

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 21 OCTOBER 2021 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Phillip Lofts (Chair)
Rhys Jarvis (Vice-Chair)
Councillor Ian Auckland
Angela Marshall
Councillor Joe Otten
Gareth Sutton
Dr Ruth Adams
Mike Thomas
Claire James
Liz Morris

Barnsley MBC
(Independent Member)
Sheffield City Council
(Independent Member)
Sheffield City Council
MCA Executive Team
MCA Executive Team
MCA Executive Team
MCA Executive Team
SYMCA Executive Team

In Attendance:

Lisa Mackenzie (Internal Auditor)
Emily Mayne (Internal Auditor)

Apologies:

Councillor Joanna Baker-Rogers
Councillor Emily Barley
Councillor Ben Curran
Councillor Allan Jones
Councillor Sioned-Mair Richards
Councillor Ken Richardson
Councillor Austen White
Dan Spiller
Hassan Rohimun
Reyna Ramdhani
Andrew Smith
Dr Dave Smith
Steve Davenport

Rotherham MBC
Rotherham MBC
Sheffield City Council
Doncaster MBC
Sheffield City Council
Barnsley MBC
Doncaster MBC
External Audit
External Audit
External Auditors
Internal Audit
MCA Executive Team
MCA Executive Team/SYPTE

15 Welcome and Apologies

The Chair welcomed everyone to the meeting.

Apologies for absence were noted as above.

The meeting was not quorate so continued on an advisory basis.

16 Urgent Items/Announcements

None.

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

None.

18 **Declarations of Interest by any Members**

None.

19 **Reports from and Questions by Members**

Cllr Lofts referred members to a circulated link in relation to the recent National Audit Office publication entitled Climate Change Risk: A Good Practice Guide for Audit and Risk Assurance Committees, adding that it was likely that this would play a substantial part in the Committee's future work.

20 **Questions from Members of the Public**

None.

21 **Minutes and Actions of the Previous Meeting held on 9/09/2021**

A Marshall requested the following corrections:

1. Page 8, paragraph 1 – 'accountancy' to be amended to 'final accounts'
2. Page 8, paragraph 3 – the Panel had agreed an amendment to their Terms of Reference, rather than to postpone an amendment.
3. Page 8, paragraph 5 – the Panel had agreed to undertake a deep dive of operational risks, not establish a sub-committee.
4. Page 10, paragraph 5 – 'with the public transport workstreams' to be deleted; and
5. Page 12 – paragraph 5 – 'ongoing concern' to be amended to 'going concern'

ACTION: Governance Team

RESOLVED – That the minutes of the meeting of the Committee held on 9 September 2021 be agreed as a true record, subject to the above amendments.

22 **Matters Arising Action Log**

A report was presented to provide Members with progress updates on Actions/Matters arising from the Audit, Standards and Risks Committee held on 9 September 2021.

R Jarvis highlighted that whilst all actions had been marked as complete, the risk dashboard at Item 15 had not been received. In response, Dr Adams advised that this was due to the clarity of the action, in that it had been noted as being added to the Forward Plan as a standing item, rather than being presented to the Committee and would be amended accordingly.

ACTION: Governance Team to update the action in relation to the Risk Dashboard ie to be presented to the Committee, rather than added to the Forward Plan.

23 **Update from Audit, Standards and Risk - Advisory Panel Meeting (Verbal)**

A Marshall provided a verbal update on the meeting of the Advisory Panel on 8 October 2021. The following key points were noted:

- A pre-meet had focused on the re-tendering process for internal and external audit. Other agenda items included risk management and a progress update on integration.
- Current operational challenges presented by driver shortages were impacting on services and there was proposed industrial action on the system.
- Internal audit was on track and external audit had completed with an unqualified audit opinion issued. There was an anticipated delay of up to 3 months for the final report.
- A deep dive into operational risks had commenced with a presentation in relation to Supertram and how emerging issues were being managed towards the end of the franchise in 2024.
- Progress on integration plans and the corporate risk review were discussed. The Panel received an assurance that the budget for the project was sufficient and there was a reserve allocation to support the £800k budget if needed.

The update was welcomed, and the Chair reinforced the importance of member attendance.

RESOLVED – That the update from the Audit, Standards and Risks Advisory Panel meeting on 8 October 2021 be noted.

24 **Health and Safety Update**

R Adams introduced a quarterly report of health and safety issues within the South Yorkshire Mayoral Combined Authority organisation and estate.

Key points arising from members' discussion are summarised below:

- The report was welcomed as was the visibility provided by the Gantt charts and the inclusion of 'near misses'.
- R Adams advised that she would liaise with the Health and Safety Advisor as to whether work had been undertaken to identify whether any improvements could be made at the Barnsley Interchange and what mitigation measures were in place with regards to the specific elevator incident referred to in the report.
- A written response would be provided as to the monitoring of speed limits at the Barnsley Interchange and whether operators were abiding by the set speed limit.

ACTION: R Adams to follow up on the information requested in relation to the Barnsley Interchange.

RESOLVED – That the members of the Audit, Standards and Risk Committee present noted the report.

25 **Strategic Risk Monitoring**

L Morris presented a report which provided an update on the Strategic Risks of the Mayoral Combined Authority (MCA), highlighted risks that had closed, new risks added and an update on actions.

Members were advised that the PTE's risks had been analysed alongside those of the MCA to look at them in totality and create a global position in terms of the risk environment.

A block of risks remained, predominantly related to the operational transport element and these had been analysed further to map against the concerns raised by the Advisory Panel. These would be further reviewed at the combined Management Board and risk workshop in November.

Plans were in place to review the risk management frameworks of both the PTE and MCA, as well as good practice guides from outside of the organisations to bring together a new framework to operate from April 2022 and build in a consistent and standard approach across the organisation.

Key points arising from members' questions and discussion are summarised below:

- The potential challenge presented to the organisation by the election of a new Mayor, in that any change of leadership could cause disruption, was acknowledged, but the wording of the risk would be reviewed to ensure that the context was clear.
- A new risk had been added in relation to the integration process given that it had the potential to create disruption to the focus of the business and impact on the delivery of the Corporate and Business Plan. There was a separate integration risk register which provided a greater level of detail.
- In response to feedback that the significant risks in relation to public transport were not clearly visible in the heatmap, it was noted that this was referenced in Risk 5 of the budget and financial management risks ie the systemic loss of commercial viability of the SYPT network and calls for greater public subsidy. It was also noted that there was limited scope to mitigate locally beyond lobbying for Government support.
- The aforementioned dashboard, with accompanying Gantt charts, would be key in enabling the committee to focus on the top 5-10 risks. R Adams highlighted several key risks that might be included within that, namely:
 - public transport
 - economic restructuring and rebalancing which given the funding mix constraints, was a long-standing issue in South Yorkshire
 - the impending comprehensive spending review and potential risks to local authority and partners' delivery programmes in a post pandemic world,

- and
- o An internal operational risk which could potentially impact on the capacity and capability to deliver the programme arising from significant issues in the labour market and recruitment to certain posts.

R Adams concluded that a concerted view of the Management Board's top risks would be brought to the Committee.

In addition to those risks highlighted by R Adams, R Jarvis also referred to the critical risk of climate change.

The huge challenges and risks in relation to the public transport network were discussed as was the difficulty in strategic planning, given the need for Government direction and financial support.

It was noted that the Transport & Environment Board were currently looking at commissioned research as to what a good network could look like and a paper in relation to regional options was due for MCA consideration shortly.

R Jarvis advised that there was a strong focus on public transport at the Sub-Panel and highlighted the fragility of operators due to lack of patronage and the risk that they could either fold or withdraw from providing future service if there was no financial gain. R Jarvis noted that this issue would become more acute from 2024 when the current tram concession – which has insulated the MCA from revenue and operating risk – ends, with full responsibility returning to the MCA.

A Marshall added that the Sub-Panel had noted the integrated nature of the travel systems and how they impacted on each other, which in turn affected the passenger response.

RESOLVED – That members of the Audit, Standards and Risk Committee present reviewed the updated position on strategic risks and the associated controls and actions planned.

26

Procurement of the External Auditor

G Sutton presented a report in relation to the appointment of an external auditor to undertake the annual statutory audit process.

It was noted that the MCA's current audit arrangements were due to come to an end by March 2023 and a decision was now required on how to appoint an auditor from 2023/24 onwards. Whilst the appointment of the external auditor was a matter reserved to the Board, the Audit and Standards Committee were asked to consider the options available and the recommendation that the MCA opt-in to the PSAA arrangements.

RESOLVED – That the members of the Audit, Standards and Risk Committee present endorsed the proposal to opt-in to the PSAA arrangements.

27 **Governance Improvement Plan 2021/22 - Progress Update**

R Adams presented a report which provided an update on progress against the 2021/22 Governance Improvement Plan.

A question was raised as to Action No 4, which was marked as on track in the narrative, but had moved from green to amber in the RAG rating. In response R Adams advised that the action had previously been coded as green at the early outset but had moved to amber in recognition of the complexity of the work. It was noted that work was still progressing and to the same timescales.

In response to a question regarding plans to improve committee attendance, Dr Adams advised that a stocktake would be undertaken and followed up with local authorities as required. The Chair also voiced concerns as to attendance and it was confirmed that member attendance statistics were published and included with the Annual Report.

RESOLVED – That the members of the Audit, Standards and Risk Committee present noted the information.

28 **Internal Audit Plan Progress Report**

L Mackenzie presented a report which provided an update on the progress of the 2021/22 Group Internal Audit Plan.

In response to a question regarding the progress of last year's planned IT advisory report, members were advised that a draft report had been received and a final report was expected in the near future.

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

- (i) Joint MCA & SYPTE audits
- (ii) MCA audits
- (iii) SYPTE audits.

29 **Internal Audit Recommendation Tracker Report**

L Mackenzie presented an update on the implementation of the recommendations made by Internal Audit.

RESOLVED – That the members of the Audit, Standards and Risk Committee present noted the progress of the implementation of internal audit recommendations.

30 **Internal Audit Reports**

L Mackenzie presented a report which outlined the remaining Internal Audit Reports from the 2020/21 Internal Audit Plan.

Members welcomed the progress made from the previous internal audit report.

RESOLVED – That the Audit, Standards and Risk Committee members present noted the findings and recommendations on the internal audits on fraud and procurement as outlined in Appendices A and B respectively.

31

Integration Update

R Adams presented a report which provided an update on the programme of activity being undertaken to create a single integrated MCA organisation.

Members' attention was drawn to the fundamental milestone of integration into a single organisation by the end of the financial year. In parallel to that, it was hoped that Government would have enacted all the legal processes to dissolve the PTE by that time. Two landing points had been put in place for both the integrated organisation and parliamentary process objectives.

It was recognised that the confirmation regarding the order was out of MCA's hands as it was a parliamentary process to dissolve the PTE. Feedback from Government was that whilst recognised as a priority, it would not be taken as a stand-alone piece of legislation. Officers were pushing hard to seek parliamentary time.

It was noted that if parliamentary confirmation had not been received by 7 January 2022, then it was highly unlikely that the formal order to dissolve the PTE would be in place for the end of the financial year.

In preparation for both of the aforementioned landing points, members were advised that detailed planning for the implementation of an integrated organisation by April 2022 was underway and planning for a scenario in which the parliamentary order was not passed, was due to commence shortly.

Key points arising from members' questions and discussion are summarised below:

- One of the key benefits of integration was the integration of data and intelligence and greater insight into service construction based on better quality information.
- It was not intended to wait another financial year if the parliamentary order was not passed by the required deadline.
- It was confirmed that the first major milestone in relation to the organisational model was on target.
- Work was ongoing at both a Programme and Management Board level to determine whether there were any significant risks posed by integration to the overall corporate organisation. This included a detailed look at the operational transport risk and a risk workshop scheduled for mid-November.
- With regards to the programme delivery slippage outlined at Appendix A, it was noted that whilst website development had been curtailed due to access to skillset, it would not impact on integration if it was not ready to go live by April 2022.

In relation to the financial activities outlined, G Sutton outlined changes to the current banking arrangements and service level agreement with SCC had been mutually agreed and would not affect the overall timeline.

Work in relation to changes to the financial regulations and new contract procedure rules had slipped. However, the capacity constraints in those areas had been addressed and there was sufficient time between now and March 2022 to get work back on track.

RESOLVED – That the members of the Audit, Standards and Risk Committee present noted the report.

32 **Breach Report**

G Sutton presented a report which provided details of occasions where the Contract Procedure Rules (CPRs) had been breached.

It was noted that adherence wasn't simply a matter of compliance, but also about evaluating processes to identify why breaches had occurred and what lessons could be learned

Members were advised that the 2 breaches presented, whilst relatively minor in value, did speak to systemic issues, particularly in relation to a lack of knowledge and understanding. Measures had been put in place to refresh the induction pack and improve communication of the rules and processes.

RESOLVED – That members of the Audit, Standards and Risk Committee present noted the report.

33 **Work Plan**

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

Whilst mindful of the extremely busy forthcoming agendas, the Chair referred to the need for environmental matters to be considered as part of the work programme.

ACTION: Dr Adams to liaise with the Chair as to how best to incorporate environmental updates into the Work Plan.

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

Signed

Name

Position

Date