

## MCA - AUDIT, STANDARDS AND RISK COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 27 JANUARY 2022 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



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#### Present:

|                                  |                        |
|----------------------------------|------------------------|
| Councillor Phillip Lofts (Chair) | Barnsley MBC           |
| Rhys Jarvis (Vice-Chair)         | (Independent Member)   |
| Councillor Ian Auckland          | Sheffield City Council |
| Councillor Allan Jones           | Doncaster MBC          |
| Angela Marshall                  | (Independent Member)   |
| Councillor Joe Otten             | Sheffield City Council |
| Councillor Ken Richardson        | Barnsley MBC           |

#### In Attendance:

|                    |                                                  |                                               |
|--------------------|--------------------------------------------------|-----------------------------------------------|
| Gareth Sutton      | Chief Finance Officer/S73 Officer                | South Yorkshire MCA                           |
| Dr Ruth Adams      | Deputy Chief Executive                           | South Yorkshire MCA                           |
| Mike Thomas        | Senior Finance Manager/ Deputy S73 Officer       | South Yorkshire MCA                           |
| Claire James       | Interim Integration Programme Manager            | South Yorkshire MCA                           |
| Christine Marriott | Interim Democratic Services and Scrutiny Manager | South Yorkshire MCA                           |
| Liz Morris         | Risk Manager                                     | South Yorkshire MCA                           |
| Lynne Sutton       | Health and Safety Advisor                        | South Yorkshire MCA                           |
| Tim Taylor         | Director of Public Transport Operations          | South Yorkshire Passenger Transport Executive |
| Lisa Mackenzie     | Internal Auditor                                 | Grant Thornton                                |
| Melanie Bray       | Minute Taker                                     | Joint Authority Governance Unit               |

#### Apologies:

|                                 |                        |
|---------------------------------|------------------------|
| Councillor Joanna Baker-Rogers  | Rotherham MBC          |
| Councillor Emily Barley         | Rotherham MBC          |
| Councillor Ben Curran           | Sheffield City Council |
| Councillor Sioned-Mair Richards | Sheffield City Council |
| Councillor Austen White         | Doncaster MBC          |
| Dan Spiller                     | External Audit         |
| Hassan Rohimun                  | External Audit         |
| Reyna Ramdhani                  | External Auditors      |
| Emily Mayne                     | Internal Auditor       |
| Dr Dave Smith                   | South Yorkshire MCA    |

1 **Welcome and Apologies**

The Chair welcomed everyone to the meeting.

Apologies for absence were noted as above.

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**

In response to a question raised by Councillor Jones, G Sutton confirmed that the Pensions audit had been completed with the accounts, which had been agreed in November 2021.

6 **Questions from Members of the Public**

None.

7 **Minutes and Actions of the Previous Meeting held on 21 October 2021**

RESOLVED – That the minutes of the Committee held on 21 October 2021 were agreed as a true record.

8 **Verbal Update from Audit, Standards and Risk - Advisory Panel Meeting on 13 January 2022**

A Marshall provided the Committee with a verbal update from the Audit, Standards and Risk Advisory Panel Meeting held on 13 January 2022. Members noted the following key points arising from the meeting:-

- The Health and Safety Report was a good addition to the Panel's reporting mechanism. Data was awaited from the operators.
- There had been a significant increase in the number of crime and disorder incidents at a number of the South Yorkshire interchanges.
- The SYPTE performance dashboard had been reviewed, with focus given to transport, punctuality, statistics, reliability of the new tram vehicles, capital programme slippages and its impact on the funding available in the event that the deadlines could not be met.
- Internal Audit was progressing well against the Audit Plan.
- The Panel had agreed that community transport would become a new addition to the Audit Plan.

- Consideration had been given to the 9 overdue recommendations. One of which was of medium risk and the other 8 were of low risk in relation to the SYMCA; the Panel had received assurance that they would be dealt with accordingly.
- The External Audit final report had been discussed and minor textual amendments had been made. The fees for the additional work on Pensions and Value for Money had been agreed, but not the additional fee for Value Added which had been referred onto the Public Sector Auditor Appointments for adjudication.
- Consideration had been given to the new risk framework, regarding how the SYPTE risks were integrated into the overall framework for the Authority. The main concern of the Panel related to how the SYPTE operational risks would be summarised into the new overall strategic categories how they should be brought to the attention of the Management Board.
- A deep dive had commenced into operational risks, which had commenced with the tram. The Panel had taken assurance, whilst recognising the challenging issues to be managed with the tram asset.

In relation to the operational risks and the associated health and safety, R Jarvis was encouraged by the way in which the presentation had been provided to the Panel. He was confident that the skills were available in-house to deal with the arising issues; regular reviews were undertaken with the operators. There were a number of operational challenges and risks in relation to the assets, overhead lines and the track which were being addressed. He referred to the report which had been published following the Croydon tram incident that had occurred a few years ago, which had identified four points to be implemented; which would be partly completed now and in 2024.

The Panel would next meet in February 2022 to complete the work regarding the bus issues and other transport operational issues at the risk profile and how they were managed, which would be reported back to a future Committee meeting.

In relation to integration, the Panel had received the latest report in relation to progress and had considered the key areas on the project to meet the critical milestones, any significant changes to the plan, slippage against the plan, project budget, staff engagement and the risks to the organisation regarding the integration project and business as usual. Work continued at pace. A Marshall expressed her disappointment that the Order for Dissolution would not be laid by 1 April 2022. The capacity of the organisation remained a key concern together with continuing the pace of the work and to deliver the benefits of change. Staff recruitment continued to be an issue, and resourcing was a critical risk on the risk register.

RESOLVED – That the update from the Audit, Standards and Risk Advisory Panel Meeting held on 13 January 2022 be noted.

## **Health and Safety Update/Report**

L Sutton presented a quarterly report of the health and safety issues within the South Yorkshire Mayoral Combined Authority organisation and estate.

The key points arising from Members' discussion were summarised below:-

- Dr Smith had recently visited the interchange and met with employees. A review of the number of anti-social behaviour incidents at Barnsley Interchange, has taken place and steps to discuss collaborative working arrangements with street wardens and South Yorkshire Police (SYP) to address the issue. There was no correlation between the anti-social behaviour incidents. The increase in the number of incidents had resulted from better reporting.
- Signage had been ordered to prevent individuals from walking across the runway at Barnsley Interchange. Work would be undertaken to prevent Google Maps from directing people to walk across the runway.
- Members were referred to the significant anti-social behaviour issue that had been attributed to by a few individuals at Barnsley Interchange in 2017. The matter had been resolved through liaison with the local youth services and probation. T Taylor suggested that the same process could be undertaken if required.
- In relation to the increase of incidents at Meadowhall Interchange, L Sutton hoped to meet with the Travel Safe Officer, the Travel Safe Officer for SYP, the SYP team which were located within Meadowhall and the British Transport Police to ascertain whether any targeted work could be undertaken.

In relation to the transport operators' accident details, Councillor Jones highlighted that Stagecoach had not submitted any details in relation to accidents. He queried whether any of the accidents had led to legal representation by the complainants, and SYMCA's responsibility for those accidents which were attributable to Stagecoach whilst on SYMCA's premises.

T Taylor replied that periodic reporting was received from Stagecoach. He was unaware of any accidents that had led to legal representation by the complainants; he would ascertain the position. He would remind Stagecoach of the request to provide accident and health and safety statistics to be fed into the report. There was not a definitive view in relation to SYMCA's responsibility for those accidents that had occurred on its premises, which would be dependent upon the nature of the accidents; legal council could be sought if required.

**ACTION:- T Taylor to ascertain whether there was any SYMCA litigation that had resulted from accidents with the operators.**

In response to a request made by Councillor Lofts for further analysis of the incidents that occurred at Barnsley Interchange, T Taylor commented that the issues initially tended to start from outside of the footprint of the estate and moved into the premise. The incidents predominately involved young people of school age. Body cameras were worn by all of the operatives within the site, and the camera footage could be used if required.

L Sutton had recently observed a headmaster from a local school that now stood outside of the Barnsley Interchange on a morning, who would move on the children from his school if they were stood outside of the premise.

Following the lifting of the COVID-19 Plan B restrictions, A Marshall queried SYMCA's plans to encourage staff to return back into the workplace.

Dr Adams commented that the detail was currently being worked through. SYMCA was an organisation that was predominately office based, but consideration would be given to enabling additional flexibilities to enhance remote working; instructions were being provided within the All Staff Briefings. Social distancing was currently being maintained through the building, and staff could book a workstation in advance. The Management Board was considering the longer-term policy to enable the best blend of hybrid working.

RESOLVED – That the Committee noted and discussed the contents of the report.

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### **Strategic Risk Monitoring**

L Morris presented a report which provided an update on the Strategic Risks of the Mayoral Combined Authority (SYMCA) which had been updated following the Autumn series of Management Board risk review activity, to reflect the current status and next steps in terms of the actions.

In relation to the ongoing consultation on the Bus Improvement Plan and reference to the franchising from Mayor Jarvis MBE and other local politicians, Councillor Otten queried whether there had been any movement in the risks that applied to the enhanced partnership that had been agreed.

Dr Adams commented that this did not indicate any movement in the risks that applied to the enhanced partnership. At the recent SYMCA Meeting, the Leaders had requested time to discuss the matter with their respective local authorities. A further paper would be presented to the SYMCA Meeting in March 2022. The Chief Executive, Directors of Transport and the Leaders were aware of building the best possible relationships with the operators. This would not be mitigated within the risk register, but it was a recognised issue in terms of planning the integrated organisation and emphasis of relationship building with the operators.

Councillor Otten queried how the bus companies would be dealt with in terms of risk, rather than problematic risk but gain theoretic risk, would that be treated in a different way and whether the register is fully up to that in terms of risks that will react to what we do rather than risks that will just happen. Is it part gain theory rather than problematic theory and is that understood and taken into account on the risk register.

In relation to the key issues and the Strategic Risk Summary update table within the report, Councillor Jones requested an understanding of the green and amber boxes. He expressed concern that the table did not include any of the red high rated risks.

Members noted that the green and amber boxes related to the way in which the risks schedules were currently structured, which averaged some of the detail that worked on the basis of the individual risks.

R Jarvis commented that the dashboard would be implemented which would highlight the key risks, trends and mitigation etc.

L Morris would take forward some of the points raised by Councillor Jones into the new arrangements.

Members were referred to the brown field programme which had no mitigation against it. G Sutton commented that it was a fiscal stimulus scheme that the Government had committed to in response to the pandemic, with allocated funding towards housing schemes on brown field sites across the region. The Government had given the SYMCA a spend target of £20m by the end of the current financial year. The SYMCA was concerned that the current forecast had indicated only £2m spend by the end of the current financial year. Engagement was currently being made with the Government with a view to seeking flexibility on the use of the funding.

RESOLVED – That Members noted the updated position on strategic risks and the associated controls and actions planned and raised any questions considered necessary.

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### **Risk Dashboard**

A report was submitted which provided an update on the development of a new Risk Management Framework and Corporate Risk Register, which took account of the integration of the SYMCA and the Passenger Transport Executive into a single organisation.

A Marshall queried the process for escalating the PTE or operational risks into Management Board.

Members were referred to Appendix 2 of the report, which set out the new framework and Appendix A within the framework which provided a summary of risk management process for the organisation. Any risks with a score of 16 and above would automatically be escalated into the Management Board and presented to the Committee. Any risks with a score of 11 and above would also be escalated into the Management Board; the Management Board had agreed to the process.

A Marshall referred to the discussions that had ensued at the Audit, Standards and Risk Advisory Panel regarding the transport safety work which included some elements of health and safety. She expressed concern that some of the issues could become diluted within the proposed framework as they would be spread across a number of categories. She suggested that the Audit, Standards and Risk Advisory Panel may need to raise the issue again with the Committee in the upcoming months, if it was considered that those areas were not receiving enough attention.

L Morris would meet with L Mackenzie today in order to scope the internal audit of risk management and discuss the development processes and arrangements.

RESOLVED – That the Committee:-

- i) Considered the development of the new framework, and provided their view re-endorsing this for adoption to the SYMCA Board.

Agreed standing down the current business as usual SYMCA risk register included in Item 10, with immediate effect and endorsed its replacement with the new corporate risk register proposed to be adopted by the new integrated SYMCA Executive.

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### **Draft 2022/23 Treasury Management Strategy Report**

A report was presented which provided an update on the development of the 2022/23 Treasury Management Strategy for the SYMCA group. The draft Strategy would shape the SYMCA's approach to managing its cash and debt portfolios over the course of the following financial year.

G Sutton referred to the hierarchy of considerations that focused upon the following points:-

- i) Security of assets. It was most important that the investments were with secure counter parties.
- ii) Liquidity. Most of the investments were relatively short term, which enabled the ability to react to the interest rate changes.
- iii) Yield of the investment which resulted in income generation.

Councillor Jones highlighted a typographical error within Section B of Appendix 1 to the report, which should indicate that the other long-term liabilities set out in the table above represented the PFI liability in respect of Doncaster Interchange.

**ACTION:- M Thomas to amend the document prior to being presented to the SYMCA Board for approval.**

Members noted that there was no change to the strategy in comparison to last year. In 2021, the principle of change had been the increased operational limit, operational boundary and debt.

Councillor Otten referred to the idea of borrowing against future capital receipts to fund capital spending, and he queried what advice the Committee could provide on the downside risk of doing so.

In response, G Sutton referred to the assurance framework that had been adopted to test value for money for any of the investment decisions. Future resources were committed to an investment decision in the immediate term, to be repaid in later years. A judgement would be made on a transaction by transaction basis.

The Committee would have sight of the results of the comparative reviews which would be included within the mid-year report that was prepared for the SYMCA. **ACTION:- G Sutton**

Councillor Jones suggested that it would be worthwhile for the Committee to have a separate update on treasury management issues.

**ACTION:- G Sutton to schedule a tutorial to be held at the next pre-meeting of the Committee.**

Councillor Auckland expressed his thanks to G Sutton for the exemplary manner in which he had explained the issues raised by Members.

RESOLVED – That the Committee:-

- i) Endorsed the draft Treasury Management Strategy for onward approval by the SYMCA Board, alongside the proposed 2022/23 Revenue Budget and Capital Programme, in March 2022.
- ii) Endorsed the borrowing strategy set out in Section A of Appendix 1.
- iii) Endorsed the capital expenditure estimates and associated prudential indicators set out in Section B of Appendix 1.
- iv) Endorsed the minimum revenue provision policy set out in Section C of Appendix 1.
- v) Endorsed the annual investment strategy set out in Section D of Appendix 1.
- vi) Endorsed the granting of delegated authority to the Group Finance Director in consultation with the Chief Executive to provide a financial guarantee in favour of the SCR Financial Interventions Holding company.
- vii) Noted the intention to negotiate with HM Treasury and DLUHC to agree a borrowing cap for 2022/23 for all functions (transport and non-transport).

Endorsed the draft treasury management practices at Appendix 2.

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**Update on 21/22 AGS Governance Improvement Action Plan**

A report was submitted which provided an update on the progress against the 2021/22 Governance Improvement Plan, which had been agreed by the SYMCA at the beginning of 2022. Following a request made at the last Committee meeting, the state of play had been included within the report.

Within Appendix A to the report, Members were referred to Item 17 'Introduce a new corporate assurance management board to review all aspects of corporate assurance oversight'. This had been delayed due to a review that was underway on all of the internal meetings, to ensure that they were as efficient and effective as possible.

Councillor Lofts queried whether the implications for climate change would be incorporated into the reports, as had been recently recommended by the Government.

Dr Adams referred to the internal review that was underway to ascertain what was required for inclusion into the Governance Improvement Plan for 2022/23.

RESOLVED – That the Committee considered progress against the plan to consider whether the monitoring updates provided the assurance required of progress against the 2021/2022 plan.



## 14 **2021/22 Annual Governance Review Process**

A report was presented which set out the proposed process for the Annual Governance Review of the financial year ending 31 March 2022. The findings of which would inform the Annual Governance Statement (AGS) and the Governance Improvement Plan for 2022/23.

It was envisaged that the initial findings of the review would be presented to the Committee Meeting scheduled to be held in March 2022, together with a draft AGS, a revised Code of Corporate Governance for the single organisation moving forward as an integrated organisation and details of the recommendations regarding the approach to corporate governance for the new single organisation for consideration.

RESOLVED – That the Committee considered the proposed process for conducting the Annual Governance Review for the financial year ending 31 March 2022.

## 15 **Internal Audit Reports**

A report was submitted which provided an update on the progress of the 2021/22 Group Internal Audit Plan.

Members noted the progress that had been made to date, with approximately 70% of the Internal Audit Plan now completed. Since the last Committee Meeting, a total of four reviews had been completed and matters were on track to deliver a timely Head of Internal Audit Opinion as planned.

L Mackenzie informed Members of a potential change to the Internal Audit Plan. As a result of other sources of assurances, it had been agreed that it would not be the best use of resources at this time to complete a review of integration. Initial discussions had been held in relation to completing a Value for Money Review of community transport. Grant Thornton's Advisory Team was currently scoping the potential review, to be completed as bespoke advisory work outside of the Internal Audit Plan. Scoping work was underway for the other pieces of work within the Internal Audit Plan Quarter 4 reviews and were on track for completion before the end of March 2022.

In relation to the additional audit, A Marshall commented that the Audit, Standards and Risk Advisory Panel would commend to the Committee to include the new community transport audit within the Internal Audit Plan.

Members were provided with an overview in relation to the following final reports:-

- i) Critical IT Controls.
- ii) Asset Management.
- iii) Supplier Resilience.
- iv) Core Financial Controls.

In response to a number of queries raised by Members regarding the difficulties encountered in reading the reports on their devices, L Mackenzie would ascertain whether the documents could be produced in a more easier to read format.

**ACTION:- L Mackenzie**

In relation to the Asset Management report, L Mackenzie highlighted that the review had been recommended by Management, due to it being a known area with possible improvements to be made. Grant Thornton's Internal Audit Opinion took onboard the specific areas that they had been directed to provide an independent overview and provide a number of recommendations to assist the SYMCA in moving forwards in managing its assets.

Members noted that the Core Financial Controls report would form part of the integration to streamline the processes. M Thomas commented that the supplier checks were being streamlined with one key person across the Finance Team. He was pleased with the report presented, and he expressed his thanks to L Mackenzie and her team for conducting the work swiftly.

A Marshall queried whether some of the work was dependent upon the recruitment of a Financial Controller.

M Thomas referred to the difficulties that had been encountered in the labour market to recruit a Financial Controller, however the work would be picked up by himself and his team.

The Internal Audit Tracker Report brought together all of the existing actions for the SYMCA and PTE. There were currently four actions which had reached the implementation dates and were now reported as overdue. One medium risk was brought to the attention of the Committee in relation to the implementation of the new CRM system for concessionary travel passes. Management had requested to extend the implementation date to the end of March 2022, and assurance had been given that this date was achievable. Approval was sought from the Committee to extend the date. The three low risk items which were overdue related to the updates of the contract procedural rules which would be encompassed as part of the integration. The high risk item was also linked to the implementation date for the CRM system.

In relation to the superseded recommendations, A Marshall queried whether the recommendations were negotiated by the Management and then superseded.

Members noted that in relation to the two low risk items, one related to the duplication of actions regarding the procurement review and the contract procedure rules, with one recommendation to the SYMCA and the other to the PTE which had been brought together as one action. The other superseded action related to the core financial controls audit that had been undertaken last year; the action had not been reported again this year as an issue.

**RESOLVED** – That the Committee noted the progress of 2021/22 audit activity undertaken by Grant Thornton for:-

i) Joint MCA and SYPTE audits.

ii) MCA audits.

SYPTE audits.

## 16 **Integration Update**

A report was presented which reported on the assurance activity for the Integration Programme.

Members noted the two key milestones which were set out within the Programme Plan for Integration:-

- i) Integration of two organisations into a single MCA Executive (operational by 1 April 2022). Matters were on track to achieve the timescale.
- ii) Legal dissolution of the PTE via a statutory order (by 31 March 2022). This would not be achieved by the timescale of 31 March 2022, as the Government was unable to progress to dissolve the PTE prior to the May 2022 elections.

RESOLVED – That the Committee considered the report and verbal update provided by the Chair of the Audit, Standards and Risk Advisory Panel in seeking assurance on the progress towards integration.

## 17 **Breach of Controls Report**

A report was submitted which provided the details on occasions where the CPR rules had been breached. Providing transparency on breaches afforded the Committee oversight on potential control weaknesses and supported learning.

The report noted that since the last reporting date there had been no new identified breaches.

RESOLVED – That the Committee noted the report.

## 18 **Committee Work Plan 2021/22**

The Committee considered the updated Work Plan for 2021/22 with a view to seeking any additional items for inclusion.

Dr Adams noted the request to look at HR indicators and any associated risks with the performance dashboard.

**ACTION:- Dr Adams**

T Taylor commented that it would be helpful to know the format that the Committee wished to be reported back on regarding the advisory piece on community transport.

Councillor Lofts suggested that the matter should be taken to the Audit, Standards and Risk Advisory Panel in the first instance.

RESOLVED – That Members reviewed the Work Plan for 2021/22 and agreed any changes or additional items to be scheduled.

Any Other Business

M Thomas referred to EY’s final report on their external audit of the statutory accounts for 2020/21. The Audit, Standards and Risk Advisory Panel had noted the additional fees that were sought by EY. M Thomas and G Sutton had agreed that two of the three components being Value for Money and Pensions were fair to be paid, but not the Pricing for Quality which had been referred onto the Public Sector Auditor Appointments Body. He sought the Chair’s approval to circulate the final audit report onto Members following the meeting. He recommended that the Committee supported the suggestion to pay for the Value for Money and Pensions components, but not the Pricing for Quality.

RESOLVED – That the Committee:-

- i) Agreed that the Value for Money and Pensions components be paid.

Agreed that the Pricing for Quality component should not be paid, and should be referred onto the Public Sector Auditor Appointments Body.

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

Signed .....

Name .....

Position .....

Date .....