

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 9 SEPTEMBER 2021 AT 1.00 PM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Phillip Lofts (Chair)	Barnsley MBC
Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Joanna Baker-Rogers	Rotherham MBC
Councillor Ben Curran	Sheffield City Council
Angela Marshall	(Independent Member)
Councillor Joe Otten	Sheffield City Council
Councillor Sioned-Mair Richards	Sheffield City Council
Councillor Ken Richardson	Barnsley MBC
Dan Spiller	External Audit
Hassan Rohimun	External Audit
Reyna Ramdhani	External Auditors
Emily Mayne	Internal Auditor
Lisa Mackenzie	Internal Audit
Tim Taylor	SYPTE

In Attendance:

Dr Dave Smith	Chief Executive	MCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	MCA Executive Team
Mike Thomas	Senior Finance Manager/Deputy S73 Officer	MCA Executive Team
Claire James	Senior Governance & Compliance Manager	MCA Executive Team

Apologies:

Councillor Emily Barley	Rotherham MBC
Councillor Allan Jones	Doncaster MBC
Councillor Austen White	Doncaster MBC
Dr Ruth Adams	MCA Executive Team
Steve Davenport	MCA Executive Team/SYPTE

1 Welcome and Apologies

The Chair welcomed everyone to the meeting.

Apologies for absence were noted as above.

2

Urgent Items/Announcements

The Committee conveyed congratulations to the MCA's Active Travel Commissioner Dame Sarah Storey DBE who, after winning her third gold medal at the Paralympics Games in Tokyo, had become Britain's most successful Paralympian with a total of 17 gold medals.

A Marshall provided the Committee with feedback from the earlier meeting of the Audit, Standards and Risks Advisory Panel. It was noted that the Panel had discussed the final accounts and risk management arrangements for SYPT. There had also been an update provided on the integration project. In addition, the Panel had considered a separate agenda item on Internal and External Audit matters.

The Panel had raised concerns that there had been slippage within the Integration Plan. The Panel commented that they would wish to see actions developed to address the slippages within the Integration Plan and presented at their next meeting.

The Panel had also agreed an amendment to their Terms of Reference in relation to the Panel's responsibilities around integration and the Panel's ability to invite any officers to future Panel meetings to assist the Panel's deliberations around risk management and integration.

It was noted that A Marshall would circulate the Advisory Panel's proposed amended Terms of Reference for the Committee's information. **ACTION: A Marshall via the Governance Team.**

The Advisory Panel had also agreed to undertake a deep dive of operational risks. It was agreed that feedback would be provided at the next Committee meeting.

Following discussion, the Committee agreed that a standing item entitled 'Feedback from the Audit, Standards and Risks Advisory Panel' be included on future Committee agendas. **ACTION: Governance Team / C James to include on the Work Plan.**

It was agreed that future meetings of the Audit, Standards and Risks Advisory Panel would be held two weeks in advance of the Audit, Standards and Risks Committee meeting. **ACTION: Governance Team.**

3

Items to be Considered in the Absence of Public and Press

None.

4

Declarations of Interest by any Members

None.

5

Questions from Members of the Public

None.

6 Minutes and Actions of the Previous Meeting held on 15th July 2021

Councillor Auckland requested that his name be added to the list of attendees present at the meeting held on 15th July 2021. **ACTION: Governance Team.**

RESOLVED – That the minutes of the meeting of the Committee held on 15th July 2021 be agreed as a true record, subject to the above amendment.

7 Matters Arising and Actions

A report was presented to provide Members with progress updates on Actions/Matters arising from the Audit, Standards and Risks Committee held on 15th July 2021.

R Jarvis highlighted that the previously agreed standing agenda item on Health and Safety data had been omitted from today's agenda. **ACTION: Governance Team to include standing item on 'Health and Safety Data' on all future agendas / C James to add to the Work Plan.**

G Sutton confirmed that a quarterly report on Breach of Controls was scheduled to be presented at the October meeting.

M Thomas reported that discussions had now taken place with South Yorkshire Pensions Authority's s151 officer in respect of the timescale for the completion of their External Auditor's reporting in respect of the Local Government Pension Scheme assets. Members were provided with assurances that SYPA's External Auditor (Deloitte) had now finalised their audit work and would provide a Letter of Assurance to EY by next week.

8 Integration Update

C James delivered a report to provide Members with a summary update of the current status towards the integration of the PTE into the MCA and detailed the next steps to be undertaken.

C James reported that there was uncertainty around the timing of the legislative order to formally dissolve SYPTE. The Mayor had recently written to the Secretary of State for Transport and the response had been that the most expeditious route to securing dissolution would be to add this into another order or one for another MCA. Work was now taking place on this basis to clarify the relevant order request and timeline.

Members noted that significant progress had been made on implementing an integrated governance position, which included the establishment of the Audit, Standards and Risks Advisory Panel, appointing Statutory Officers as Directors of the PTE, to serve alongside the Director General and approval and adoption of a single Officer Scheme of Delegation for the MCA Executive and PTE.

It was noted that work needed to be concluded by the end of October on the Operating Model and Organisation structures.

Members were informed that there was currently slippage within the Integration Plan, however there was still the desire to have a fully integrated organisation by 31st March 2022.

A review was currently being undertaken to report on the slippages and risks, which would be presented at the Programme Board being held on 28th September.

In response to a question from Councillor Auckland, D Smith provided the Committee with an overview of the objectives of the overall Integration Plan, which was to meet the objectives of the 7-point plan that had been agreed by the MCA in response to the Bus Review.

Councillor Lofts asked if a copy of the Bus Review report could be circulated to Members. **ACTION: Governance Team.**

In response to a query from R Jarvis, D Smith confirmed that a benefits analysis report would be produced and published following integration of the organisations.

A Marshall referred to the Target Operating Model. She asked if work was taking place to identify interdependencies and on the operational transport elements of SYPTE.

D Smith replied that public transport responsibilities were not considered in a linear process and that, an interactive process had taken place over the last eight weeks to develop the operating model which captured a set of formal structures. In addition, assurances were provided that organisational interdependences were important. To which, Claire James had been appointed as Programme Manager to oversee the Integration Plan.

RESOLVED – That the Audit, Standards and Risks Committee reviewed the updated status and activity to integrate.

9

Final Accounts and Annual Governance Statement 2020/21

G Sutton introduced a report to provide Members with an update on the 2020/21 Annual Accounts for the MCA Group, including the final version of the Annual Governance Statement for the Committee to consider and review the draft External Audit Results.

Members were informed that the External Auditor (EY) had now conducted its review of the Authority's accounts and undertaken detailed testing of balance sheet figures and items of income and expenditure. In the process of doing so, Finance officers had agreed with the External Auditor to make several adjustments to the accounts. Further detail on the adjustments were explained in the report.

Members were informed that the External Auditor was currently awaiting a final piece of assurance work associated with the South Yorkshire Pension Fund. It was not expected that this work would affect the Accounts as presented.

If any changes were required to the Accounts following receipt of the final pensions assurance work, the Committee agreed that delegated authority be sought from the Chair and Vice-Chair of the Committee to endorse the Accounts on the Committee's behalf.

The audit had identified two misstatements relating to the single entity accounts, neither of which had been adjusted for on the grounds that they were either insignificant in value or were only presentational in nature.

Two adjustments had been made to SYPTTE's accounts which had the consequential effect of giving rise to adjustments in the MCA's Group accounts. Further details were presented at paragraph 2.4 of the report and noted by Members.

It was anticipated that the External Auditor's findings would lead to an unqualified opinion being issued, with no matters to report on the Value for Money Statement.

Members noted that the statutory deadline for publishing the audited accounts was 30th September. The final Statement of Accounts would be presented to the MCA Board for formal adoption on 20th September.

G Sutton and M Thomas thanked the MCA and PTE's Finance Teams for all their efforts to produce the Accounts under challenging and testing circumstances.

The revised Annual Governance Statement was presented in Appendix A to the report and noted by Members.

H Rohimun provided Members with an overview of the External Audit Results report for the year ending 31st March 2021.

The External Auditor confirmed that EY had substantially completed its audit of the Authority's financial statements for the year ended 31st March 2021.

Subject to concluding the outstanding matters listed in the report, EY expected to issue an unqualified audit opinion on the Authority's financial statements by the statutory deadline of 30th September 2021. It was confirmed that EY had no matters to report on the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources.

Members were informed that the audit had identified an uncorrected misstatements decrease on deficit of provision of service by £0.75m which related to current-year differences.

EY had agreed with management a disclosure adjustment of £10.79m reduction in note 38 'Revenue grant receipt' in advance as three transactions were included in this note which were part of grant revenue already recognised. The disclosure adjustment did affect the outturn income and expenditure position.

It was confirmed that EY's review of whether the information presented in the

Annual Governance Statement was consistent with its knowledge of the MCA had yet to be concluded.

Members' attention was drawn to the key 'Areas of Audit Focus' section of the report which detailed External Audit's observations and the current status in relation to those areas. There were no matters, other than those reported by management or disclosed in the report, which the External Auditor believed should be brought to the attention of the Committee or Management.

During the audit, EY had identified no significant deficiencies in internal control, but had identified two control improvement opportunities as set out in Section 7 of the report.

Members noted the External Auditor's note on Independence and Audit Fees as detailed in Section 9 of the report.

In response to a question from Councillor Curran, H Rohimun confirmed that the Authority had provided information to EY when it had been requested.

In response to a query from A Marshall, M Thomas confirmed that work going concern in relation to cash flow forecasting was currently being finalised.

A Marshall noted that significant testing had been undertaken by EY on items of expenditure.

M Thomas added that the Authority had provided EY with approximately 90% of sample testing on items of expenditure, which, in his view was excessive.

H Rohimun agreed to pick up this issue at the audit de-brief session.

In response to a query from A Marshall, M Thomas reported that the Authority was still awaiting a response from PSAA in relation to the 2019/20 additional audit fees.

RESOLVED – That the Audit, Standards and Risks Committee reviewed the Annual Accounts and Annual Governance Statement for 2020/21 in conjunction with the external auditor's report, and endorsed the accounts for approval by the MCA Board on 20 September 2021.

10 **2021/22 Internal Audit Annual Plan Progress Report**

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

To date, a total of 99 days of the 263 days in the joint Audit Plan had been completed.

Members noted that since the last meeting of the Committee, Assessing the Risk of Fraud report had been finalised and had received a partial assurance opinion with some improvement required. Follow-up work had also been completed in relation to the AMP Technology Centre.

Members noted that two reports, namely Supplier Resilience and Procurement

had been issued in draft since the last meeting of the Committee. Fieldwork had commenced in respect of the review of Asset Management and the review of Critical IT Controls. The report also included details of work in progress.

There had been one change to the Audit Plan in respect of the Asset Management Review, due to management requesting that this now be completed as a Group review.

The Committee agreed that it would be appropriate for the Asset Management Review to be completed as a Group review.

RESOLVED – That the Audit, Standards and Risks Committee noted the progress of 2021/22 audit activity undertaken by Grant Thornton for:

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

11 **Internal Audit Plan Reports**

The Committee considered a report which presented the Internal Audit report for the AMP Technology Centre – Follow-up.

The follow-up Audit review had concluded that good progress was being made in addressing the weaknesses identified as part of the original Audit review. Action taken to date had reduced the risk now present.

It was acknowledged that there was some work still in progress and agreed implementation dates had not yet been reached for some actions, however progress was being made to implement those actions in advance of the due dates.

The 2020/21 review had identified several areas for improvement and as such eight recommendations were raised including one high risk recommendation.

Members noted that significant progress had been made in addressing the high-risk issue raised. Two low risk actions had been fully implemented and good progress was being made in implementing two medium and two further low risk recommendations.

Councillor Lofts asked if the high-risk recommendation was now progressing to a lower risk.

L Mackenzie replied that, based on the re-assessment of the risk and work currently taking place, the risk had now moved from 'high' to 'medium'.

The original recommendations and their risk ratings, together with the Authority's agreed actions and findings from the follow-up review were contained within the report. Where appropriate, new recommendations had been raised together with revised implementation dates.

R Jarvis asked if there was a backlog of planned maintenance at the AMP

Technology Centre.

In response, G Sutton replied that an interim Asset Manager had recently been appointed who would be responsible for developing an Asset Register aligned to planned preventative maintenance for the AMP Technology Centre.

R Jarvis asked if the re-current level of bad debt was related to recommendation 4.

M Thomas agreed to provide information after today's meeting.

Post meeting note from M Thomas - I can confirm that there is only one customer account where we have sufficient concern about repayment that we have opted to take a provision. However, the amount is only £4,050 as at the end of July 2021 (£1,350 per month going back over 3 months from April to June 2021).

A Marshall asked if the oversight of internal and financial controls within the AMP Technology Centre was weakening.

G Sutton provided assurances to the Committee that officers were actively trying to address this issue and that significant progress was being made.

In response to a query from A Marshall, G Sutton provided assurances that fire doors at the Centre were no longer being wedged open.

A Marshall asked if KPIs would be developed for the AMP Technology Centre and for the wider tenanted management of assets.

In response, G Sutton said that the interim Asset Manager would be designing a set of Asset Standards which would lead to a set of manageable KPIs being developed. He agreed to present the draft KPIs at a future meeting. **ACTION: G Sutton / C James to add to the Work Plan.**

In response to Members' questions relating to the managing agent for the AMP Technology Centre, G Sutton reported that initial work on the target operating model had now commenced. He anticipated that work would be completed by the end of October 2021. G Sutton agreed to provide a report to a future Committee meeting. **ACTION: G Sutton / C James to add to the Work Plan.**

RESOLVED – That the Audit, Standards and Risks Committee considered the findings and recommendations of the internal audits on:

Amp Technology Centre – Follow up.

12

Internal Audit Recommendation Tracker Report

The Committee considered the Internal Audit Recommendations Tracker Report.

It was noted that, at the date of finalising the report, there were two overdue recommendations agreed with management that were outstanding.

Management had confirmed that one action had been implemented since the last Committee meeting; seventeen recommendations were not yet due.

Councillor Richards asked if Internal Audit had received notification when they were likely to receive updates on the two overdue recommendations.

L Mackenzie replied that the action owner of the overdue recommendations was currently on annual leave. She anticipated that a response would be received when they returned from annual leave.

RESOLVED – That the Audit, Standards and Risks Committee reviewed the progress of the implementation of Internal Audit recommendations.

13 **Governance Improvement Plan Monitoring**

A report was delivered to provide an update on the progress of the Governance Improvement Plan for 2021/22 which forms part of the Annual Governance Statement for the previous financial year.

Members noted that the Governance Improvement Plan was largely on track. One action (no. 16) had been identified as 'amber' / 'red', which related to the implementation of the monitoring and reporting arrangements of the Corporate and Business Plans. This was originally scheduled completion in June but had slipped to September, due to competing priorities.

Assurances were provided that work would be rapidly undertaken to make progress and get this back on track.

The Governance Improvement Plan would be implemented and monitored during the remainder of the financial year 2021/22.

R Jarvis said that it would be helpful if a further column could be added to the Governance Improvement Plan update document to state when an action had a revised deadline date. **ACTION: C James to capture in future update reports.**

RESOLVED – That the Audit, Standards and Risks Committee considered progress against the Plan and identified any issues.

14 **Work Plan**

The Committee considered the updated Work Plan for 2021/22.

Further to discussion at the July meeting, Members had raised that the March agenda was particularly lengthy. Due to the timing of activity, it was confirmed that it would be difficult to re-distribute the agenda items to other meetings, therefore it was proposed that on this occasion, the March meeting be held in two meeting sessions with an adjournment for lunch to accommodate the additional business. **ACTION: Governance Team.**

R Jarvis requested that the Risk Dashboard be presented as a standing item at future meetings (apart from the July meeting). **ACTION: C James to update**

the Work Plan.

T Taylor reported that it may be appropriate for the Committee to consider and review SYPTE's consolidated Business Plan at the March 2022 meeting.

M Thomas replied that it may be more appropriate for the MCA Overview and Scrutiny Committee to consider and review the consolidated Business Plan. He agreed to review the Overview and Scrutiny Committee's Terms of Reference. **ACTION: M Thomas.**

RESOLVED – That the Audit, Standards and Risks Committee reviewed the Work Plan for 2021/22.

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

Signed

Name

Position

Date