

## MCA - AUDIT, STANDARDS AND RISK COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 15 JULY 2021 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



---

### Present:

Councillor Phillip Lofts (Chair)	Barnsley MBC
Councillor Ian Auckland	Sheffield City Council
Rhys Jarvis	(Independent Member)
Councillor Allan Jones	Doncaster MBC
Angela Marshall	(Independent Member)
Councillor Joe Otten	Sheffield City Council
Councillor Sioned-Mair Richards	Sheffield City Council
Councillor Ken Richardson	Barnsley MBC
Councillor Tony Browne (Reserve)	Rotherham MBC

### Officers in Attendance:

Dr Dave Smith	Chief Executive	MCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	MCA Executive Team
Dr Ruth Adams	Deputy Chief Executive	MCA Executive Team
Mike Thomas	Senior Finance Manager/ Deputy S73 Officer	MCA Executive Team
Steve Davenport	Principal Solicitor & Monitoring Officer	MCA Executive Team/ SYLTE
Claire James	Senior Governance & Compliance Manager	MCA Executive Team

### In Attendance

Reyna Ramdhani, Emily Mayne and Lisa Mackenzie

### Apologies:

Councillor Emily Barley	Rotherham MBC
Councillor Ben Curran	Sheffield City Council
Councillor Austen White	Doncaster MBC
Dan Spiller	External Audit
Hassan Rohimun	External Audit
Andrew Smith	Internal Audit

### 1 Welcome and Apologies

M Thomas welcomed everyone to the meeting. Apologies were noted as above.

2        **Appointment of Chair**

RESOLVED – That Cllr Phillip Lofts be appointed Chair of the Committee for the forthcoming year.

Cllr Lofts took the Chair and thanked Cllr Jones for his work as previous Chair of the Committee.

3        **Appointment of Vice-Chair**

RESOLVED – That Rhys Jarvis be appointed Vice-Chair of the Committee for the forthcoming year.

4        **Urgent Items/Announcements**

None.

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

None.

6        **Declarations of Interest by any Members**

None.

7        **Questions from Members of the Public**

None.

8        **Minutes of the Previous Meeting held on 10th June 2021**

RESOLVED – That the minutes of the meeting of the Committee held on 10<sup>th</sup> June 2021 be agreed as a true record.

9        **Matter arising and actions**

None.

10       **Draft Accounts 20/21**

M Thomas presented the draft Statement of Accounts for the MCA Group as a whole for the financial year 2020/21.

Members were informed that the unaudited accounts were published on 21<sup>st</sup> June 2021 and the external audit commenced on the same date.

Members' attention was drawn to the Narrative Report which provided a summary of the MCA's financial performance and how it had secured economy, efficiency and effectiveness in the use of its resources during the year in meeting its strategic aims as a Group. The report also included a section on the impact of Covid-19.

Members were informed that it was thought there was one adjustment which would need to be made in relation to the pensions section of the accounts, South Yorkshire Pensions Authority were having to re-state the value of their pensions assets by in excess of £100m. This meant that the SYPTA accounts would have to be adjusted,

Officers were waiting for a revised statement from the actuary via SYPA when they could look at the detail more closely and take a view, in conjunction with EY, as to whether an adjustment was needed.

It was noted that adjusting the SYPTA accounts would be relatively easy but the Group accounts would be more complex. This would have resource implications and lead to a delay to the closure of the audit.

With regard to timescales, SYPA had indicated they could provide the information by the end of the week which meant adjusted SYPTA accounts could be provided to EY by the middle of the following week. It was unclear when Deloitte (SYPA's external auditor) would have completed additional testing that EY would require, which could be the cause of a delay.

The committee was reminded that the accounts had to be approved by the MCA Board by the end of September.

It was noted that there had been a similar delay last year and it had been agreed that the Audit & Standards Committee would scrutinise the accounts, recommend them to the MCA Board and, pending the impact of the additional work, for the MCA to approve them on that basis with delegated authority to the Chair of the Audit Committee to approve any changes. Officers' advice was to follow a similar process this year.

It was noted that EY had engaged with Deloitte and asked for the required information by 2<sup>nd</sup> August. Deloitte had said they could not meet that deadline. EY were still waiting to be provided with a definite date.

In answer to a question as to whether the Committee could help move the situation forward, M Thomas suggested that members contact their counterparts on SYPA's Audit Committee to see if they could influence the situation. Officers would also contact SYPA's s151 officer to see if he could assist in moving things forward.

In answer to a question from Cllr Jones, M Thomas confirmed that there were no other issues within the accounts that caused concern.

G Sutton also confirmed that he had no issues within the accounts and thanked M Thomas and the team for their efforts in the production of the accounts in difficult circumstances.

It was confirmed that there was provision for the Integration Project within the budget and within reserves.

RESOLVED – That the Committee noted that the external audit was currently

underway.

11

## **Annual Internal Audit Report and Head of Audit Opinion**

A report was submitted which presented the Internal Audit Annual Report and the Head of Internal Audit Opinion.

The Head of Internal Audit Opinion statement had been based on the findings of the annual work programme which had focused on the following key areas:

- Risk Management
- Implementation of agreed audit options
- Internal Control
- Governance

A table within the report showed an overview of the pieces of work that the auditors had carried out during the year with their associated audit opinion and the findings made.

A significant assurance with some improvement required opinion had been awarded to all but one area, the AMP Technology Centre which receive a partial assurance opinion. The high-risk issue was detailed within the report.

The Head of Internal Audit's overall opinion for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021, based on the scope of the reviews undertaken and the sample tests completed during the period, was that 'significant assurance with some improvement required' could be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The report outlined where there had been a lack of progress in implementing recommendations against agreed deadlines and an acknowledgement that implementation could have been impacted by the disruption caused by Covid-19. The end of year implementation rate for 2020/21 had been calculated at 94%.

With regard to monitoring audit recommendations and the rescheduling of actions, D Smith reported that this was now incorporated within the Corporate Plan.

In answer to a question from A Marshall, L Mackenzie confirmed that the advisory IT report was still ongoing and should be completed by the end of the month.

A Marshall commented that details of the potential Contract Standing Order breach was not in the report and was something the Audit Committee would expect to see.

L Mackenzie commented that this had been a HR issue and had been dealt with by the MCA. G Sutton commented that he would be happy to provide the Committee with a breach report.

Cllr Jones suggested that Breach of Controls should be a standing item on the Committee's agenda. It was agreed that this would be discussed under the work plan item later in the agenda.

RESOLVED – That the Committee note the Internal Audit Annual Report and the Head of Internal Audit opinion.

## 12 **Internal Audit Reports**

A report was submitted which presented the remaining Internal Audit reports from the 2020/21 Internal Audit Plan. These were:

- Risk Management
- Governance
- Procurement
- Adult Education Budget
- Travel Expenses

All had been awarded a 'significant assurance with some improvement required' opinion. The opinions had been based on processes in place during 2020/21 but caveats had been included where these may now be overtaken by the wider integration agenda.

R Jarvis commented that in relation to risk, one of the recommendations had been the reporting of near misses and suggested that Health and Safety data needed to be a standing item on the Committee's agenda. T Taylor commented that near misses would be reported as a matter of course in the future.

R Jarvis also commented that the evaluation of the risk journey in the report had showed no improvement over the last 12 months and, although most of this could be attributed to Covid-19, the Committee needed to look at the treatment of risk appetite.

With regard to the governance report, it was recommended that the Committee should undertake an annual formal effectiveness review and also to publish an Audit and Standards Committee Annual Report.

The Committee discussed the issues of quoracy and the increasing length of agendas. The Chair would discuss the matter with C James.

RESOLVED – That the report be noted.

## 13 **Internal Audit Plan 2021/22 Progress Update**

The Committee considered the Internal Audit Plan progress report for 2021/22.

Members noted that work was in progress in respect of the following 2021/22 reviews:

- Assessing the Risk of Fraud
- Supplier Resilience

- AMP Technology Centre – follow up

Scoping and planning had also commenced in respect of the following:

- Critical IT Controls
- Procurement – Phase 2
- Asset Management.

There had been one change to the Plan in respect of the Supplier Resilience review as management had requested that this now be completed as a Group review.

To date 31 days of the planned 263 days had been completed.

With regard to the timing of the Integration review in March 2022, D Smith confirmed that he was happy with this as the review would help to understand what had been achieved and how robust the arrangements were. He also recognised the need for a further review in 2022/23 to identify any operational issues.

RESOLVED – That the Audit and Standards committee note the progress of the 2021/22 audit activity undertaken by Grant Thornton for:

- i) Joint MCA and SYPTE audits
- ii) MCA Audits
- iii) SYPTE audits

#### 14 **Internal Audit Recommendations Tracker Report July 2021**

The Committee considered the Internal Audit Recommendations Tracker Report.

Members noted that there were two outstanding recommendations concerning the AMP Technology Centre. Management had confirmed that, since the last meeting, seven recommendations had been implemented, there were 17 that were not yet due and one recommendation had been superseded.

RESOLVED – That the report be noted.

#### 15 **Annual Governance Review and Draft Annual Governance Statement**

A report was submitted which reported on the findings of the 2020/21 Annual Governance Review and presented the draft Annual Governance Statement (AGS) which included the 2021/22 Governance Improvement Plan.

It was noted that the AGS would be presented to the MCA Board with the accounts in September.

A Marshall suggested the AGS should include the key risks the organisation had faced and were facing and the measures in place to mitigate those risks. In addition, it was requested that any outstanding Internal Audit recommendations also be included.

RESOLVED – That the report be noted.

16 **Code of Corporate Governance Annual Review**

A report was considered which presented a revised Code of Corporate Governance which reflected the findings of the Annual Governance Review conducted in June 2021.

In response to a question from A Marshall, C James commented that she would clarify the referral to the organisation as Sheffield City Region at paragraph 5.1 and amend if necessary.

RESOLVED – That the Committee note the revised Code of Corporate Governance.

17 **Committee Engagement and Annual Report Proposal**

A report was submitted which proposed the opportunity to prepare an Annual Report and outlined a draft reporting structure.

Members were informed that the MCA Board, at its meeting in June 2021 agreed a course of action to integrate the two Audit Committees of the MCA and PTE into a single Committee with a supporting Advisory Panel.

The MCA also approved an approach to strengthening the relationship between the Audit and Standards Committee and broader governance arrangements.

It was agreed that the Chair of the Committee would report to the MCA on the work of the Committee annually and would meet with the Mayor on a six-monthly basis as well as with the MCA Management Board.

The paper outlined a proposal for firstly implementing these arrangements and secondly provided a basic draft outline of content that could be included in the Committee's Annual Report.

The Committee welcomed the proposals.

A Marshall suggested the Annual Report should contain a section highlighting any areas of the concern the Committee had raised during the year.

R Jarvis suggested that the Annual report was supported by an annual Committee Effectiveness review.

RESOLVED – That the Committee:

- i) Note the opportunities for strengthening the relationship between the Audit and Standards Committee and the MCA and Mayor.
- ii) Agree the format and structure for the report and the plan for developing this.

**Committee Work Plan**

A report was considered which proposed dates for Audit and Standards Committee meetings for 2021/22 and sought feedback on the proposed work plan for 2021/22.

Members noted that the proposed meeting dates were being checked with Local Authorities to ensure they did not clash with any Council or Cabinet meetings.

The proposed Work Plan, attached at Appendix A, aimed to ensure the Committee were appropriately sighted on key governance issues and to ensure that items relevant to the Committee’s statutory accountabilities were appropriately scheduled. Members were asked to forward any suggestions for inclusion to the work plan to Claire James.

Appendix B mapped the work plan against the Terms of Reference of the Committee.

Cllr Richards noted that the agenda for the March meeting was very heavy and suggested that it be looked into to see if any items could be moved. If this was not possible it was important to schedule the meeting appropriately.

RESOVLED – That Members note the report and would forward any further items for the work plan to C James.

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

Signed .....

Name .....

Position .....

Date .....