

## SCR - AUDIT AND STANDARDS COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 21 JANUARY 2021 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



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#### 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 Wyatt           | Rotherham MBC          |
| Councillor Phillip Lofts       | Barnsley 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 |
| Claire James  | Senior Governance & Compliance Manager    | MCA Executive Team |
| Emily Hickey  | Governance and Compliance Officer         | MCA Executive Team |

#### In Attendance

|                             |                |
|-----------------------------|----------------|
| Lisa Mackenzie              | Internal Audit |
| Dan Spiller                 | Internal Audit |
| Andrew Smith                | External Audit |
| Andrew Shirt (Minute Taker) |                |

#### Apologies:

|                         |                        |
|-------------------------|------------------------|
| Councillor Josie Paszek | Sheffield City Council |
|-------------------------|------------------------|

#### 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 29th October 2020**

RESOLVED – That the minutes of the meeting held on 29<sup>th</sup> October 2020 be agreed as a true record.

8        **Matter arising and actions**

A report was presented to provide Members with progress updates on Actions/Matters arising from the Audit and Standards Committee held on 29th October 2020.

Members queried when a report on the Bus Review implementation would be presented to the Committee.

Following discussion, it was agreed that a briefing note would be produced and circulated to Members in order to provide assurance, set out any risks and provide an update on the deliverability of the other strands of work within the Bus Review. **ACTION: R Adams.**

Members raised concerns in relation to SYPTE's handling of risks around bus usage and its consequences. The Chair suggested that a discussion takes place with A Marshall and C James after today's meeting to disseminate concerns to the MCA Board. **ACTION: C James & A Marshall.**

Members noted that a report detailing economic analysis of the impact of the Coronavirus pandemic on the risks to the economy was currently being developed. The report would be presented to the Committee following receipt of lagging economic data for Quarter 3.

RESOLVED – That Members noted the updates on Actions/Matters arising from the Audit and Standards Committee held on 29<sup>th</sup> October 2020.

## Integration Of The PTE With The MCA Update

A report was presented to provide Members with an update of progress and next steps for the integration of South Yorkshire Passenger Transport Executive (SYPTTE) fully within the MCA. The report confirmed the agreement of the outline project plan agreed by the MCA Board in September 2020.

Members were informed that activity to integrate SYPTTE fully within the MCA was currently in the very early stages of development, given the complexity and scale of the task.

The report provided details of the aim and delivery objectives of the activity.

Assurance was provided that consideration would take place to implement any new governance processes and any new risk management processes prior to integration.

A draft programme approved by the MCA Board had been broken down into workstreams, linked to:

- Governance
- HR and Organisational Development
- Finance and Assets
- Branding and Communications
- Programmes

A detailed project plan based on the above workstreams was currently in development and would include a series of milestones where decisions would be required by the MCA Board.

Assurance was provided that risk management would feature independently in all of the above workstreams.

R Jarvis commented that, following integration, audit and scrutiny of SYPTTE would be undertaken by this Committee. Therefore, he advised that a full risk review be undertaken to make sure that from an organisational point of view, health and safety was not compromised. He was also of the opinion that risk management should be undertaken as a whole, rather than featuring independently in all of the workstreams.

In response, R Adams said that significant independent advice would be sought to examine the programme plan to ensure that the MCA's proposal was an assured process for the activity, including risk management. Work was also underway to appoint an interim capacity to lead on the HR workstream. A risk review of the whole integration would be undertaken. R Adams agreed to provide the Committee with written assurances on the activity at a later date.

**ACTION: R Adams.**

Members were informed that the process for integration required a Statutory process and an Order of Parliament to formally merge the 2 bodies. Engagement with MHCLG was currently underway to agree the route and milestones to dissolve SYPTTE.

The timescale of the legal integration would depend on MHCLG securing parliamentary time following their agreement to support the proposal. At the conclusion of the statutory process, all undertakings of SYPTE would transfer to the MCA, including assets, contracts and employees. Until this point, SYPTE would legally retain its independent identity.

The Committee noted that work was continuing to move towards full integration of the Executive Teams. A number of services were already integrated across the Group, including legal, IT and HR, further work was taking place to fully integrate finance and marketing and communications.

Planning work was commencing to integrate structures, processes and systems across the Group in preparation for full integration.

In relation to budget allocations for the integration, Members were informed that budget projections had been built into the budget planning process for 2021/22.

Following a detailed discussion about the integration of the operations of the SYPTE's Audit and Risk Committee into this Committee, Members' agreed that they would need to scrutinise the detailed project plan at a later date, before they could take a view about the interventions, advice and work the Committee would wish to undertake at the point of integration.

The Committee requested that a progress update report be presented at the June 2021 meeting. **ACTION: R Adams.**

**RESOLVED** – That Members note the project plan approved by the MCA Board, specifically:

1. The aim and objectives, as outlined in section 2.1,
2. The proposed workstreams and outline for communication, and that a fuller work programme and risk register would be developed in the coming months.

## 10 **Group Internal Audit Plan Progress Report**

A Smith presented an update on the progress of the 2020/21 Group Internal Audit Plan.

It was noted that 32 days of the planned 71 days in respect of the MCA reviews had been delivered and a total of 123 days of the 272 days in the joint audit plan, a detailed breakdown was contained within the report.

Members noted that since the last meeting of the Committee, the Programme Management – follow up and Public Engagement and Consultation audit reports had been finalised both receiving significant assurance.

In addition, the AMP Technology Centre review had recently been finalised and would be presented at the March Committee meeting.

The report also included details of work in progress and changes to the audit plan since the last meeting of the Committee. There was currently around 50

audit days held in contingency.

Members noted that the plan was under constant review due to the Covid-19 outbreak and the uncertainty of its impact. There had been no work undertaken outside of the Audit Plan.

A Smith confirmed that all audits contained within the Audit Plan would be completed in 2020/21, ahead of the Internal Auditor's Annual Audit Opinion being presented.

G Sutton requested Members to consider a proposal to utilise the audit days currently held in contingency in a different manner, which would achieve the same assurance around how the MCA manages risk and provides value for money in its services.

Consideration was requested from Members to allow the MCA to re-deploy some of the audit days currently held in contingency for Internal Audit to undertake advisory work in relation to several identified areas, particularly with regard to integration activity of SYPTE into the MCA.

The MCA would write formally to the Chairs and Vice Chairs of the MCA and SYPTE Audit Committees to consider proposals ahead of their March meetings and agree if this is an appropriate use of residual audit days.

The Committee supported the proposals outlined above.

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

1. Joint MCA and SYPTE audits
2. MCA audits
3. SYPTE audits

## 11 **Internal Audit Reports**

The Committee considered a report which presented the Internal Audit reports for Public Engagement and Consultation and, Programme Management.

Members noted that the objective of the Public Engagement and Consultation review was to provide an independent assessment of the design and operational effectiveness of the MCA's and PTE's frameworks in place for conducting statutory and non-statutory consultation and engagement exercises.

The audit concluded that the processes provided significant assurance with some improvement required. Based on the findings, nine recommendations had been made. Full details of these were contained within the report.

Updates on the nine recommendations would be included as part of the Internal Audit tracker report presented at future Committee meetings.

Members were reminded that a review of programme management arrangements had been undertaken and a report issued in February 2020. A

significant assurance opinion was reported with two low risk actions agreed.

A follow-up piece of work, focussing on the Transforming Cities Fund, had been undertaken to determine how the issues and agreed actions raised in the report had been implemented.

Based on the progress made in the areas reviewed, a significant assurance opinion was provided to implement the two actions identified by the February 2020 audit.

One low risk action had now been implemented and one low risk action was ongoing. Full details of these were contained within the report.

RESOLVED – That the Committee considered the findings and recommendations of the internal audits on:

1. Public Engagement & Consultation; and
2. Programme Management.

## 12 **Internal Audit Recommendations Tracker Report**

A report was submitted which presented an update on the implementation of the recommendations made by Internal Audit.

It was noted that, at the date of finalising the report, there were eight recommendations agreed with management that were overdue. Management had confirmed nine actions had been implemented since the last Audit Committee; two recommendations were not yet due.

Following publication of the agenda papers, it was confirmed that Internal Audit had received confirmation that several of the outstanding recommendations had either been superseded, or had now been implemented. The two recommendations in relation to the Resource Management / HR Systems had now been implemented; the tracker report would be updated for the March meeting.

R Adams provided a verbal update in relation to two Inward Investment recommendations. It was proposed that, subject to the agreement of the Chair and Vice-Chair, the recommendations would be revised and updated.

Members' asked for assurances that the MCA had the capacity to implement recommendations in a timely manner.

In response, R Adams said that, prior to Internal Audit reports being presented, reports and recommendations are discussed with the lead sponsor and agreement reached on implementation dates with the Management Board. This allowed management to factor in capacity to manage the implementation of recommendations based on their severity. Any recommendation dates missed would be escalated to the Management Board for discussion and to set an appropriate revised implementation date.

Members noted that the overdue recommendation in relation to GDPR – new IT

Policy was still in draft format and currently awaiting Union sign-off. R Adams agreed to follow-up progress with the HR Team and Union and provide the Chair with a progress update. **ACTION: R Adams.**

RESOLVED – That the Committee note the progress of the implementation of internal audit recommendations.

### 13 **Governance Review Process and Improvement Plan Progress**

A report was presented to set out the proposed process for the Annual Governance Review of the financial year ending 31st March 2021. The report also provided updates to the Committee on the progress against the 2020/21 Governance Improvement Plan.

Members noted that, during February and March, the MCA Executive would conduct an assessment of compliance with the Local Code of Corporate Governance; to gain assurance the effectiveness of current arrangements and to; identify any opportunities for improvement.

This process would include:

- A review with MCA Statutory Officers
- A review with the Executive Team full Management Board
- One to ones with Assistant Directors and specific team members where required.

The initial findings of the review would be reported to the Committee in March 2021 and an updated Code of Corporate Governance and draft Annual Governance Statement (AGS) was scheduled to be presented to the Audit and Standards Committee in June 2021.

An update on the progress of the Governance Improvement Plan for 2020/21 which formed part of the AGS for the previous financial year and was presented at Appendix A to the report.

Councillor Auckland queried if the Bus Review and integration of SYPTE into the MCA should be included on the AGS as two separate items.

R Adams agreed to include the Bus Review and integration of SYPTE into the MCA as two separate items on the AGS. **ACTION: C James.**

A Marshall asked when the Committee would be asked to consider the refreshed Assurance Framework. Furthermore, she queried if the update provided on the AGS should include this detail.

R Adams agreed to circulate an MCA / LEP report via email to Members on the Assurance Framework for 2021, together with details of the timeline for its consideration / decision making. **ACTION: R Adams.**

In addition, C James confirmed that the Assurance Framework would be presented at the March meeting of the Committee.

RESOLVED – That the Committee considered:

1. The proposed process for conducting the Annual Governance Review for the financial year ending 31st March 2021; and
2. The progress against the Governance Improvement Plan for 2020/21.

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## **Risk Management**

A report was presented to provide the Committee with an update on the progress of embedding the revised approach to risk management and an update on strategic risks.

Members noted that, following the endorsement of the new approach by the Audit and Standards Committee and subsequent adoption by the MCA, a number of activities and actions had been undertaken to begin to embed the revised risk management approach. Further details were set out in paragraph 2.1 of the report.

Members noted that the business planning process would conclude by the end of Quarter 4, at which point the plans would become operational. At this point the risk register developed during the developmental stages would become the register for the relevant programme of work and would be reviewed and reported on in line with the Risk Management Policy and Process.

Work would continue on the new Programme Management system to ensure alignment to the agreed approach.

Risk sections of Business Case documentation would also be reviewed to ensure alignment to the agreed approach.

Paragraph 2.2 of the report provided Members with a summary of the five strategic risk categories. Revised Risk Management Actions Plans were presented at Appendices A-E.

The Committee welcomed the progress being made in developing the revised Risk Management Action Plans.

R Jarvis suggested that it may be appropriate for the Committee to undertake 'deep dives' at future meetings, in relation to 'red' rated risks contained within the Risk Management Action Plans.

The Chair said that it would be very helpful if the font size of the text presented in Appendices A-E was increased. C James acknowledged the suggestion and agreed to explore as the report evolves. **ACTION: C James.**

R Adams provided Members with a verbal update on the Programme Management Risk Action Plan (Appendix D).

The Committee discussed the implications around risk seven contained within the Budget and Financial Management Risk Action Plan.

It was agreed that a report presenting the proposed MCA budget for 2021/22 which was due to be considered by the MCA on 25th January, be circulated to Members via email after today's meeting. **ACTION: G Sutton.**



Members were informed that the report also included further detail on the MCA's Financial Strategy and how the MCA was managing budget risks.

RESOLVED – That the Committee:-

1. Note the progress of embedding the revised risk management approach across the organisation.
2. Note the update on strategic risks and identified any issues.

15 **Work Plan for 2020/21**

The Committee considered its updated Work Plan for 2020/21.

The following updates had been made to the Work Plan:-

- The draft Treasury Management Strategy had been moved forward to the March 2021 meeting.
- The Annual review of the Code of Corporate Governance had been deferred from the March 2021 to the June 2021 meeting.
- The April meeting of the Committee had been brought forward and would now be held on 18<sup>th</sup> March 2021.

RESOLVED – That the work plan be noted.

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

Signed .....

Name .....

Position .....

Date .....