the completion of invoice request forms as the relevant documentation was paper based and stored in the office, which was inaccessible due to working situations as a result of the COVID-19 pandemic.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Cash &amp; Bank – SYPTE</b></p> <p>Bank accounts are not reconciled on a regular and timely basis and the methodology used is not robust</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the processes involved in managing Cash &amp; Bank accounts, specifically documenting the controls in the process. We then reviewed and reperformed a sample of bank reconciliations to ensure the control had been documented and performed in an effective manner.</li> <li>• We note that the Cash &amp; Bank management process is relatively robust and includes both preventive and detective controls. These controls include; required approval of weekly BACS payments, restricting bank access to appropriate personnel, completion of daily cash statements and monthly bank reconciliations.</li> <li>• Our sample testing around bank reconciliations found that they are operating effectively, with relevant reconciling items between the bank and General Ledger being recorded. Reconciliations are prepared and reviewed by appropriate personnel in a timely manner and there is a segregation of duties between the preparer and reviewer.</li> <li>• However, whilst the reconciliation templates show the names of the officers completing and reviewing the reconciliation, these are not signed. We note that the new system of electronic signatures adopted during lockdown has now been applied to authorising bank reconciliations.</li> <li>• Our sample testing also noted that the reconciliation templates incorrectly recorded the date as 2018 instead of 2019. This was acknowledged by the Executive as a typographical error.</li> </ul> <p><b>Issue identified:</b></p> <ul style="list-style-type: none"> <li>• Reconciliations were not signed by the officers completing and reviewing the reconciliations.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• There is a lack of assurance that reconciliations are being reviewed as names and dates of reviewers are not signed, thereby increasing the risk of fraud.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• Reconciliations should be electronically signed and dated when reviewed. The spreadsheet should be locked and protected to prevent any further changes to the reconciliation once the review is complete.</li> </ul>	<p><b>Agreed Action:</b></p> <p>We will continue with the paperless approach adopted during lockdown. We will ensure all bank reconciliations are electronically signed by the officers completing and reviewing the reconciliation.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> This action has already been implemented</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Capital Accounting – SYPTE</b></p> <p>Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Capital Accounting process, including the treatment of additions, disposals and transfers of assets as well as the maintenance of the Fixed Asset Register. We then tested a sample of additions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>• We note that the Capital Accounting process is relatively robust and includes both preventive and detective controls. These controls include required authorisation for payments relating to capital spend, agreement of payments to the Capital programme and a yearly reconciliation of the Fixed Asset Register to the General Ledger.</li> <li>• Our controls sample testing found that the controls in place are operating effectively. All capital invoices tested have been approved by appropriate personnel and agreed to the Capital programme before payment. Invoices were paid in a timely manner and additions were appropriately recorded in the Fixed Asset Register.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SYPTE</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Payroll process, specifically documenting the controls in place around the administration of starters and leavers. We then tested a sample of starters and leavers to ensure the controls that had been documented had been performed in an effective manner.</li> <li>• We note that the Payroll process includes controls such as required completion of Employee Administration forms, New Starter Induction Checklists and Leavers Checklists. There is also strong management oversight of the recruitment process, with establishment reports outlining planned recruitment for the year having to be approved by board with any additional recruitment requests having to be approved by the Human Resources Standards Committee.</li> <li>• Our sample testing of new starters confirmed that Employee Administration forms, signed by the HR Business Partner and New Starters Induction checklists had been completed in all cases</li> <li>• Our sample testing of leavers confirmed that Employee Administration forms, signed by the HR Business Partner have been completed in all cases. We did note once case where the form had been completed after the employee had left. The Executive have confirmed that this was an exceptional case was where the employee resigned with immediate effect after their last shift. The employee left on 05/08/19, and the leaver administration form was completed on 08/08/19. There was no financial implication.</li> <li>• We were unable to verify that leavers checklists were completed for our sample selected as the relevant documentation was paper based and stored in the office, which was inaccessible due to working situations as a result of the COVID-19 pandemic. However we do acknowledge that these are not used to determine the cessation of salary as the Employee Administration Forms are used for this purpose.</li> <li>• There were no issues identified around starters being incorrectly paid before they joined or leavers after they left.</li> </ul>	

# Action Plan - SCRMCMA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCMA</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>The Authority do not have adequate back up procedures</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the process of posting journals to the General Ledger and documented the controls in place. We then tested a sample of 20 journal postings to ensure the controls that had been documented had been performed in an effective manner.</li> <li>• Whilst there are controls in place limiting the ability to post journals to appropriate personnel, there are limited controls in place around the authorisation of journals, no user limits on the value of journals posted and no formal review of journals posted on a periodic basis. The lack of segregation of duties as a result of no requirement for authorisation is emphasised further due to the work performed by a third party, Sheffield City Council, as part of the journals posting process.</li> <li>• We also noted that there were three members of senior management with the ability to post journals. The ability to post journals was role specific in the old finance system and as an “Approver” role this would have had the ability to post journals. Whilst it would be unusual for these employees to post journals, a review of journals postings to M9 indicated 11 journal lines. Upon further review, it was identified that these lines actually related to the Senior Finance Manager approving on the finance system that a credit note be issued to cancel a debt. The system then automatically posts the credit note journal once approved. We acknowledge that the cancellation of debt by credit note can only be authorised by a senior member of Finance.</li> <li>• It has been confirmed that there is segregation of duties in place between the completion of bank reconciliations and inputting of cash management journals which are performed and reviewed separately. However, we noted that, while, within the Integra system there was segregation of duties in practice, the system rights did not enforce the segregation of duties. In other words, the person who prepares the bank reconciliation could post a cash journal if they wanted to as the system rights would not prevent that from happening. This weakness in the design of controls provided a potential opportunity for fraud and error.</li> <li>• The Authority has confirmed that all bank reconciliations undertaken in 2019/20 were completed and reviewed by appropriate officers, independent of those responsible for inputting and posting cash management journals. Our sample testing of two bank reconciliations confirmed this process. Both were prepared and authorised by appropriate independent officers.</li> <li>• Our sample testing found that all journals tested had been posted by appropriate personnel with journals templates being completed correctly. We also confirmed that the officers preparing and authorising bank reconciliations did not appear on the journals posted spreadsheet.</li> </ul>	

# Action Plan - SCRMCMA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCMA</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p>	<ul style="list-style-type: none"> <li>We note that, the move from Integra to the Epicor system allows for more enhanced controls and segregation of duties for example by giving an individual user access to a specific feature in another ledger if they require it. Similarly, by removing access for a particular user to one or more features within a ledger, whilst still allowing them access to the rest. These controls will be tested as part of the 2020/21 Internal Audit Review.</li> </ul> <p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>A lack of both preventive and detective controls in place around the authorisation of journals.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>There is an increased risk that fraudulent journals or journals in error could be posted due to the lack of authorisation at a transactional level and a lack of oversight in monitoring postings periodically. We note that officers responsible for preparing and authorising the bank reconciliations are independent of those responsible for inputting and posting cash management journals, which helps to reduce control risk around cash journals.</li> <li>The move to the Epicor System will help to further mitigate this risk pending the implementation of appropriate automated controls and segregation of duties.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>The Authority to ensure appropriate segregation of duties including role specific access is appropriately implemented within the new system to enable the requirement for authorisation of all journals by appropriate staff members, as well as requiring a high level review of journals posted on a periodic basis. The Authority could also consider the implementation of appropriate user and authoriser limits on high value journal postings.</li> </ul>	<p><b>Agreed Action:</b></p> <p>Role-specific access will be appropriately implemented within the new system. A high level review of GJ type journals posted will be undertaken periodically.</p> <p><b>Responsible Officer:</b> Simon Tompkins, Finance Manager</p> <p><b>Executive Lead:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Due date:</b> 30 September 2020</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCAs</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p>	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>• Our review of journals posted in year found that three members of senior management had the ability to post journals.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• Senior management could manipulate financial information without proper overview and approval of their postings.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• Senior management access should be restricted to authorising journals.</li> </ul>	<p><b>Agreed Action:</b></p> <p>Noted the improvement point.</p> <p>Role-specific access will be appropriately implemented within the new system.</p> <p>The Group Chief Financial Officer and Senior Finance Manager’s permissions are set to “reporting” only which does not give them the ability to raise journals</p>
	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>• The journals report provided identified transactions which were found not to relate to journals, but credit orders instead. The report also identified the authoriser of the credit order as the poster.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>• The journals report does not provide the appropriate information required for internal and external audit purposes.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• Journals report should identify parameters which restrict the report to genuine journal postings.</li> </ul>	<p><b>Agreed Action:</b></p> <p>Noted the improvement point.</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCAs</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient; and</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>The Authority do not have adequate back up procedures</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• SCC have a full Managed Service Contract with Capita which places the responsibility on Capita to have appropriate back up and recovery procedures in place over the finance system, which SCR used up until the end of 2019/20. Capita’s backup procedures are considered robust, with backups being verified on a scheduled basis, hot backups are taken daily during the night, daily and weekly backups are held by Capita and full weekly backups are held off-site. No issues relating to backups were reported in the period.</li> </ul>	



# Action Plan - SCRMCMA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Payable – SCRMCMA</b></p> <p>Inadequate authorisation procedures &amp; payments not made in line with procedures; and</p> <p>Delays in payments, leading to difficulties in dealing with suppliers in the future.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Accounts Payable process from raising requisitions through to payment of suppliers, specifically documenting the controls in the process. We then tested a sample of expenditure transactions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>• We note that the Accounts Payable process is relatively robust and includes both preventive and detective controls. These controls include appropriate requisition authorisation, three-way matching, authorised payment runs and periodic account reconciliations through the master spend tracker.</li> <li>• Our sample testing of 10 invoices found that the controls in place are operating effectively. Requisitions and payments are authorised in a timely manner by appropriate personnel, including the involvement of segregation of duties, improving the effectiveness of these controls and reducing the risk of fraud. We also verified that the accounting system requires and correctly completes three-way matches and corroborated that all samples agree back to the Master Spend Tracker.</li> <li>• There is a team at Sheffield City Council who help in the administration of accounts payable posting to the ledger. Access is restricted to a few individuals and the requirement for authorisation by SCRMCMA staff mitigates any risk of fraud.</li> <li>• At the time the Internal Audit work was performed, of the sample of 10 Purchase Orders selected, only four had reached the point of GRN to confirm that goods and services had been received, leading to payments being made to suppliers. In all four cases, there is evidence that supplier payments were authorised after the relevant department confirmed they were happy with the goods/service.</li> </ul>	

# Action Plan - SCRMCA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Receivable – SCRMCA</b></p> <p>Ineffective debt collection procedures; and</p> <p>Ineffective invoice raising procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Accounts Receivable process from raising invoices through to receiving payment, specifically documenting the controls in the process. We then tested a sample of income transactions to ensure the controls that had been documented had been performed in an effective manner. We sample tested across both the new and old Ledger systems.</li> <li>• We note that the Accounts Receivable process is relatively robust and includes both preventive and detective controls. These controls include required completion of invoice request forms, restricting invoice raising to appropriate personnel, monthly reviews of Invoice Raised reports and weekly reviews of debtor’s listings.</li> <li>• Our sample testing of 10 invoices found that controls in place are operating effectively. Sales Invoice Request forms have been completed in all cases and invoices have been raised by appropriate personnel. Monitoring is carried through both the weekly Invoice Raised report as well as a weekly debtors report.</li> <li>• There is a team at Sheffield City Council who help in the administration of accounts receivable postings to the ledger. Access is restricted to a few individuals and the requirement for authorisation by SCRMCA staff as well as reviews of monthly Invoice Raised reports mitigates any risk of fraud.</li> </ul>	

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Cash &amp; Bank – SCRMCAs</b></p> <p>Bank accounts are not reconciled on a regular and timely basis and the methodology used is not robust</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the processes involved in managing Cash &amp; Bank, specifically documenting the controls in the process. We then reviewed and reformed a sample of bank reconciliations to ensure the control had been documented and performed in an effective manner.</li> <li>• We note that the Cash &amp; Bank management process includes both preventive and detective controls. These controls include required approval of weekly BACS payments, restricting bank access to appropriate personnel, review of monthly bank statements for items that need posting to the ledger and monthly bank reconciliations.</li> <li>• Our sample testing around bank reconciliations found that they are operating effectively, with relevant reconciling items between the bank and General Ledger being recorded. Reconciliations are prepared and reviewed by appropriate personnel in a timely manner and there is a segregation of duties between the preparer and reviewer.</li> </ul>	

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Capital Accounting – SCRMCAs</b></p> <p>Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Capital Accounting process, including the treatment of additions, disposals and transfers of assets as well as the maintenance of the Fixed Asset Register.</li> <li>• We note that the Capital Accounting process includes both preventive and detective controls. These controls include an approved Capital Programme, required authorisation of requisition requests, submission of quarterly claims which are reviewed by the monitoring officer, authorised payment to suppliers and monthly reconciliation of capital expenditure reviewed to date.</li> <li>• The majority of capital expenditure is Revenue Expenditure Funded by Capital Under Statute and paid as a grant. The money spent on capital programmes by relevant stakeholders is claimed by submitting a grant claim.</li> </ul>	

# Action Plan - SCRMCMA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SCRMCMA</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>• We reviewed the Payroll process, specifically documenting the controls in place around the administration of starters and leavers. We then tested a sample of starters and leavers to ensure the controls that had been documented had been performed in an effective manner.</li> <li>• We note that the Payroll process includes controls such as required completion of Employee Administration forms, Request to Recruit forms and Leavers Checklists. There is also strong management oversight of the recruitment process, with authorisation required from Head of Service, Business Operations Manager and Deputy Chief Executive.</li> <li>• Our sample testing of five starters and five leavers found that the controls in place are operating effectively. We found that Employee Administration forms had been completed for all but one of the starters and leavers samples and all forms were signed by the HR Business Partner. There were no issues identified around starters being incorrectly paid before they joined or leavers after they left.</li> <li>• Our sample testing of starters identified three cases where we were unable to gain assurance over whether the request to recruit form had been completed. For these samples, the employee started on the BMBC system and the relevant documentation was paper based and stored in the BMBC office.</li> <li>• We identified one sample where the employment administration form for a new starter could not be provided. However, we acknowledge that without an admin form, the new starter would not have been paid or setup on payroll. The form will be stored in a locked filing cabinet in the offices, currently inaccessible.</li> <li>• There were two cases identified where the employee administration form had been completed after the employee start date, in one of these cases the delay was noted to be four weeks after the start date. In one case, the employee administration form was not dated.</li> <li>• For three leavers that we tested, we were unable to verify that leavers checklists were completed as the relevant documentation was paper based and stored in the office, which was inaccessible due to working situations as a result of the COVID-19 pandemic. However we do acknowledge that these are not used to determine the cessation of salary as the Employee Administration Forms are used for this purpose.</li> <li>• There were no issues identified around starters being incorrectly paid before they joined or leavers after they left.</li> </ul>	

# Action Plan - SCRMCA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SCRMCA</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<ul style="list-style-type: none"> <li>The outbreak of COVID-19 and subsequent lockdown has provided the Authority with the opportunity to review its current processes and has implemented a new system. They have moved from the paper based filing system that was in place until the end of March 2020, and replaced this with electronic filing. PDF documents are now received from HR with digital signatures, which are then filed on the network in a secure location only accessible by Payroll staff.</li> </ul> <p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>One sample identified where the employee administration form for a new starter could not be provided at the time of the audit. In one case the form was not dated and in two cases, the form was completed after the employee start date, in one of these cases the delay was noted to be four weeks.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Required procedures may not be not undertaken or undertaken in a timely basis leading to payroll issues such as incorrect or late payment of salary.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>The Authority to ensure that new starter employee administration forms are completed for all new starters in a timely manner.</li> </ul>	<p><b>Agreed Action:</b></p> <p>The recommendation is already in place. Due to homeworking we have already changed over from the paper based filing system that was in place until the end of March, having replaced it with electronic filing. PDF documents are now received from HR with digital signatures, which are then filed on the network in a secure location only accessible by Payroll staff.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> This action has already been implemented</p>

# Appendices

# Appendix 1 – Staff involved

## Staff involved

- Matt Bell – Financial Services Manager – SYPTE
- Andy Mumford – Financial and Project Accountant – SYPTE
- Martin Lukey Senior Revenues Officer – SYPTE
- Catherine Capon – Project Manager – SYPTE
- Liz Lawson - LTP and Capital Accountant - SYPTE
- Geoff Taylor – Financial Accountant – SYPTE
- Rachael Radford – HR Business Partner Manager– SYPTE
- Simon Tompkins – Finance Manager – SCRMCMA
- Richard Howard – Assistant Finance Manager – SCRMCMA
- Julie Gregory – Assistant Finance Manager – SCRMCMA
- Saeed Ahmed Assistant Finance Manager - SCRMCMA

## Documents reviewed

- Financial Standard Operating Procedures
- Employment Administrations forms and checklists
- Various reconciliations as required
- Monthly monitoring reports
- Ledger reports as required



# Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>

# Appendix 3 - Assurance level breakdown

The table below shows the levels of assurance we provided for each system:

Area	SYPTE	SCRMCA
General Ledger	Significant assurance with some improvement required	Significant assurance with some improvement required
Accounts Payable	Significant assurance	Significant assurance
Accounts Receivable	Significant assurance	Significant assurance
Cash & Bank	Significant assurance with some improvement required	Significant assurance
Capital Accounting	Significant assurance	Significant assurance
Payroll	Significant assurance	Significant assurance with some improvement required
<b>Overall</b>	Significant assurance with some improvement required	Significant assurance with some improvement required



**AUDIT & STANDARDS COMMITTEE**

**29<sup>th</sup> October 2020**

**Internal Audit Recommendations Tracker Report**

**Purpose of Report**

The Audit and Standards Committee is responsible for overseeing and reviewing the Authority's internal audit strategy, and receiving reports, as appropriate, from the Internal Auditor. This report presents an update on the implementation of the recommendations made by Internal Audit.

**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 progress of the implementation of internal audit recommendations.

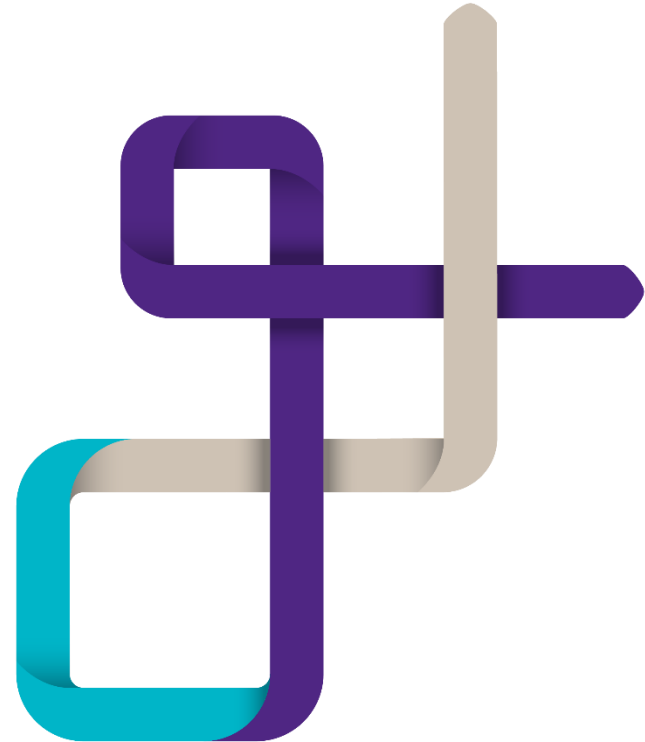


# Internal Audit Recommendation Tracker

Page 94

Sheffield City Region Mayoral Combined Authority

October 2020



# Introduction & headlines

## Purpose

This document provides an overview of the status of internal audit recommendations.

## Respective responsibilities

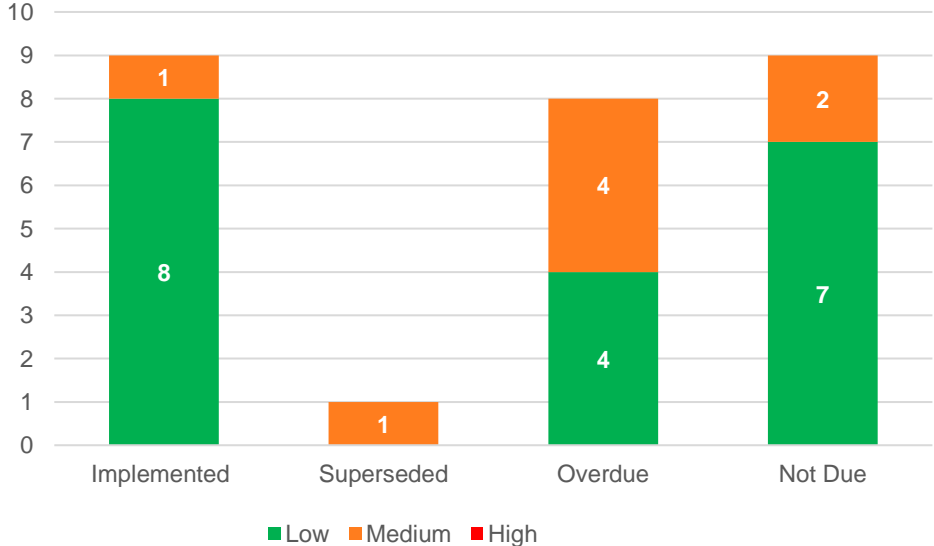
We follow up recommendations and report progress to the Audit Committee. It is the responsibility of management to implement audit recommendations on time and provide updates for the Action Tracker.

## Analysis of outstanding recommendations

As at the date of finalising this report, there were eight overdue recommendations agreed with management which remain outstanding. Management confirmed that one action is superseded and nine have been implemented since the last Audit Committee. Nine recommendations are not yet due.

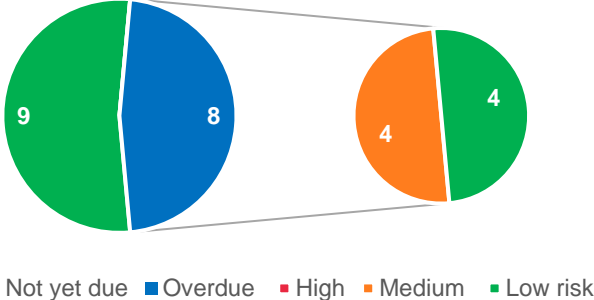
We acknowledge that progress with implementation may have been impacted due to the disruptions of COVID-19 and the Authority may wish to consider agreeing revised implementation dates.

We have summarised below the current status of all outstanding recommendations.



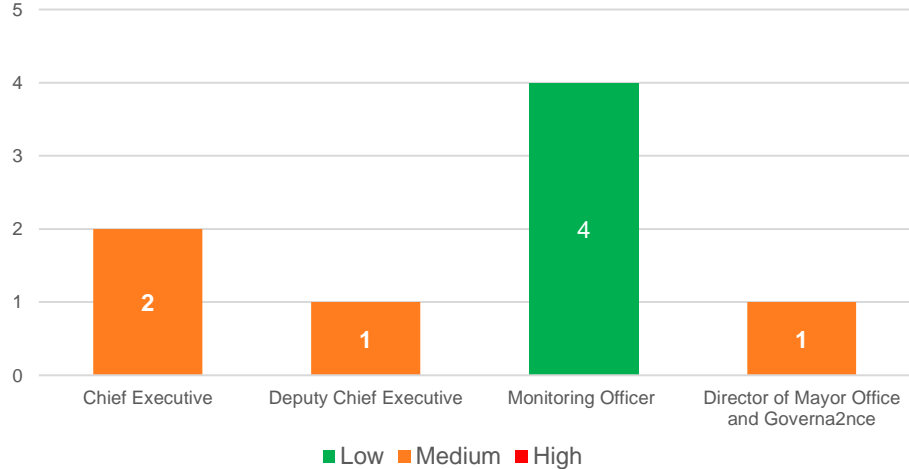
## Recommendations due for implementation

An analysis of the recommendations that were required to be implemented prior to this Audit Committee meeting is shown below. Of the eight recommendations that are overdue, four are medium and four are low risk.



## Overdue recommendation by department

An analysis of the overdue recommendations by SMT owner is shown below. On the remaining pages of this report, we provide the responses provided by management on the overdue recommendations.



# Status of Overdue Recommendations.

Audit area	Risk rating	Agreed management action	Responsible officer	Due Date	Status	Management comment
<b>Inward Investment (2018/19)</b>	Medium	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.	Rachel Clark Director of Trade and Investment	31/12/2019  Revised – 31/05/2020	<b>On Hold</b>	The launch of the SEP has been delayed due to the pandemic. This recommendation will be considered as and when a new Trade and Investment Plan is developed in line with the new SEP.
<b>Inward Investment (2018/19)</b>	Medium	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.	Rachel Clark Director of Trade and Investment	31/12/2019  Revised – 31/05/2020	<b>On Hold</b>	The launch of the SEP has been delayed due to the pandemic. This recommendation will be considered as and when a new Trade and Investment Plan is developed in line with the new SEP.
<b>Procurement (2018/19)</b>	Medium	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.	Sue Sykes Assistant Director, Programme and Performance Unit	31/03/2020  Revised – 30/06/2020	<b>In Progress</b>	The new CPR's have now been drafted and Group Finance Director is taking them to the next MCA for approval. All new documentation has been created and the next step is training for the SCR staff.



# Status of Overdue Recommendations.

Audit area	Risk rating	Agreed management action	Responsible officer	Due Date	Status	Management comment
Resource Management / HR Systems	Medium	<p>Develop and execute a project plan for the remainder of the project, which outlines key tasks, timeframes and roles and responsibilities.</p> <p>Ensure that the project plan and corresponding timescales are realistic, achievable and appropriately resourced.</p> <p>Ensure there are escalation and oversight routes to address any slippage.</p>	Rachael Radford HR Business Partner Manager	30/09/2020	In Progress	HR and IT are working through this and hope they will be in a position to go to tender during Quarter 3.

# Status of Overdue Recommendations.

Audit area	Risk rating	Agreed management action	Responsible officer	Due Date	Status	Management comment
GDPR (2019/20)	Low	Introduce a new due-diligence process across both organisations to ask suppliers handling GDPR/DPA2018 designated personal data to complete an initial information security assessment questionnaire, possibly based on the Cabinet Office's Supplier Assurance Framework: Good Practice Guide and then, depending on the risk level present, conduct further independent checks.	Steve Davenport Principal Solicitor and Secretary (DPO)	01/08/2020	In Progress	SYLTE and SCR are looking at including this as part of procurement process, such that each procurement is initially assessed for GDPR implications and, if required by nature of the services being provided, bidders will be required to complete a GDPR supplier assurance questionnaire which will be assessed as part of any tender evaluation process.
GDPR (2019/20)	Low	Agreed to review the way information security classifications are used across both organisations.	Stephen Batey Head of Governance and Compliance	31/03/2020	In Progress	GDPR compliance and resourcing will be considered as part of the Governance workstream of the MCA/PTE merger. Information security classifications will form part of this wider piece of work.
GDPR (2019/20)	Low	Agreed to review how GDPR related risks are being managed across both organisations. Risk registers to be updated following review.	Claire James Senior Governance and Compliance Officer	01/09/2020	In Progress	GDPR compliance and resourcing will be considered as part of the Governance workstream of the MCA/PTE merger. GDPR risk management will form part of this wider piece of work.
GDPR (2019/20)	Low	The public facing websites will be updated and a new IT Policy will be implemented in April 2020.	Christine Marriott, Scrutiny Officer	01/04/2020	In Progress	The new IT Policy has been published on the website. It is still in draft form awaiting union sign off.



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**Audit & Standards Committee**29<sup>th</sup> October 2020**DRAFT Risk Management Documentation****Purpose of Report**

Following a full internal Management Board review and an Internal Audit Report, the risk management framework of the MCA has been revised and refreshed. This report presents a new risk management policy and process and seeks to provide the assurance that risk is being actively managed by the MCA Executive Management Board.

**Thematic Priority**

Cross cutting.

**Freedom of Information**

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**

Audit and Standards Committee Members are asked to:

- consider and discuss the revised and refreshed MCA Risk Policy and Process documentation,
- consider whether the amended approach gives the required assurance of active risk management, and subsequently endorse the approach to the MCA Board.

**1. Introduction**

- 1.1** A recent Internal Audit Report on risk management concluded that the processes of the MCA Executive in monitoring and managing risk on behalf of the MCA provides 'significant assurance with some improvements required'.

The recommendations of the audit include refreshing authority's Risk Management Policy and Process to ensure they; accurately reflect the structure of the organisation, set out reporting requirements, clarify escalation and de-escalation procedures and outlines how the MCA oversees the risk management arrangements of the PTE.

The audit report also recommends that a consistent approach to scoring and moderating risks should be developed as well as ensuring adequate training and development for roles with specific risk management responsibilities.

This paper presents a revised Risk Management Policy and Process, strengthened to address the recommendations of the internal audit report.

## **2. Proposal and justification**

### **2.1 Risk Management Policy and Process**

The existing Risk Management Policy and Process have been reviewed and strengthened, and now follow the '[Management of Risk](#)' (MoR®) principles of risk management which are aligned to the international standard for risk management ISO31000:2009 (There are currently 9 MoR® formally trained risk champions in the MCA Executive Team).

The refreshed Risk Management Policy and Process describes why risk management is important to the organisation and the objectives served by implementing a formal risk management approach. It sets out the approach to risk appetite and risk tolerance thresholds, the procedure for escalation/de-escalation, risk management duties of roles within the organisation and reporting requirements. It also sets out how the organisation plans to carry out risk management and the approach to identifying, assessing and evaluating risk, and planning and implementing mitigations.

The content of the documentation now addresses a number of recommendations made by the audit on risk management including:

- ensuring the policy reflects the current structure of the Authority, in particular the roles and responsibilities relating to risk management of the thematic boards;
- expansion of the policy to include an overview of process and procedures, specifically around reporting requirements – meetings, frequency and oversight;
- the inclusion of the oversight arrangements and processes in place that provide assurance in respect of the effectiveness of the PTE's risk management arrangements;
- ensuring that all officers charged with responsibility for risk management have access to training or guidance and to consider including Risk Management training as part of an induction programme;
- a defined level of scrutiny and oversight of risk, supported by clear escalation and de-escalation processes;
- providing clarity on the approach to be taken to scoring risk, ensuring there is a consistent approach to managing risk throughout all departments;
- moderation of risk scoring to ensure the authority's risk profile is accurately represented, and;
- the development of heat maps to record the risk profile and movement in risk score.

### **2.4 Audit recommendations under consideration**

The internal audit also recommends that consideration should be given to utilising a new system (4Risk). This is being investigated, as whilst this is the system utilised by the PTE there is a risk this lends itself to more operational risk management as opposed to strategic risk management. A full review of this will be conducted to consider:

- (a) whether the system can be utilised effectively for the management of strategic risks;
- (b) if there is an opportunity for the system to be used to monitor operational risks in the MCA e.g. for AEB or other capital programmes.

### 3. Consideration of alternative approaches

- 3.1 The MCA Executive respects the recommendations of the recent internal audit of risk management and, having considered various options, believes that the proposed risk management policy and process addresses the improvement points raised in the audit.

### 4. Implications

#### 4.1 Financial

Failure to adequately manage risk could have significant financial implications for the MCA. The established risk assessment, if a risk is financial in nature, was set by financial value.

- Extreme Risk – potential loss of in excess of £10m
- Major Risk – potential loss of up to £10m
- Moderate Risk – loss of up to £1m that can be contained within budget
- Light Risk – Loss of up to £200k that can be contained within budget

It is proposed to amend the above categories as the values were drafted with programme activity in mind and don't reflect the overall operating budget of the MCA.

- **Extreme** – Loss that could destabilise the financial health of the MCA Executive and / or destabilise a programme of activity (most likely a multi-year issue, or one which would take multiple years to resolve);
- **Major/Serious** – Loss that could be detrimental to the financial health of the MCA Executive and / or detrimental to delivering a programme of activity (most probably a single year issue);
- **Moderate** - Loss that is significant which cannot be contained within budget but that would require a new budget to be developed and approved
- **Minor** – Minor loss that can be contained within budget but would result in some planned spend being cancelled or delayed
- **Immaterial** – Minor loss that can be contained within budget with no detrimental impact on other planned activity

These impact levels are set out on page 11 of the Risk Management Policy and Process along with a description of different levels of impact in the categories of 'political', 'reputational' and 'economic'.

#### 4.2 Legal

There are no legal implications as a result of this report.

#### 4.3 Risk Management

Risk is one of the fundamental controls that IA consider and that forms a fundamental aspect of the work of the ASC.

This report follows a significant review of risk by the Statutory Officers and the Management Board of the Authority.

#### 4.4 Equality, Diversity and Social Inclusion

Any risks relating to equality and diversity will be captured in the new risk category of Organisational Management.

## 5. Communications

- 5.1 The revised approach to Risk Management is being presented firstly for discussion at the ASC and will progress to the MCA in November.

## 6. Appendices

- 6.1 Appendix A – Risk Management Policy and Process

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

Other sources and references: '[Management of Risk](#)' (MoR®)



**Risk Management**

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<b>Foreword</b>	<b>3</b>
<b>What is Risk Management?</b>	<b>4</b>
<p>This section clarifies what we mean by ‘risk’ and why it’s important to manage risk. It also outlines our approach to risk management and how it is used across the organisation as well as the related roles and responsibilities.</p>	
<b>The Process of Managing Risk</b>	<b>7</b>
<p>This section sets out the starting point for managing risk including understanding how much risk are we willing and can take to achieve our objectives, when risks become too risky and what to do when that happens.</p>	
<b>Identifying and Mitigating Risks</b>	<b>9</b>
<p>This section sets out the process for working out what the risks are, assessing them, planning what to do about them and doing it.</p>	
<b>Reporting</b>	<b>12</b>
<p>This section sets out the regular reporting that ensures the organisation as a whole knows what risks are being taken and why.</p>	
<b>Supporting, developing and assuring Risk Management</b>	<b>13</b>
<p>This section describes how risk management is supported and the activities identified to further strengthen the management of risk. It also sets out how risk management will be assured and assessed for effectiveness.</p>	
<b>Glossary</b>	<b>14</b>
<p>The glossary sets out a common vocabulary for risk management to ensure all participants speak the same language.</p>	

## Foreword

Sheffield City Region Mayoral Combined Authority (MCA) is responsible for the strategic economic development decision making for the Sheffield City Region (SCR). The MCA works closely with the private sector led Local Enterprise Partnership (LEP) to ensure local business representatives are actively involved in decision making processes.

The MCA Executive Team provides impartial advice to the MCA and LEP encompassing the development of policy, strategy, programme commissioning and assurance at a regional level in order to meet the objective of growing the City Region economy.

The MCA is committed to delivering its strategic objectives, whilst having a keen the awareness of threats that may impact its planned outcomes, and a clear focus on the management of these risks.

This document sets out the MCA's approach to risk management and aims to explain the purpose of risk management. It also communicates why and how risk management is implemented by the MCA Executive team (on behalf of the MCA) encompassing the work of the MCA, the LEP and the Mayor.

It provides assurance to those accountable that appropriate and robust arrangements are in place to manage risk. It guides those undertaking risk management activities through the application of the principles of risk management and provides a defined process to ensure that any particular piece of activity has the best chance of achieving its objectives.

It should be read in conjunction with the Corporate Plan and the Assurance Framework.

# What is Risk Management

## What do we mean by 'risk'?

Risk is defined as 'an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the scale of its impact on objectives'.

## Why should we manage risk?

Risk management is vital to the successful delivery of the work of the MCA, the Mayor and LEP and is likely to improve performance against objectives in the following ways:

- There should be fewer sudden shocks and unwelcome surprises
- We should be able to use our resources more efficiently
- It allows us to be more innovative
- It increases the likelihood of objectives being achieved
- It provides for more focus on doing the right things properly
- It reduces time spent 'firefighting'

The importance and value of risk management is also supported by the fact that evidence of effective risk management is required by the **Accounts and Audit Regulations 2015**, and an assessment of the robustness of risk management arrangements influences the value for money (vfm) conclusion awarded through the external audit process. In addition, the **HM Treasury Orange Book** places an obligation on public bodies with responsibility for public funds to 'actively seek to recognise risks and direct responses' and, principle F of **CIPFA's Delivering Good Governance in Local Government (2016)**, outlines risk management as an important and integral part of performance management and crucial to the achievement of outcomes.

## What is our approach to managing risk?

The MCA has adopted the 'Management of Risk' (MoR®) principles of risk management which are aligned to the international standard for risk management ISO31000:2009.

The principles are that risk management:

- Aligns with objectives
- Fits the context
- Engages relevant stakeholders
- Provides clear guidance
- Informs decision making
- Facilitates continual improvement
- Creates a supportive culture
- Achieves measurable value

The objective of risk management is to provide a methodical application of these principles, a defined process to the task of identifying and assessing risks, and to planning and implementing risk responses which, in turn provide a disciplined environment for proactive decision making.

A common vocabulary for risk management has been adopted. This ensures all participants speak the same language and there is no ambiguity. A glossary of the terms can be found at annex A.

## How we use risk management across the organisation

Whilst the principles, approach to, and process of risk management will be broadly the same, they may be applied differently depending on the organisational perspective they are being considered from. For example, you may be concerned with risks affecting the day to day management of the

organisation, or a specific project or programme of work, or with the strategic objectives of the organisation as a whole. The table below describes these perspectives, how risks at these perspectives might be identified and provides examples.

**Table 1**

Perspective	Identification	Examples
<b>Strategic</b> - Strategic risks are those concerned with ensuring the overall success of the organisations' objectives. The materialisation of a strategic risk will be apparent externally and may affect the reputation of the organisation.	Strategic threats and opportunities will generally be identified as a by-product of the corporate or business planning cycle (*see below) and through the escalation of risks from programme, project or operational activities.	Examples inc reputation management/stakeholder perception of key policies or operational activities, political factors, pandemics, damage to key resources or core assets (fire, flood etc) financial viability etc
<b>Programme</b> - Programme risks are those concerned with opportunities and threats to programmes of activities that create transformational change and deliver measurable benefits.	These risks will be identified, during the start-up of the programme, through the escalation of risk from projects/schemes within a programme, by the aggregated effect of project/scheme risks on the programme or by operational units affected by the programme.	Examples inc changes in funding criteria or stakeholder priorities
<b>Project/Scheme</b> - Project risks are those concerned with the delivery of defined outputs within an agreed scope, quality, time and cost.	Where a scheme is funded by an investment programme, the opportunities and threats will be identified within Business Case documentation and assessed during the project assurance and appraisal process and monitored and updated throughout the delivery of the scheme. For a project that is not part of a programme (e.g. an internal piece of work or activity) risks will be identified during project initiation as well as during the delivery of the project.	Examples inc availability of resources, clarity of outcomes, change management, quality of the project infrastructure and governance, timing/slippage
<b>Operational</b> - Operational risks are those concerned with maintaining a level of business service that support ongoing business-as-usual activities delivered by functional teams.	Operational risks will be identified through the escalation of risk from functional teams (IT, facilities management) by service-enabling suppliers and service-receiving 'customers' and the de-escalation of strategic risks.	Examples include - strength of operational controls, quality of infrastructure, skills and resource, business continuity, legal or contractual obligations etc

## Roles and responsibilities related to risk management

Risk Management sits within all areas of organisational activity. However, the MCA, supported by the MCA Executive Team Management Board, has overall accountability for risk management. The Deputy Chief Executive, who leads on continual improvement and organisational development, has specific responsibility for overseeing the effective implementation of risk management practice.

The table below sets out the different roles and responsibilities relating to risk management across the organisation.

**Table 2**

Role	Responsibilities
MCA	Provides strategic direction and determines overall risk appetite. Overall accountability for risk management and sets risk management policy. Ensures an appropriate risk management framework is in place. Debates and considers risk as a framework for strategic direction and decision making. <b>De-escalates</b> risks, where the threat level has decreased and falls within the agreed tolerance threshold, to Statutory Officer/Management Board.
Audit and Standards Committee	Provides assurance to the MCA on the effectiveness of the risk management framework. Reviews group risk profile (the types of risks faced and the exposure to them). Reviews the Strategic Risk Register. Has oversight of the risk management arrangements of South Yorkshire Passenger Transport Executive (SYPTEx) through joint membership.
LEP Board	Debates and considers risk in the economy as a framework for strategic direction and decision making.

Thematic Boards	<p>Identify and recommend mitigations for any programme risks relevant to the thematic area.</p> <p><b>Escalates</b> risks exceeding agreed tolerances to MCA where appropriate.</p> <p><b>De-escalates</b> risks, where the threat level has decreased and falls within the agreed tolerance threshold, the PPU.</p>
Statutory Officers and Management Board	<p>Owns and manages strategic risks.</p> <p>Ensures appropriate focus and resources are applied to risk management.</p> <p>Ensures that key strategies include appropriate risk focus.</p> <p>Fosters a supportive environment to promote an 'open' culture which encourages risk reporting.</p> <p>Encourages business-wide application of risk management.</p> <p>Has oversight of the Strategic Risk profile of subsidiary bodies (PTE) through representation on PTE Executive Board.</p> <p><b>Escalates</b> risks exceeding agreed tolerances to MCA.</p> <p><b>De-escalates</b> risks, where the threat level has decreased and falls within the agreed tolerance threshold, to either PPU/functional teams or relevant project board or collaboration team as appropriate</p>
Programme and Performance Unit (PPU)	<p>Implements risk management processes to ensure scheme and programme risks, are monitored, mitigated and escalated appropriately.</p> <p>Prepares monitoring reports for review by the Management Board and Thematic Boards.</p> <p><b>Escalates</b> risks exceeding agreed tolerances to Thematic Boards.</p> <p><b>De-escalates</b> risks, where the threat level has decreased and falls within the agreed tolerance threshold, to scheme promoters.</p>
Functional Teams (e.g. IT, Facilities Management etc)	<p>Implements risk management processes to maintain a level of business service to internal and external 'customers' and to support ongoing business-as-usual activities.</p> <p>Maintains risk registers for the management of high-risk functional areas.</p> <p>Reports on and escalates significant risks to the Management Board as appropriate.</p> <p><b>Escalates</b> risks exceeding agreed tolerances to Statutory Officers/Management Board.</p>
Project Boards/Collaboration Teams	<p>Led by the Senior Risk Owner, implements risk management processes to ensure project risks, are monitored, mitigated and escalated appropriately.</p> <p><b>Escalates</b> risks exceeding agreed tolerances to Statutory Officers/Management Board.</p>
Governance and Compliance Team	<p>Provides oversight across all risk management activities within the organisation.</p> <p>Reviews and updates risk management documentation to ensure they remain fit for purpose.</p> <p>Ensures a consistent approach to risk management reporting and escalation that fully meets the organisational needs and demonstrates best practice.</p>
Risk Champions	<p>Provides support and guidance on risk management processes.</p>
All Employees	<p>Comply with the risk management policy.</p> <p>Apply risk management processes within their own area of work.</p> <p>Consults appropriately to include risk management implications in any proposals requiring decision.</p>

# The Process of Managing Risk

## Where do I start and what do I need to do?

### Understanding the appetite for taking risks in order to achieve objectives

Fundamentally risk management is about giving any activity, from the delivery of a Corporate Plan to a project to roll out a new system, the best chance of achieving its objectives. To do this, firstly you need to understand the 'risk appetite' - how much risk you are willing to take in order to achieve the objectives, how much risk you can actually bear (risk capacity) and where the tipping point (risk threshold) is.

In an organisation such as the MCA, whose activity is driven by multiple strategies and priorities, including those of the LEP and the Mayor, it is impossible to define a single risk appetite i.e. the amount of risk the organisation is prepared to accept, tolerate or be exposed to at any one time, that would suit every circumstance. Whilst there may be a general notion that the organisation overall is against taking too much risk or, is perhaps happy to gamble with the hope of bigger returns, risk appetite, should be considered on a case by case basis.

To determine the risk appetite for a particular activity a 'risk appetite and acceptance model' (fig.1) is in place. Defining the risk appetite helps decision makers have a better awareness of the level of risk being taken to achieve objectives and informs a consistent approach to risk-based decision-making at all levels.

Fig.1

	Risk Level					
	0 = Avoid We are averse to risk and want to avoid any uncertainty in this impact area	1 = Minimal We would prefer an ultra-safe option and accept the reward would be very limited	2 = Cautious We would prefer a safe option that may only have limited reward	3 = Open We are willing to consider all options for an acceptable level of reward (and vfm)	4 = Seek We are eager to be innovative and choose options that potentially offer higher rewards despite inherent risk	5 = Mature We are confident with high levels of risk because controls, forward scanning and responsiveness systems are robust
	Appetite – None	Appetite – Low	Appetite – Moderate	Appetite – High	Appetite - Significant	Appetite - Significant
Impact Area						
Financial						
Political/Economic						
Reputational						

At this point in the process it may be useful to begin to develop a 'risk management strategy' for the activity so you can document the agreed risk appetite. A risk management strategy describes the specific risk management activities that will be undertaken and will be specific to the activity concerned but, will also reflect the organisational approach to risk management. Guidance on determining whether a risk management strategy would be of use and a template to assist in its development forms part of the risk management tool kit.

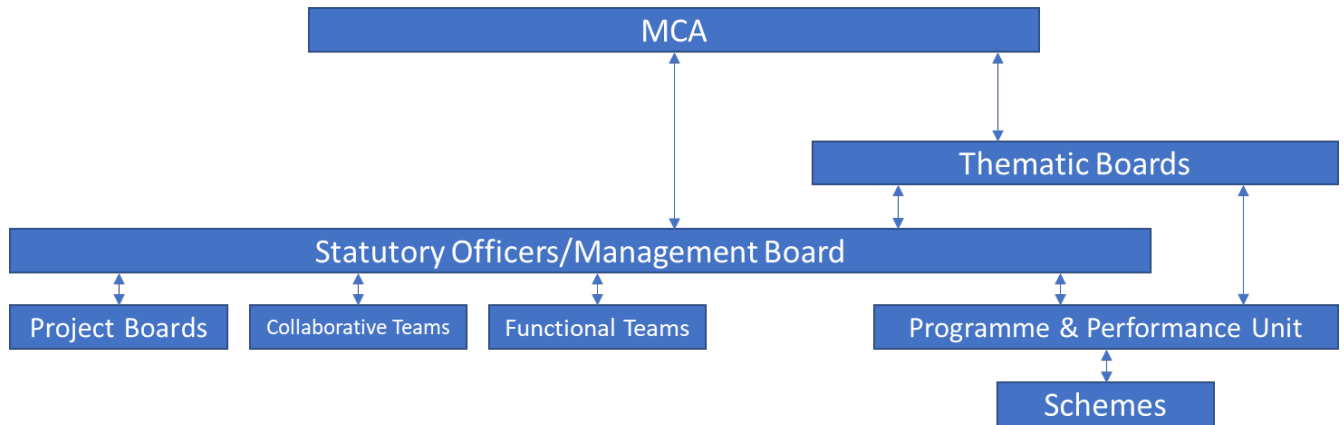
### When is a risk, 'too risky'?

Understanding the risk appetite (the amount of risk you are willing and able to bear) helps understand at what point the risk becomes too much i.e. the tolerance threshold. If this threshold is reached the risk should be escalated. If the amount of risk decreases below the threshold then it can be de-escalated too.

## Where do I escalate risks that can no longer be tolerated?

Escalation routes are set out in table 2 and summarised in the diagram below.

Fig 2.





# Identifying and Mitigating Risks

## Working out what the risks are and what to do about them

### The Risk Management Process

There are four steps to the risk management process that form a logical sequence that can be repeated as often as necessary as new information becomes available.

These are:

- **Identifying** the risks
- **Assessing** the risks
- **Planning** the responses and mitigations
- **Implementing** the mitigations and monitoring their effectiveness

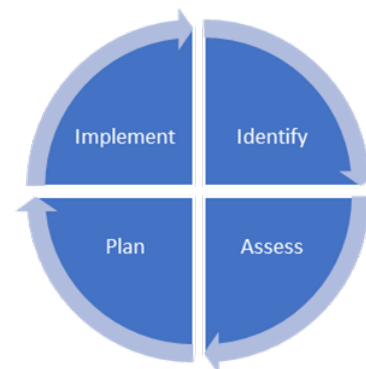


Fig 3.

Simply put, this process helps us understand what it is we are trying to achieve, what might happen that could affect it (negatively or positively), how likely those things are, the impact they may have and how we can reduce or increase the chance of them happening (depending on their effect).

### Step 1 “Identifying”

First you will need to be clear about the background or context of the planned activity, including its objectives and scope, you will then need to identify the risks to the objectives of the activity with the aim of maximizing the opportunities and minimizing the threats.

Background information can be taken from such things as regulatory frameworks and contractual obligations as well as any other documentation specific to the activity. These documents also support the identification of risks along with any necessary stakeholder analysis and the review of lessons learnt documents from other similar activities.

**Recording** - At the end of this step a risk register should be in place. The risks recorded in the register need to be described in a way so they can be understood easily. The preferred format for risk descriptions is to create a ‘string’ that separates the **cause** from a **risk event** and its **effect**.

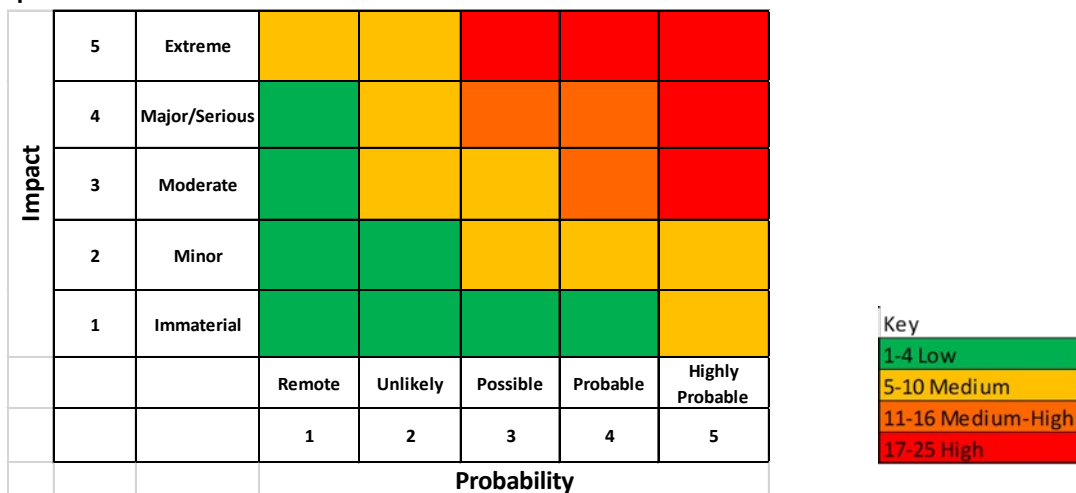
#### Example

<b>Risk cause</b> (or trigger)	<b>Risk event</b>	<b>Risk effect</b>
This describes the source of the risk i.e. the event or situation that triggers the risk.	This describes the area of uncertainty i.e. what <i>might</i> happen.	This describes the impact on the organisation or particular activity should the risk materialise.
<b>Example</b> Flooding	<b>Example</b> leads to a delay in progress of a scheme (slippage)	<b>Example</b> resulting in schemes outcomes not being realised in agreed timescales as well as overall programme slippage

### Step 2 “Assessing”

In this step you will need to prioritise individual risks to understand which are most important and most urgent, and to understand the total effect of the risks on the organisation or activity when aggregated together (the risk exposure). To do this a probability impact assessment, using the probability impact ‘grid’ needs to be undertaken and the results recorded in the risk register along with an estimation of *when* the risk might occur.

Fig.4 Probability Impact Grid



To support the assessment of the *level* of impact a risk may have, the table below describes the different types of impact at different levels. It could be that a risk has a different level of impact in each area (or no impact at all), if this is the case an informed judgement should be made on the overall impact the risk may have.

Table 3: Levels of Impact

	Type of Impact			
	Financial	Reputational	Political	Economic
<b>5 – Extreme</b>	Loss that could destabilise the financial health of the MCA Executive and / or destabilise a programme of activity this is most likely a multi-year issue or take multiple years to resolve	Circumstance leading to sustained adverse publicity from a national perspective resulting in a serious impact in government, investor and stakeholder confidence with a material loss to the MCA / LEP	Political discord with the potential to result in the breakup of the MCA OR Failure in local leadership that could result in government intervention, OR High profile legal proceedings,	Shock to the economy resulting in extreme business and / or job losses and that would require additional resources (staff and financial) to mitigate beyond the capacity of the MCA / LEP and will take the economy generations to recover
<b>4 – Major/Serious</b>	Loss that could be detrimental to the financial health of the MCA Executive and / or detrimental to delivering a programme of activity most probably a single year issue	Circumstance leading to adverse publicity nationally resulting in a serious impact on government, investor and stakeholder confidence and a potential material loss to the MCA / LEP	Political discord which significantly affects the business / decision making processes of the MCA OR Government enquiry into operational inadequacies / Concerns or complaints raised in Parliament OR Legal proceedings	Shock to the economy resulting in significant business and / or job losses and that would require additional resources (staff and financial) to mitigate over a sustained period and which will take multiple years to recover
<b>3 – Moderate</b>	Loss that is significant which cannot be contained within budget but that would require a new budget to be developed and approved	Circumstance leading to short term adverse local / regional publicity with moderate impact on government, investor and stakeholder confidence. Resulting in significant embarrassment.	Failure of political processes or to reach consensus that affects the business, services or operation of the MCA and results in a breach of requirements of the constitution and / or legislative requirements	Shock to the economy resulting in business and / or job losses and that would require additional resources (staff and financial) to mitigate over multiple years
<b>2 – Minor</b>	Minor loss that can be contained within budget but would result in some planned spend being	Internal issue, minimal external reputational damage and no loss of stakeholder confidence	Failure of political processes or to reach a consensus that delays the business of the MCA and/or leads to	Shock to business and / or job resulting in losses and that may require additional resources (staff and

	cancelled or delayed		minor non-compliance with the constitution	financial) to support existing activity to mitigate within a short time frame
<b>1 - Immaterial</b>	Minor loss that can be contained within budget with no detrimental impact on other planned activity	Isolated, internal issue, reputational damage contained within the MCA / LEP	Failure of political consensus that can be managed through the constitutional processes of the MCA	Shock to businesses and / or jobs that can be mitigated and supported within existing programmes

At the end of this step the risk register should be updated to include the assessment of the probability, impact and urgency of each risk. A summary risk profile or ‘heat map’ can also be developed, if required, to help illustrate the total risk exposure to the organisation or activity in a graphical way.

**Step 3 “Planning”**

In this step you will need to plan specific management responses or ‘mitigations’ to identified risks in order to remove or reduce threats and maximize opportunities.

At the end of this step the Risk Register should be updated to include the risk owner, risk actionee/action owner, risk mitigation and actions.

**Step 4 “Implementing”**

The aim of the ‘implement’ step is to ensure that planned risk management actions are implemented, monitored as to their effectiveness, and appropriate action taken where responses do not meet expectations or have not been implemented effectively.

At the end of this step risk responses or ‘mitigations’ will be implemented (or be in the process of being implemented) and, where appropriate, other documents and information that will enable effective monitoring and review of the risk management activities taking place will be produced as appropriate.

**Applying this process at different organisational perspectives**

This four step process can be followed for all risk management activity, at each different risk perspective throughout the lifespan of a particular activity however, for risks concerned with the strategic perspective there is no end point therefore the identification, review and refresh of strategic risks takes place annually as part of the development or review of the Corporate Plan and annual business planning activity. Strategic risks and the progress of the actions to manage or mitigate them are monitored by the Management Board quarterly with any significant changes in the risk profile being reported to the Audit and Standards Committee. Should any significant new risks emerge during the year e.g. pandemic, mayoral or general election, or a localized incident impacting on the delivery of organisational objectives such as flooding, additional risk management activity will take place. The MCA receive a yearly report on the risk profile (the types of risks faced by the organisation and the level of exposure to them)

Similarly, at an operational level where risks that threaten the support of ongoing business activity e.g. IT services will be ongoing and therefore subject to regular review and refresh. The monitoring of risk across the organisation is set out in the next section on reporting.

# Reporting

## How does the organisation know what risks are being taken and why?

Regular reporting demonstrates that risks are being tracked on a regular basis and allows the organisation to respond to situations as they arise and to avoid issues before they happen.

The table below provides an overview of the risk reporting to different groups within the organisation.

**Table 4: Regular Risk Reporting**

MCA	Will receive a yearly report on the risk profile (the types of risks faced by the organisation and the level of exposure to them) aligned to the Business Plan and Corporate Plan Review. Will receive information relating to the risk of proposed activities as part of the decision-making process.
Audit and Standards Committee	Will receive the strategic risk register quarterly. Will receive a yearly report on the risk profile (the types of risks faced by the organisation and the level of exposure to them) in the context of the Business Plan and Corporate Plan.
LEP	Will receive a yearly report on the risk profile (the types of risks faced by the organisation and the level of exposure to them) as part of the annual implementation plan. Will receive information relating to the risk of proposed activities as part of the decision-making process.
Thematic Boards	Will receive a programme dashboard relevant to the thematic area at each meeting. Will receive information relating to the risk of proposed activities as part of the decision-making process.
Statutory Officers and Management Board	Risk Management will be considered on a monthly basis. Risks will be managed by exception, horizon scanning activity will be undertaken and potential changes that may affect overall risk exposure will be identified. Will receive information relating to the risk of proposed activities as part of the decision-making process.
Project Boards/Collaboration Teams	Will receive the project risk register at each formal meeting, risk will be managed by exception.

## Supporting, developing and assuring risk management

The Governance Team, along with a number of Risk Champions, who are certified practitioners of the 'Management of Risk (MoR®)' provide guidance and support with the application of risk management.

The following templates are available to support the application of risk management processes:

- Risk Management Strategy template
- Standard Risk Register template
- Strategic Risk Management Action Plan template

The annual budgeting and business planning cycle identifies any budget and additional resource required to support risk management activity in the forthcoming year.

A number of activities have been identified to improve risk management practice:

- Development of an induction module on risk management for new starters
- Staff development module on risk management
- Dedicated area on the intranet where tools and guidance will be available
- Inclusion of risk management on meeting agendas
- Regular updates on key risks through internal communication (staff briefings etc)
- Embedding the risk management process into organisational activity (piloting with Collaboration Teams) and decision making

This policy and process are subject to annual review. Following the review, the risk improvement plan above will be refreshed in order to further strengthen risk management practice.

Risk Management will be included in the internal audit plan annually to ensure an independent, objective view on the effectiveness of the application of risk management.

## Glossary (alphabetical)

NB – not all of these terms appear in this document but may be referenced in other documentation/templates that support risk management process activity.

### **Accept**

A risk response that mean that the organisations takes the chance that the risk will occur, with full impact on objectives if it does.

### **Activity**

This could be a scheme, project or programme.

### **Audit and Standards Committee**

A statutory committee responsible for monitoring the integrity of the financial statement of the company; the effectiveness of the internal audit function; the external auditor's independence and objectivity and the effectiveness of the audit process; the effectiveness of risk management arrangements.

### **Avoid**

As risk response that seeks to eliminate a threat by making a situation certain.

### **Collaborative Group**

Cross organisational collaborative working for a defined number of policy or programme development areas.

### **Corporate Governance**

The ongoing activity of maintaining a system of internal control by which an organisation can ensure that effective management systems, including financial monitoring and control systems, have been put into place to protect assets and the reputation of the organisation.

### **De-escalation**

A risk can be de-escalated should it become manageable within tolerance thresholds.

### **Early Warning Indicator**

Abbreviated to EWI. A leading indicator for an organisational objective measured ultimately by a key performance indicator (KPI)

### **Enhance**

A risk response for an opportunity that seeks to increase the probability and/or impact to make it more certain.

### **Escalation**

A risk should be escalated where a higher level of consideration is required should a risk exceed the tolerance threshold.

### **Exploit**

A risk response for an opportunity that seeks to make the uncertain situation certain.

### **Impact**

Impact is a result of a particular threat, or opportunity, actually occurring.

### **Inherent risk**

The exposure arising from a specific risk before any action has been taken to manage it.

### **Issue**

A relevant event that has happened, was not planned and required management action. It could be a problem, benefit, query or concern, change request or risk that has occurred or has materialised.

**Issue actionee/Issue action owner**

A role or individual responsible for the management and control of all aspects of individual issues, including the implementation of the measure taken in respect of each issue.

**Key Performance Indicator**

Abbreviated to KPI. A measure of performance that is used to help an organisation define and evaluate how successful it is in making progress towards its organisational objectives.

**Management of risk**

Systematic application of policies, procedures, methods and practices to the task of identifying and assessing risks, and then planning and implementing risk responses. This provides a disciplined environment for proactive decision making.

**Objective**

Something to be achieved.

**Operational or functional risks**

Risks that occur in operational or functional areas of the organisation and may have an impact on the achievement of organisational objectives. These may occur due to system failures, inadequate procedures or controls or human error.

**Opportunity**

An uncertain event that would have a favourable impact on objectives or benefits if it occurred.

**Outcome**

The result of change. Outcomes are achieved as a result of the activities undertaken to effect the change.

**Output**

The tangible product of a planned activity.

**Probability**

This is the evaluated likelihood of a particular threat or opportunity actually happening, including a consideration of the frequency of with which this may arise.

**Programme**

An organisational structure created to co-ordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organisations' strategic objectives.

**Programme risk**

Risk concerned with the successful delivery of a programme of work.

**Project (also see scheme)**

A series of tasks to be completed to reach a specific goal or set of objectives outcomes.

**Project risk (also see scheme risk)**

Project risks are those concerned with the successful completion of the project. Where a project forms part of the delivery of a programme, these are often referred to as 'scheme' risks.

**Proximity (urgency)**

The time factor of a risk i.e. the occurrence of risks will be due at particular times, and the severity of their impact may vary depending on when they occur.

**Reduce**

A risk response for a threat that seeks to reduce probability and/or impact.

**Residual risk**

The risk remaining after the risk response has been successfully applied.

**Risk**

An uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by a combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.

**Risk actionee/Risk action owner**

Some actions may not be in the remit of the risk owner to control explicitly; in that situation there should be nominated owner of the action to address the risk. He or she will need to keep the risk owner apprised of the situation.

**Risk appetite**

The amount of risk the organisation or activity is willing to accept.

**Risk capacity**

The maximum amount of risk that an organisation or activity can bear, linked to factors such as financial and reputation.

**Risk cause (or trigger)**

A description of the source of the risk i.e. of the event or situation that gives risk to the risk.

**Risk effect**

A description of the impact that the risk would have on the organisation or activity should the risk materialise.

**Risk estimation**

The estimation of probability and impact of an individual risk.

**Risk evaluation**

The process of understanding the net effect of the identified risks when aggregated together.

**Risk event**

A description of the area of uncertainty in terms of the threat or opportunity.

**Risk exposure**

The extent of risk borne by the organisation or activity at a particular time.

**Risk identification**

Determination of what could pose a risk; a process to describe and list sources of risk.

**Risk log**

See risk register.

**Risk management**

Systematic application of policies, procedures, methods and practices to the task of identifying and assessing risks, and then planning and implementing risk responses.

**Risk management policy**

A high-level statement showing how risk management will be handled throughout the organisation. This can be combined into one document with the risk management process if appropriate.

**Risk management process guide**

Describes the series of steps and their associated activities, necessary to implement risk management. This can be combined into one document with the risk management policy if appropriate.

**Risk management strategy**

Describes the goals of applying risk management to a particular activity, the process that will be adopted, the roles and responsibilities, risk thresholds, the timing of risk management intervention, the deliverables, tools and techniques that may be used, the reporting requirements.



**Risk manager**

A role or individual responsible for the implementation of risk management for particular activities.

**Risk owner**

A role or individual responsible for the management and control of all aspects of individual risk, including the implementation of the risk responses and mitigations.

**Risk profile**

Describes the types of risks faced by the organisation or activity and the level of exposure.

**Risk register**

A record of all identified risks relating to an activity including their status and history.

**Risk response**

Action that may be taken to bring the situation to a level where the exposure to risk is acceptable.

**Risk tolerance**

The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but when exceeded will trigger a response i.e. escalation.

**Risk tolerance line**

A line drawn on the summary risk profile. Risks above this line cannot be accepted without escalation.

**Scheme or project**

Where a project forms part of the delivery of a programme, these are often referred to as 'scheme' risks.

**Scheme risk**

A scheme is a project within a funded programme. Scheme risks are those concerned with the successful completion of the scheme.

**Senior responsible owner**

The single individual with overall responsibility for ensuring that an activity meets its objectives and delivers its outcomes.

**Stakeholder**

Any individual or group (internal or external) that can be affected by, or perceive itself to be affected by, an activity.

**Statement of internal control**

A narrative statement by the organisation confirming there is an ongoing process for the identification and management of significant risks.

**Strategic risk**

Risk concerned with the achievement of the strategic objectives of the organisation.

**Summary risk profile**

A simple mechanism to increase the visibility of risks. It is a graphical representation of information normally found on a risk register.

**Threat**

An uncertain event that could have a negative impact on objectives.

**Transfer**

A risk response whereby a third party takes on responsibility for an aspect of a risk.

**Urgency (proximity)**

The time factor of a risk i.e. the occurrence of risks will be due at particular times, and the severity of their impact may vary depending on when they occur.



**Audit & Standards Committee**

**29<sup>th</sup> October 2020**

**Strategic Risk Management**

**Purpose of Report**

Following a full internal Management Board review and an Internal Audit Report, the strategic risks have been revised and refreshed. This report presents revised strategic risk categorisations and risk management plans. The paper seeks to provide the assurance that risk is being actively managed by the MCA Executive Management Board.

**Thematic Priority**

Cross cutting.

**Freedom of Information**

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**

Audit Committee Members are asked to consider and discuss

- The revision of the MCA strategic risk categorisations
- The strategic risk definitions
- The established mitigating controls and the self-assessment of weaknesses in controls
- The annual action plan

**1. Introduction**

- 1.1** A recent Internal Audit Report on risk management concludes that the processes of the MCA Executive in monitoring and managing risk on behalf of the MCA provides 'significant assurance with some improvements required'.

To strengthen risk management further the internal audit recommends that the authority review the format of the strategic risk register to ensure there is clarity and evidence of movement in a risk and whether risks are controlled and managed or if further escalation may be required. It also suggests that consideration should be given to separating very high strategic risks and operational / corporate risks to ensure all risks are appropriately managed and mitigated / controlled at the correct level.

## 2. Proposal and justification

### 2.1 Strategic Risks

In response to the recommendations, the Management Board of the MCA Executive has undertaken a review of its previous 13 strategic risk categories. A decision was made at a Management Board Risk Management Workshop (3<sup>rd</sup> June 2020) to rationalise these risk categories, to a fewer number of broader organisational categories which align more closely to the organisational controls. The previous approach had considerable overlaps between risk categories and too many controls were referenced, making it more difficult to do a purposeful self-assessment of weaknesses in controls.

The strategic risk framework has now been rationalised to cover 5 categories of risk:

1. Strategic Focus
2. Organisational Management
3. Budgetary and Financial Management
4. Programme Management
5. Governance and Compliance Management

This simplifies the previous 13 strategic risk areas into these broader groupings.

Against these new risk categories, the individual corporate risks are summarised into revised Strategic Risk Registers, attached at appendix A. (NB – the publishing of this papers has coincided with the announcement of tier 3 restrictions for South Yorkshire. The Strategic Risk Registers at appendix A do not take this into account and will be reviewed in light of this.)

Each register is structured to provide:

- A description of the risks, each individually scored for likelihood and impact
- A description of the potential consequences / impact if the risk materialises
- A risk category cumulative score
- A description of the mitigation strategies and controls
- A mitigated risk category cumulative score
- Control / Mitigation Weaknesses
- Action Plan
- Risk Owner (usually a Statutory Officer)

A summary of the actions for the coming year can be found at appendix B.

### 2.2 Risk Scoring

The risk ratings shown in the risk registers are structured on a 4-point scale: low, medium, medium-high and high, utilising the following probability impact grid.

Impact	5	Extreme	5	10	15	20	25
	4	Major/Serious	4	8	12	16	20
	3	Moderate	3	6	9	12	15
	2	Minor	2	4	6	8	10
	1	Immaterial	1	2	3	4	5
		Remote	Unlikely	Possible	Probable	Highly Probable	
		1	2	3	4	5	
Probability							

Key

1-4 Low
5-10 Medium
11-16 Medium-High
17-25 High

Each risk within each category has been given an unmitigated probability rating and a mitigated probability rating. A probability rating for the whole risk category has then been determined by calculating the average rating. Likewise, each impact has a mitigated and unmitigated rating in order to calculate an average. The overall risk score for the category has been determined using the average probability and impact score.

The overall risk score for each category is as follows:

Strategic Focus	Medium
Organisational Management	Medium
Budgetary and Financial Management	Medium-High
Programme Management	Medium
Governance and Compliance Management	Medium

Impact	5	Extreme					
	4	Major/Serious				1	
	3	Moderate		1	1		
	2	Minor		2			
	1	Immaterial					
			Remote	Unlikely	Possible	Probable	Highly Probable
		1	2	3	4	5	
		Probability					

### 2.3 Mitigations outside the influence of the MCA

Generally, progression of the relevant mitigations should lead to a lower mitigated risk rating. In some cases, this will not. In determining the mitigations some mitigating activity is totally outside the gift of the MCA Board or Executive to implement, this is particularly the case with some of the financial risks where the only mitigation resides with central government. The narrative highlights where the MCA Board has control over the mitigating action or where the MCA Board has minimal control over the mitigating action. Whilst the Risk Register has calculated the average score, where a risk category contains an unmitigable risk, even though the category *average* score may be e.g. 'medium' it will be monitored as 'high'.

Board members are asked to consider if they would like to see this shown differently.

### 2.4 Future reporting and monitoring

As part of the reporting of risk to ASC, Members are asked to consider the reports they wish to see. The draft revised Policy and Process proposes that the full registers are presented twice annually but that, between this, Members receive a Monitoring report that covers and updates on Medium-High and High risks, identifies any risk movements across all risk categories and charts progress against the cumulative action plan, specifically highlighting any actions that may have slipped.

### 2.5 Potential use of risk management software to enhance reporting

The internal audit also recommends that consideration should be given to utilising a new system (4Risk) - This is being investigated as, whilst this is the system utilised by the PTE, it lends itself to more operational risk management as opposed to strategic risk management. A full review of this will be conducted to consider:

- (a) whether the system can be utilised effectively for the management of strategic risks
- (b) if there is an opportunity for the system to be used to monitor operational risks in the MCA e.g. for AEB or other capital programmes

### **3. Consideration of alternative approaches**

**3.1** The MCA Executive acknowledges the recommendations of the recent internal audit of risk management and, having considered various options, believes that the proposed approach addressed the improvement points raised in the audit.

### **4. Implications**

#### **4.1 Financial**

Failure to adequately manage risk could have significant financial implications for the MCA. Levels of financial impact are proposed in the draft revised Policy and Process presented at item 12.

#### **4.2 Legal**

There are no legal implications as a result of this report.

#### **4.3 Risk Management**

Risk is one of the fundamental controls that IA consider and that forms a fundamental aspect of the work of the ASC work.

This report follows a significant review of risk by the Statutory Officers and the Management Board of the Authority.

#### **4.4 Equality, Diversity and Social Inclusion**

Any risks relating to equality and diversity will be captured in the new risk category of Organisational Management.

### **5. Communications**

**5.1** The re-categorisation of strategic risk is being presented firstly for discussion at the ASC. Further to any feedback strategic risk will be reported on as outlined in the new Risk Management Policy.

### **6. Appendices**

**6.1** Appendix A – Strategic Risk Management Action Plans

Appendix B – Summary of 2020/21 Action Plan

#### **REPORT AUTHOR POST**

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Organisation	<b>Senior Governance &amp; Compliance Officer</b>
Email	Ruth.adams@sheffieldcityregion.org.uk
Telephone	<b>0114 220 3442</b>

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:

DATE Oct 20

Risk Category		Strategy Focus											
<b>Risk Description</b>	A lack of a clearly articulated set of strategic priorities and implementation plans could mean that we will fail to respond effectively to the economic downturn predicted by the global pandemic.	Probability	Mitigated probability										
	Failure to engage government and other national and local stakeholders in the Renewal Action Plan / Implementation Plans could mean that there is a lack of buy-in and commitment to funding the interventions required to address the economic challenges of the region.												
	Failure to respond effectively, as a Group, to the challenges brought about by the pandemic, for the public transport network and services for which the MCA Group are responsible could mean that transport ambitions for the region are not realised.												
	A lack of defined organisational priorities and deliverable activity in the form of a Corporate Plan could mean that focus and resource is not aligned to strategic objectives.												
				Overall/average mitigated probability score									
				<table border="1"> <tr><td colspan="2">Key</td></tr> <tr><td>1 - Remote</td></tr> <tr><td>2 - Unlikely</td></tr> <tr><td>3 - Possible</td></tr> <tr><td>4 - Probable</td></tr> <tr><td>5 - Highly Probable</td></tr> </table>			Key		1 - Remote	2 - Unlikely	3 - Possible	4 - Probable	5 - Highly Probable
Key													
1 - Remote													
2 - Unlikely													
3 - Possible													
4 - Probable													
5 - Highly Probable													
<b>Potential Impact / Consequence if risk materialises</b>	a lack of focus in priorities leading to a widening of the gap in KPIs of the SY economy with other northern regions, a sustained economic recession, high levels of unemployment, high levels of business insolvency and significant risks to our places.	Impact	Mitigated impact										
	a lack of investment to deliver the locally agreed interventions with an over reliance on untargeted national solutions.												
	a significant loss of income for the MCA.												
	a significant reduction in public transport services.												
	a lack of focus, unclear outcomes and resource plans not aligned to priorities.												
	reputational damage to the Mayor and the MCA and the Management Board of the MCA Exec.												
				Overall/average mitigated impact score									
				<table border="1"> <tr><td colspan="2">Key</td></tr> <tr><td>1 - Immaterial</td></tr> <tr><td>2 - Minor</td></tr> <tr><td>3 - Moderate</td></tr> <tr><td>4 - Major/Serious</td></tr> <tr><td>5 - Extreme</td></tr> </table>			Key		1 - Immaterial	2 - Minor	3 - Moderate	4 - Major/Serious	5 - Extreme
Key													
1 - Immaterial													
2 - Minor													
3 - Moderate													
4 - Major/Serious													
5 - Extreme													
<b>Existing mitigation strategies / controls for the risk category</b>	Strategy documents of the Mayor, MCA and LEP redeveloped eg Transport Strategy (2019), SEP (2020), Renewal Action Plan (RAP) (2020), Devolution Deal (2020) each informing the MCA Executive Corporate Plan.												
	External Affairs and Mayor's Policy teams leading work with Central government departments to respond to CSR and increase opportunities for government to support investment propositions.												
	Detailed analysis and risk monitoring of income and patronage and risk associated with light rail and bus services.												
				Mitigated/Residual risk score									
				<table border="1"> <tr><td colspan="2">Key</td></tr> <tr><td>1-4 Low</td></tr> <tr><td>5-10 Medium</td></tr> <tr><td>11-16 Medium-High</td></tr> <tr><td>17-25 High</td></tr> </table>			Key		1-4 Low	5-10 Medium	11-16 Medium-High	17-25 High	
Key													
1-4 Low													
5-10 Medium													
11-16 Medium-High													
17-25 High													
<b>Existing mitigation strategies / controls weaknesses</b>	High level of uncertainty re future sources of central government investment to support the delivery of the SEP and RAP and to mitigate some major service transport challenges as a result of COVID-19. MCA has some influence to lobby and challenge but decision making to address the weakness is external												
	Corporate Plan, consolidating the priorities of the Mayor, the MCA and the LEP as documented in the various strategic documents not yet drafted. MCA has full influence over decision making to address the weakness.												
<b>Action Plan</b>	The RAP needs supplementing with detailed and costed Implementation Plans, currently in development led by Thematic Boards.	Status update	Interim date	completion date									
	Corporate Plan to be drafted to clarify the Mayoral, MCA and LEP priorities to be progressed.		Oct-20	Dec-20									
	Sustained lobbying for future funding for light rail and bus services.		Oct-20	Dec-20									
	Planning for and agreement to the implementation of the 7 Point Bus Review Plan.		Jul-20										
	Sustained lobbying for future funding linked to CSR and the future Shared Prosperity Funds.		Oct-20	Nov-20									
	Agreement with Members of the plan for gainshare.		Sep-20	Nov-20									
<b>Risk / Mitigation Owner</b>	Dr Dave Smith												

DATE Oct 20

Risk Category	Organisational Management
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Risk Description	Probability	Mitigated probability
Failure of the leadership of the MCA Executive to respond and adapt to the priorities of the Mayor, MCA and the LEP resulting in organisational priorities and team / individuals objectives that are poorly articulated and communicated that could mean outcomes are not achieved.		
Due to the rate and pace of change, due to the pandemic, devolution and new priorities, the MCA Executive does not have the capacity or capability to deliver the emerging priorities and programmes. That could mean a loss of funding, failure to deliver outcomes, reputational damage, and the potential for an increase in staff absenteeism due to stress.		
Failure to agree a sustainable budget for the MCA Executive, continued dependence on short-term and temporary funding streams, creating a reliance on short-term fixed term contracts and the use of short term consultancy contracts or agency workers.		
Diversion of resources as a result of COVID-19, and remote working, leading to delays in progressing new business priorities or increased inefficiencies in progressing core operations that could mean increased errors and / or costs.		
Failure to have in place an adequate and effective approach to business continuity management, which due to technical, health or operational disruption could mean the operations, programmes and services of the MCA Executive are significantly disrupted.		

Key	
1 - Remote	
2 - Unlikely	
3 - Possible	
4 - Probable	
5 - Highly Probable	

Overall/average mitigated probability score	
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Potential Impact / Consequence if risk materialises	Impact	Mitigated impact
Increasing resignations and staff absenteeism		
Difficulties in recruiting, leading to higher costs		
High level of establishment vacancies, higher levels of off-establishment appointments		
Outcomes and resource plans not aligned to priorities		
Disruption to payments, operations, services		
Reputational damage to the Mayor and the MCA and the Management Board of the MCA Executive		

Key	
1 - Immaterial	
2 - Minor	
3 - Moderate	
4 - Major/Serious	
5 - Extreme	

Overall/average mitigated impact score	
--	--

Existing mitigation strategies / controls for the risk category	Mitigated/Residual risk score
Weekly Group Management Board meetings, to facilitate planning for policy and delivery priorities and to agree organisational communication.	
Weekly meeting with Mayor, fortnightly meeting LEP Board and regular meetings with Leaders re their portfolio, led by Management Board.	
Approval of an approach to establish Collaboration Teams (policy or programme focused) to increase the momentum and focus for new areas of activity.	
Business Continuity Plan developed and monitored quarterly. Detailed lessons learned analysis of continuity issues as a result of COVID-19 integrated into MCA Executive Continuity Plan.	

Key	
1-4 Low	
5-10 Medium	
11-16 Medium-High	
17-25 High	

Existing mitigation strategies / controls weaknesses	Mitigated/Residual risk score
Corporate Plan, consolidating the priorities of the Mayor, the MCA and the LEP as documented in the various strategic documents not yet drafted. MCA has full influence over decision making to address the weakness.	
Full review of HR policies and practices, new job evaluation approach, corporate values and behaviours, a new approach to objectives and job chats (reviews), a new induction and training and development process. MCA has full influence over decision making to address the weakness.	
Detailed work on a hybrid approach to working, blending remote and office based, to maximise impact of collaborative working and the continued safety of employees. MCA has full influence over decision making to address the weakness.	
MCA Executive regularly briefs all employees but there is no established Employee Forum. MCA has full influence over decision making to address the weakness.	

Action Plan	Status update	Interim date	completion date
Corporate Plan to be drafted to clarify the Mayoral, MCA and LEP priorities to be progressed.		Oct-20	Dec-20
Review of establishment structure, monitoring of HR statistics for recruitment, absenteeism and performance issues, to become part of quarterly HR Monitoring Report.		Oct-20	Dec-20
Review of non-establishment positions to be undertaken and to become part of quarterly HR Monitoring Report.		Sep-20	
Consider options for an employer voice forum.		Sep-20	Nov-20

Risk / Mitigation Owner	Ruth Adams
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Overall/average mitigated risk score	
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DATE Oct 20

**Risk Category** Budget and Financial Management

Risk Description	Probability	Mitigated probability
Failure across the MCA Group to create, maintain and implement an effective strategic and operational approach to budgetary, financial and asset management could mean poor financial management accountability, poor transparency and failure to achieve intended outcomes	Yellow	Green
Loss of income and higher reactive expenditure as a result of COVID-19, leading to significant budgetary pressures to resource the MCA Executive and to support the delivery of the programmes and outcomes	Orange	Yellow
Ending of some major funding streams including Local Growth Fund, Mayoral Capacity Fund, Integrated Transport Block, Active Travel, without plans for successor funding, leading to a significant shortfall in income to support priorities and the MCA Executive	Red	Orange
Systemic loss of commercial viability in the South Yorkshire transport network due to patronage reductions, leading to pressure for greater public subsidy	Red	Red
Re-franchising of the Supertram mass-transit light-rail system in 2024 exposes the Group to commercial risk that it is has previously been shielded from	Red	Red
The MCA fails to find the local contribution required to attract central government support for the mass-transit renewals scheme, with implications on the ability to re-franchise the light-rail system and significant ongoing issues as ageing infrastructure becomes inefficient	Red	Yellow
No clear consensus on the use of the devolution financial flexibilities and for the use of gainshare, leading to risk averse behaviour could mean failure to maximise the potential to invest in priorities	Yellow	Green
Overall/average mitigated probability score		Yellow

Key

1 - Remote
2 - Unlikely
3 - Possible
4 - Probable
5 - Highly Probable

Potential Impact / Consequence if risk materialises	Impact	Mitigated impact
The financial stability of the MCA Executive is compromised as reserves are deployed on an unsustainable basis	Red	Yellow
The ability of the MCA Group to resource activity beyond immediate priorities is prejudiced	Yellow	Yellow
The MCA's ability to adequately control its activity through appropriate staffing levels is compromised	Yellow	Yellow
The mass-transit renewals project stalls	Red	Red
The MCA seeks greater unplanned contributions from local partners	Red	Yellow
Reputational damage to the Mayor and the MCA and the Management Board of the MCA Executive	Red	Yellow
Overall/average mitigated impact score		Yellow

Key

1 - Immaterial
2 - Minor
3 - Moderate
4 - Major/Serious
5 - Extreme

Existing mitigation strategies / controls for the risk category	Mitigated/Residual risk score
Reserves and provisions are held at prudent levels to mitigate known and unforeseen risks.	Orange
Strong internal controls around forecasting and commissioning allows the MCA to control its financial commitments.	
An in-year 20-21 budget re-baselining exercise is underway including a full review of income and expenditure to re-align available resource to meet Covid driven pressures.	
The MCA Group has been active in engaging with and corraling support from other MCAs to lobby government for continued public transport support during Covid disruption	
Exit strategies are further being developed to allow the MCA to transition away from the current public subsidy model that is supporting the public transport network through Covid disruption.	
A review of bus/tram concessions and tendered bus services budgets is underway to forecast the impact of reduced patronage.	
Gainshare strategy planning has begun to identify how the new long-term funding commitments can be used to underpin the MCA Executive's financial stability.	
The MCA Group is engaging with local and government partners in the development of the Mass Transit full business case.	
Mitigated/Residual risk score	

Key

1-4 Low
5-10 Medium
11-16 Medium-High
17-25 High

Existing mitigation strategies / controls weaknesses
No clarity on future years funding from government including Shared Prosperity Funds, MCF, ITB, LEP Capacity Grant. MCA has some influence to lobby and challenge but decision making to address the weakness is external.
There are limited means for the MCA Group to actively intervene in the public transport market to prime demand and redress falling patronage.
There are limited means to manage major investment projects such as the Mass Transit Renewals scheme beyond central government support, and further limited means to manage local contributions without the support of local levy-paying partners.
The MCA Group lacks the resources and powers to manage mass disruption – such as that arising from Covid – on the public transport network, and is reliant on central government support.

Action Plan	Status update	Interim date	completion date
Budget rebaselining and presentation of a revised budget to MCA.		Sep-20	Sep-20
Development of exit strategies from the current public-subsidy model for the public transport network, and continued lobbying of government for sustained support to the network during Covid disruption.		Oct-20	Nov-20
Sustainable funding review of the MCA Executive to be undertaken as part of Gainshare strategy discussions		Dec-20	Mar-21
Development of the Mass-Transit Renewal FBC to determine an approach to local contributions.		Sep-20	Jan-21

**Risk / Mitigation Owner** Gareth Sutton

**Risk Category** Programme Management

Risk Description	Probability	Mitigated probability
The number and diversity of new programmes and government funding, each with its own specific complexities, exacerbate the current limitations in the system (MCA Executive and Partners) to respond to bidding rounds to secure resources for programmes to meet Mayor, MCA and LEP priorities.	3	2
The number and diversity of new programmes exacerbate the current limitations in the system (MCA Executive and Partners) in terms of capacity and capability to develop and deliver well formed programmes and projects that meet MCA / LEP objectives.	3	2
Pace of change and diversity of assurance requirements for different funds requires a range of technical assurance expertise and could mean weaknesses in recommendations made to decision makers.	2	1
Scale and complexity of work to implement the Bus Review 7 Point Plan, requiring expertise and resources beyond what is available could mean a failure to effect the desired changes and deliver the desired SY transport network.	4	3
Scale and complexity of the devolution of the Adult Education Budget, with limited capacity and resources results in a poorly developed and executed programme.	3	2
Scale and complexity of work to deliver the Transforming Cities Funding, to the time limits set by Government, exacerbates the limitations in capacity and capability of transport teams to deliver the scale of the programme.	3	2
Failure to collate performance and investment data and risk assessments, adequately analyse and transparently report on performance and benefit realisation outcomes and risks.	3	2

Key

1 - Remote
2 - Unlikely
3 - Possible
4 - Probable
5 - Highly Probable

Overall/average mitigated probability score 2

Potential Impact / Consequence if risk materialises	Impact	Mitigated impact
a reduced level of grant income awarded to the MCA or LEP.	3	2
a lack of investment in SY to deliver the locally agreed interventions leading to an over reliance on national programmes with minimal influence.	3	2
public transport services patronage continues to decline resulting in loss of income and failure to meet the priorities of the bus review and the ambition to mitigate climate change.	4	3
destabilisation of the FE Sector and problems in provision for adults.	3	2
reputational damage, as a result of poor performance or failure to mitigate risks, to the Mayor and the MCA and the Management Board of the MCA Exec.	3	2

Key

1 - Immaterial
2 - Minor
3 - Moderate
4 - Major/Serious
5 - Extreme

Overall/average mitigated impact score 3

Existing mitigation strategies / controls for the risk category
Reserves and provisions are held at prudent levels to mitigate known and unforeseen risks.
Strong internal controls around forecasting and commissioning allows the MCA to control its financial commitments.
An in-year 20-21 budget re-baselining exercise is underway including a full review of income and expenditure to re-align available resource to meet Covid driven pressures.
The MCA Group has been active in engaging with and corraling support from other MCAs to lobby government for continued public transport support during Covid disruption.
Exit strategies are further being developed to allow the MCA to transition away from the current public subsidy model that is supporting the public transport network through Covid disruption.
A review of bus/tram concessions and tendered bus services budgets is underway to forecast the impact of reduced patronage.
Gainshare strategy planning has begun to identify how the new long-term funding commitments can be used to underpin the MCA Executive's financial stability.
The MCA Group is engaging with local and government partners in the development of the Mass Transit full business case.

Key

1-4 Low
5-10 Medium
11-16 Medium-High
17-25 High

Mitigated/Residual risk score 10

Existing mitigation strategies / controls weaknesses
Frequency of changes to government funding streams, often launched without guidance and the retrospective application of rules, hampers the ability to provide clarity and to update processes and implement training. MCA / LEP has limited influence to address the weakness.
Quality of programme information from Scheme Promotors is not always accurate and therefore milestone and performance reporting makes it difficult to adequately plan and execute mitigation strategies. MCA has influence to address the weakness.
Failure to secure, in a timely manner, additional AEB Implementation Resource from the DFE. MCA Executive has some influence to address the weakness through lobbying and considering underwriting the implementation costs.
All programme management information is currently processed manually via spreadsheets increasing the potential for errors. MCA has influence to address the weakness.

Action Plan	Status update	Interim date	completion date
Task and Finish Group of MCA Executive and LA Economic Development and Transport Teams to be established to consider systems weaknesses (capacity, capability and resources) leading to an options proposal for Members		Oct-20	Nov-20
Roll out of Better Business Training to all MCA Executive and external Scheme Promotors, subject to budget constraints		Dec-20	Apr-21
Implementation of Programme Management System concluded		Sep-20	Nov-20

**Risk / Mitigation Owner** Gareth Sutton

DATE Oct 20

**Risk Category Governance and Compliance Management**

Risk Description	Probability	Mitigated probability
Failure to create, implement and monitor an effective strategic and operational approach to governance improvement across the MCA Group and for the LEP.	3	2
Failure to implement and monitor an effective approach to the publication of up to date relevant information on procurement, contracts, projects, policy documents and meeting papers could mean a lack of transparency.	4	2
Failure to effectively identify and plan for the integration of the PTE with the MCA as a consequence of the Bus Review leading to weaknesses in governance and compliance issues as the PTE operation is required to comply with the legislation governing MCA.	4	3
Failure to create, implement and monitor an effective approach to ensuring legislative, regulatory and statutory compliance across the organisation.	4	3
Lack of specialist procurement and commercial expertise and weaknesses in the capability of officers to effectively procure goods and services could mean a failure to secure best value and cost overruns as a result of poorly defined specifications.	4	3
Failure to agree and implement a Mayoral Remuneration Panel and to get agreement to the outcome.	3	2
Failure to comply with the requirements of the LEP Review, particularly ensuring compliance with the gender diversity KPI	2	2
Failure to create and implement an effective decision making framework for the MCA and LEP via a new structure for Thematic Boards, with delegation levels agreed could mean a lack of efficiency in policy development, oversight and decision making.	3	2
Failure to create, implement and monitor an effective information asset and GDPR management approach to manage personal data following the devolution of AEB could mean increased probability of data breaches.	4	3

Key

1 - Remote
2 - Unlikely
3 - Possible
4 - Probable
5 - Highly Probable

Overall/average mitigated probability score: 2.5

Potential Impact / Consequence if risk materialises	Impact	Mitigated impact
Poor assessment of governance improvement and compliance by Internal and External Audit and Government as part of the Annual Performance Review of LEPs.	3	2
Potential Litigation and Financial Penalties.	3	2
Potential data breach and penalties.	4	3
Bottle-necks in decision making.	4	3
Increased numbers of FOIs.	4	3
Reputational damage to the Mayor and the MCA and the Management Board of the MCA Executive.	4	3

Key

1 - Immaterial
2 - Minor
3 - Moderate
4 - Major/Serious
5 - Extreme

Overall/average mitigated impact score: 3.0

Existing mitigation strategies / controls for the risk category
Deputy Chief Executive responsible for governance improvement activity across the MCA Executive and LEP.
Annual review of the Constitution, Financial Regulations, Contract Procedure Rules, Assurance and Accountability Framework and LEP Board Policies.
Fundamental review of CPRs and development of new procurement processes in year.
OSC and ASC scrutinise policies, processes, decisions. Members have informal briefing sessions with CEX and Senior Officers to increase the effectiveness of the scrutiny process.
HR Policies are reviewed and updated to ensure legislative compliance.
IT Security systems and GDPR Action Plan is in place.

Key

1-4 Low
5-10 Medium
11-16 Medium-High
17-25 High

Mitigated/Residual risk score: 10

Existing mitigation strategies / controls weaknesses
There is no operational Governance Improvement Plan which specifies in detail the required actions and which officers are accountable for implementing actions, this results in weaknesses in transparency of information. MCA has influence to address the weakness.
Lack of an organisation wide training programme for all officers in the requirements of new CPR and procurement process, which makes clear the officer obligations and consequences for non-compliance. MCA has influence to address the weakness.
Lack of capacity and capability in the IT team to lead on the complex work as a result of the devolution of AEB. MCA has influence to address the weakness.

Action Plan	Status update	Interim date	completion date
Roll out of new CPR rules and processes and development of a MCA Exec wide training programme.		Sep-20	Jan-21
Develop and implement a system of monitoring breaches in application of processes especially in procurement.		Sep-20	Oct-20
Agree the process for the Mayoral Remuneration Panel.		Sep-20	Oct-20
Create, implement and monitor an operational governance improvement plan with specific actions and officer accountabilities specified.		Sep-20	Oct-20
Agree a revised governance model linked to newly constituted Thematic Boards, with options to vary delegation levels considered.		Sep-20	Sep-20
Commission capacity, implement and seek assurances with regard to the data management and IT systems work for the devolution of AEB.		Sep-20	Jul-21

Risk / Mitigation Owner: Steve Davenport

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Action Plan - September 2020						
Risk Category	Actions	Action Owner	Interim Date	Completion Date	Progress	On / Off track
Strategic Focus	The RAP needs supplementing with detailed and costed Implementation Plans, currently in development led by Thematic Boards	R Adams	Oct-20	Dec-20	Commenced Thematic Boards Sept 2020	
	Corporate Plan to be drafted to clarify the Mayoral, MCA and LEP priorities to be progressed	R Adams	Oct-20	Dec-20		
	Sustained lobbying for future funding for light rail and bus services	S Edwards				
	Planning for and agreement to the implementation of the 7 Point Bus Review Plan	M Lynam	Jul-20			
	Sustained lobbying for future funding linked to CSR and the future Shared Prosperity Funds	D Smith	Oct-20	Nov-20		
	Agreement with Members of the plan for gainshare	D Smith	Sep-20	Nov-20		
Organisational Management	Corporate Plan to be drafted to clarify the Mayoral, MCA and LEP priorities to be progressed	R Adams	Oct-20	Dec-20		
	Review of establishment structure, monitoring of HR statistics for recruitment, absenteeism and performance issues, to become part of quarterly HR Monitoring Report	R Adams	Oct-20	Dec-20		
	Review of non-establishment positions to be undertaken and to become part of quarterly HR Monitoring Report	R Adams	Sep-20	Sep-20		
	Consider options for an employer voice forum	R Adams	Sep-20	Nov-20		
Budgetary and Financial Management	Budget rebaselining and presentation of a revised budget to MCA	G Sutton	Sep-20	Sep-20	Complete - revised budget approved by MCA 21/09/20	Complete
	Development of exit strategies from the current public-subsidy model for the public transport network, and continued lobbying of government for sustained support to the network during Covid disruption	G Sutton / S Edwards	Oct-20	Nov-20	In progress	On track
	Sustainable funding review of the MCA Executive to be undertaken as part of Gainshare strategy discussions	Gareth Sutton	Dec-20	Mar-21	In progress - will be incorporated in to the business planning process for 21/22	On track
	Development of the Mass-Transit Renewal FBC to determine an approach to local contributions	G Sutton / T Taylor	Sep-20	Jan-21	In progress	On track
Programme Management	Task and Finish Group of MCA Executive and LA Economic Development and Transport Teams to be established to consider systems weaknesses (capacity, capability and resources) leading to an options proposal for Members	R Adams / M Lynam	Oct-20	Nov-20		
	Roll out of Better Business Training to all MCA Executive and external Scheme Promoters, subject to budget constraints	F K-Ampofo	Dec-20	Apr-21		
	Implementation of Programme Management System concluded	S Sykes	Sep-20	Nov-20		
Governance and Compliance Management	Roll out of new CPR rules and processes and development of a MCA Exec wide training programme.	G Sutton	Sep-20	Oct-20		
	Develop and implement a system of monitoring breaches in application of processes especially in procurement.	R Adams	Sep-20	Oct-20		
	Agree the process for the Mayoral Remuneration Panel.	S Davenp't	Sep-20	Oct-20		
	Create, implement and monitor an operational governance improvement plan with specific actions and officer accountabilities specified.	R Adams	Sep-20	Oct-20		
	Agree a revised governance model linked to newly constituted Thematic Boards, with options to vary delegation levels considered.	S Davenp't	Sep-20	Sep-20		
	Commission capacity, implement and seek assurances with regard to the data management and IT systems work for the devolution of AEB.	A Dickinson	Sep-20	Jul-21		

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**AUDIT & STANDARDS COMMITTEE**

29<sup>th</sup> October 2020

**Work Plan for 2020/21**

**Purpose of Report**

This report presents the Audit and Standards Committee work plan for 2020/21.

**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 work plan for 2020/21 and agree any changes or additional items to be scheduled.

**1. Introduction**

**1.1** The Audit and Standards Committee work plan for 2020/21, is required to facilitate the Committee in meeting its accountabilities.

**1.2** The work plan is reviewed quarterly to ensure it remains on schedule.

**2. Proposal**

**2.1** The 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.

**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 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

#### **REPORT AUTHOR POST**

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## Appendix A

<b>Date</b>	<b>Agenda items</b>
Thursday 29 <sup>th</sup> October 2020	2020/21 Internal Audit Annual Plan Progress Report Internal Audit Reports – Capital Programme & Core Financial Controls Strategic Risk Monitoring Update on 20/21 AGS Governance Improvement Plan Actions
Training	Treasury Management
Thursday 21 <sup>st</sup> January 2021	Update on 20/21 AGS Governance Improvement Plan Actions 20/21 AGR Process 2020/21 Internal Audit Annual Plan Progress Report Internal Audit Reports - tbc 20/21 Draft Treasury Management Strategy Strategic Risk Monitoring
Thursday 18 <sup>th</sup> March 2021	AGR findings Annual review of Code of Corporate Governance Internal Audit Plan 2021/22 2020/21 Internal Audit Annual Plan Progress Report Internal Audit Reports - tbc External Audit Annual Plan Updated Assurance and Accountability Framework Strategic Risk Monitoring
Training	Scrutinising the Accounts
Thursday 10 <sup>th</sup> June 2021	Draft AGS Draft Accounts 2020/21 Internal Audit Annual Plan Progress Report Strategic Risk Monitoring Internal Audit Reports - tbc
Thursday 15 <sup>th</sup> July 2021	Final AGS Final Accounts IA Annual Report Internal Audit Reports - tbc Strategic Risk Monitoring

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