

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 24 MARCH 2022 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Phillip Lofts (Chair)	Barnsley MBC
Angela Marshall	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Ken Richardson	Barnsley MBC
Councillor Sioned-Mair Richards	Sheffield City Council

In Attendance:

Peter Clark	Internal Auditor	Grant Thornton
Lisa Mackenzie	Internal Auditor	Grant-Thornton
Dr Dave Smith	Chief Executive / Head of Paid Service	SYMCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	SYMCA Executive Team
Mike Thomas	Senior Finance Manager/ Deputy S73 Officer	SYMCA Executive Team
Claire James	Interim Integration Programme Manager	SYMCA Executive Team
Liz Morris	Risk Manager	SYMCA Executive Team
Tim Taylor	Director of Public Transport Operations	South Yorkshire Passenger Transport Executive

Apologies:

Councillor Austen White	Doncaster MBC
Councillor Joanna Baker-Rogers	Rotherham MBC
Dan Spiller	External Audit
Hassan Rohimun	External Audit
Reyna Ramdhani	External Auditors
Dr Ruth Adams	SYMCA Executive Team

Absent

Cllr Ben Curran Sheffield City Council

19 **Welcome and Apologies for morning session**

The Chair welcomed everyone to the meeting.

It was noted that Cllr R Jones and R Jarvis were attending virtually and would therefore not be officially classed as present at the meeting or able to vote, therefore the meeting was not quorate.

Apologies were noted as above.

20 **Urgent Items/Announcements**

None.

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

None.

22 **Declarations of Interest by any Members**

None.

23 **Reports from and Questions by Members**

None.

24 **Questions from Members of the Public**

None.

25 **Minutes and Actions of the Previous Meeting held on 27 January 2022**

It was noted that a Treasury Management tutorial had not been arranged as mentioned on page 12 of the minutes. Members expressed the wish that this should still go ahead and it was agreed to arrange the tutorial in the near future.

Action: Treasury Management workshop to be arranged. C Marriott.

T Taylor confirmed that there was no outstanding litigation against the SYMCA that had resulted from accidents with the Operators.

RESOLVED – That the minutes of the meeting held on 27th January 2022 be agreed as a true record.

26 **Update from ASRC - Advisory Panel Meeting - verbal**

A Marshall gave an update from the recent Advisory Panel meeting.

Matters covered included:

- Business Update, a focus on the drop on patronage, government funding and possible service cuts by the operators
- Performance Dashboard – a focus on customer service.
- Internal Audit – to be discussed today.
- External Audit – disappointment expressed there was no officers present from EY. MCA officers to advised the Panel that there would be a delay to the external audit timetable.
- Continued work is underway on the Risk Management Framework.
- The PTE Risk Register - looking particularly at risks with a safety element.
- The deep dive on bus and other transport issues had been completed.
- There were two remaining deep dives to be completed on the Enhanced

- Partnership and the Capital Programme – dates are to be arranged.
- An update on the Integration Programme.
- The Panel were reminded that there would still be two legal organisations until formal dissolution of the PTE and work arounds were in place to manage that.
- The future of the Panel post 1 April 2022. This was being referred back to the Committee for decision as to whether there was any future need for the Panel after the final PTE accounts had been signed off.

The Chair felt it would be useful for the Panel to make some recommendations to the Committee as to its future.

Cllr Richards commented that she found the report from the Panel useful and suggested the Panel should also look at the planned 'lessons learned' report following the completion of integration. It was also suggested that, going forward, the Panel could be used to look at some meatier issues and report back to the Audit, Standards and Risk Committee.

The Chair thanked A Marshall for the update.

27

Strategic Risk Monitoring

L Morris presented a report which provided an update on the MCA's corporate risks which had been devised and reviewed over the previous months. The Management Board had re-considered the Corporate Risk Register during a meeting devoted to the topic of governance in February 2022. The latest version of the Corporate Risk Register was attached at Appendix A to the report.

The report provided the Committee with a narrative summary setting out key activity the MCA was taking against the high and medium/high corporate risks. At Appendix B, was the proposed final version of the Risk Management Framework document including a Risk Appetite Statement which had been prepared following a request from the Committee. A heatmap and bar chart had also been created, again at the request of the Committee, and was included in the body of the report.

Since the paper had been written an announcement had been made that additional recovery funding would be available for bus and light rail, and an additional risk had been added in relation to the Adult Education Budget. At the time of writing, supplier monitoring visits were being undertaken to provide forecasts for the end of the year. The current forecast for this risk was medium/high and the Committee was asked to note this. It was also noted that the Education, Skills and Employability Board had recently received a performance report with regard to the Adult Education Budget.

Cllr Richards queried how much risk there was around the potential for policy change after the election of the new Mayor, and what was being done to prepare for this.

D Smith replied that there was potential for significant change. Once nominations had closed, candidates would issue their manifestos which officers

could then analyse to understand priorities and prepare a position for each candidate.

Alongside this there was the MCA Board made up of the four local authority Leaders who had already set policies which were expected to remain and provide some continuity.

Cllr Richards suggested that the new Mayor be invited to a meeting of the ASRC. This was agreed.

Action: The newly elected Mayor to be invited to attend an ASRC meeting.

Cllr Auckland commented on the 'red' risks across bus and tram which were dependent on government funding, the mitigations of consultations before changes to bus services and the position of the reserves to support services beyond October when government emergency funding ceased. T Taylor replied that Operators had to formally give 70 days' notice of any statutory changes to their network, officers had already been sighted on and had discussions regarding proposed service changes.

With regard to the reserve, G Sutton informed the Committee that the £7m reserve was there to provide a bridge to a commercially sustainable network and was not a sustainable source of long-term funding.

In answer to a question from A Marshall, L Morris informed the Committee that it was the intention that the MCA Board would receive an annual report on the Framework documents including the full position on risks.

It was noted that the risks presented to the Committee in the future was in development and would become clearer as the portfolio of risks was built up.

D Smith commented that it was in everyone's interests that the Committee had everything it needed to assist the organisation to identify and address risks. The situation would be kept under review.

RESOLVED – That the Committee note the report and note the inclusion of the additional risk around the Adult Education Budget.

28

Internal Audit Reports

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

E Mayne informed the Committee that she was moving to another portfolio and introduced Peter Clark, currently the Public Sector Director within Grant Thornton who will be undertaking the role of Head of Internal Audit.

L Mackenzie reported that 185 days of the planned 211 days of the revised joint plan had been delivered. No final report had been produced since the last meeting of the Committee. Fieldwork was in progress in respect of the Risk Management review and scoping and planning had commenced on respect of the governance review.

The following changes had been made to the Audit Plan:

- 24 days had been removed and would be used for completing a value for money review of Community Transport.
- Following discussions with Executive Officers, it had been proposed to roll the review of AEB forward into the 2022/23 Audit Plan to enable a first full cycle review – 28 audit days to be carried forward.

In response to a question from A Marshall, it was confirmed that the review of Community Transport would commence in April 2022.

Tracker Report

L Mackenzie reported that there were no overdue recommendations and seven recommendations had been implemented since the last meeting. It was noted that there were a number of recommendations that were due by the end of March.

RESOLVED – That the Committee note the report and recommend approval of the changes to the Audit Plan contained within the report.

Cllr Otten joined the meeting remotely at this point.

29

Integration Update

C James presented a paper reporting on the assurance activity for the Integration Programme.

It was noted that work to mobilise the first phase of integration to form a single organisation, the implementation of the organisational design and operating model was on track to complete before the end of the financial year. All major milestones had been met however the legislative order to formally dissolve the PTE had not met the original anticipated timescale of year end. It was noted that officials had now confirmed the key milestones to ensure that the order is progressed during 2022/23.

The ASRC Advisory Panel had considered a summary of the assurance activity undertaken by the programme Management office at its meeting on 10 March 2022. The report to the Panel also set out the Programme Closure Plan which aimed to ensure the Programme was closed in a controlled way and the maximum benefit was extracted.

The Programme Closure report would be considered by the Programme Board on 29 March 2022 and would be circulated to the Panel for information.

It was noted that work would be undertaken to review workstreams and programme level risks and map them to corporate risks and to inform risk consideration at a business plan level.

A Marshall conveyed congratulations to all involved for keeping the project on track.

At this point the meeting broke for lunch.

30 **Welcome and apologies for afternoon session**

The Chair welcomed everyone to the afternoon session of the Committee and noted apologies from Cllr Richardson and M Thomas.

31 **2022/23 Internal Audit Plan**

A report was submitted which provided an update on the progress of the 2022/23 Internal Audit Plan.

The report described the background information taken into consideration when pulling the plan together and also looked at previous internal audit work and the strategy that was set in previous years.

L Makenzie informed the Committee that the draft plan consisted of 237 days which included 28 brought forward from the previous year and took into consideration the 41 days taken out of the previous years' plan towards the Community Transport review.

The days had been broken down into areas which were considered to be core to being able to give a Head of Internal Audit opinion. There was also a focus on specific follow-up work where there had been a partial assurance opinion, namely the Asset Management review and the Supplier Resilience review.

The remainder of days had been discussed with management and they had been split over the three key risk areas identified for the year which were the Adult Education Budget, Integration and the Net Zero Governance piece. An indicative timeline for the plan was contained within the report. It was noted that the plan was subject to discussion as it was recognised that priorities could change during the year.

The Committee discussed the apparently excessive number of days for the Community Transport Review. L Mackenzie explained that the review would be conducted by a specialist advisory team and not carried out at the agreed internal audit day rate. The days had been calculated on an almost 2 for 1 basis as the specialist advisory team had much higher day rates.

RESOLVED – That the Committee recommend approval of the draft Internal Audit Plan for 2022/23.

32 **Committee Effectiveness**

A report was considered which outlined the purpose of the annual effectiveness survey and provided, for information, the questions posed to members via an online survey active between 8 and 21 March 2022.

The survey concentrated on three main areas, the skills and knowledge of the Committee, relationships between members and officers and administration and operational requirements.

It was noted there had been a 2/3rds response rate.

C James gave a presentation of the results which included:

- Skills and knowledge - members were asked to rate their understanding of the role and responsibilities of the Committee – average score was 4 (out of a possible 5).
- Effectiveness of the Committee in key areas of accountability – this showed an opportunity for improvement particularly in relation to understanding the control environment.
- Members' knowledge of the core business of the organisation and wider political landscape – this gave an equal split of satisfaction and dissatisfaction.
- Areas for knowledge and development included the control environment and MCA strategies and plans.
- Concern was expressed with levels of elected member attendance.
- Respondents acknowledged the range of expertise brought in by the independent members.

The Committee was informed that next steps were to work through the detail and the comments and develop an action plan and to feed the results and plan into the Chairs' report to the MCA.

The Chair commented that attendance was not satisfactory from elected members, although acknowledging in some cases there could be good reasons for this. He also acknowledged the 'churn' in membership due to election results.

The Committee discussed the issue at length, making the following comments/suggestions:

- Appointing more independent members to the Committee.
- Consideration of remuneration for Committee members.
- Automatically appointing the Chair of each local authority's Audit Committee to the MCA Audit Committee.
- The importance of a strong induction process.
- Giving voting rights to independent members.
- The value of having the work of the Committee recognised.

Action: The Committee agreed unanimously that the matter of attendance needed to be addressed and asked officers to prepare an options paper with a view to increasing member attendance.

RESOLVED – That the report and survey findings be noted.

Initial findings of the Annual Governance Review

A report was submitted which provided the Committee with the initial findings of the Annual Governance Review which had been carried out in line with CIPFA guidance and indicated the high-level areas of governance improvement.

It was noted that through work undertaken to date, a good level of compliance had been identified.

Activity had included Group Management Board workshops and a broader discussion which reflected on the challenges faced by the organisation and the effectiveness of governance for dealing with these.

Key areas for governance improvement were across four broader areas and had a clear relationship with the CIPFA principles of good governance.

These were:

- Strategy
- Stakeholder Relationships
- Customer Focus
- Organisational Development and Capability

Management Board were working through the detail in each area to develop the improvement plan for 2022/23.

Next steps included the circulation of a draft governance plan to members during April for comment and a draft Annual Governance Statement presented to members to the Committee meeting in June which would also include the governance plan.

RESOLVED – That the report be noted.

34 **Annual Review of Code of Corporate Governance**

A report was submitted which presented a Code of Corporate Governance for the integrated organisation.

The Committee noted that, in line with a commitment to review the Code of Corporate Governance annually, the existing MCA Code had been reviewed against the CIPFA framework taking into account the priorities and operating environment of the single organisation from 1 April 2022. The proposed Code recognised that the SYPTE would still exist as a legal entity until the point of formal dissolution and therefore was still required to have a formal statement in place. Key areas of enhancement were contained within the report.

Members were informed that the Code of Corporate Governance would be presented to the MCA Board in June 2022 for approval.

RESOLVED – That the report be noted.

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

The Committee considered a report which provided an update on progress against the 2021/22 Governance Improvement Plan.

Members were reminded that the Governance Improvement Plan 2021/22 contained 23 actions, some with two aspects – a development stage and an

implementation stage. As the financial year was ending, there were some areas or actions that would transition into the new year including the target operation models for financial management, procurement and programme management as well as collaborative working mechanisms and continual improvements to programme development.

It was noted that there would also be some continuing work on developing reporting arrangements for monitoring corporate and business plans and ensuring corporate governance oversight.

RESOLVED – That the Committee note the final status of the Governance Improvement Plan.

36 **Assurance Framework**

Members were informed that every year the MCA and LEP were required to update and publish the Assurance Framework to outline the robust, transparent and effective governance arrangements in place. Following devolution, the Assurance Framework also needed to be approved by four government departments. The MCA was also required to produce and publish a Monitoring and Evaluation Framework.

A report was submitted that summarised the amendments that had been incorporated into the Assurance Framework following an initial review by the government. It was noted that the frameworks would be published on the MCA website in draft form on 31 March 2022, pending government approval.

Members were informed that the draft Assurance Framework (at Appendix A to the report) incorporated the re-branding of the MCA, the name changes for the MCA and LEP and the integration of SYPTE with the MCA, including transport operations.

The key amendments to the Framework following the government's initial review were:

- Structure Diagram – updated chart for the MCA Executive Team following the integration of the MCA and SYPTE.
- Updated Assurance Process.
- Inclusion of Key Performance Indicators.

RESOLVED – That the Committee:

- i) Note, at section 2.2 of the report, the key amendments that had been made to the Assurance Framework following the initial review by government.
- ii) Recommend adoption of the updated Assurance Framework set out at Appendix A.

37 **Committee Work Plan**

The Committee considered its Work Plan.

C James commented that an item on Health and Safety had been scheduled for every meeting but the cycle of meetings did not tie in with Committee meetings. A report, when available, would be circulated outside of the meeting.

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

Signed

Name

Position

Date