

## SYMCA Audit, Standards and Risk Committee Annual Report

2022

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## **Contents**

### **Foreword from the Chair of the Audit, Standards and Risk Committee**

#### **1. Introduction**

#### **2. Membership**

- Gender balance
- Nomination of Chair and Vice-chair

#### **3. Highlights of the year**

- Summary of work undertaken in 2021/22
- Internal Audit
- External Audit

#### **4. Performance Information**

- Quorum and attendance
- Report publication
- Public engagement

#### **5. Self-Evaluation of Committee Effectiveness**

- Skills and knowledge
- Relationships and communication
- Administrative and operational arrangements
- Outcome

#### **6. Effectiveness Improvement Plan**

## **Foreword from the Chair of the Audit, Standards and Risk Committee**

I am pleased to present the report of the Audit, Standards and Risk Committee for the year 2021/22. The report covers the period from 1 April 2021 to 31 March 2022 and is the first annual report prepared by the Committee since its establishment.

I was elected Chair at my first meeting of, what was then, the Sheffield City Region (SCR) Audit and Risk Committee. It has been a baptism of fire for me as chairperson of, what I consider to be an interesting and informative committee, whose role is to be sighted on some of the most important issues in local government. During the year, proceedings have often been made more difficult by Covid forcing remote working, in addition, the organisation has undergone a significant change programme to integrate the Authority with the Passenger Transport Executive, part of this being a name change to 'South Yorkshire Mayoral Combined Authority' (SYMCA), which better describes the Authority's and Committee's ambit.

Besides the audit and risk functions of the committee there have been clear organisational issues which flow from its constitution. As we make the transition from SCR to SYMCA and from Mayor Jarvis to Mayor Coppard, it is appropriate that changes to the constitution are duly considered to ensure the committee be seen to be effective on behalf of the residents and communities of South Yorkshire to whom the Committee is accountable.

As Chair of the Committee, with its membership drawn from all authorities and all political parties', I have felt that proceedings have often been unwieldy. I am therefore keen to explore some of the options for improving the effectiveness of the committee as set out in section six of this report, including comprising the committee of local authority audit chairs and the potential provision of allowances.

I would like to extend my thanks to independent members Angela Marshall and Rhys Jarvis for their valuable input, particularly on the transition to a new single organisation, and to elected members and officers for their hard work on the issues addressed by the committee day to day.

***Cllr Phil Lofts, Chair – SYMCA Audit, Standards and Risk Committee***

## 1. Introduction

This report is produced in accordance with best practice guidance<sup>1</sup> and demonstrates the Authority's commitment to operating the highest standards of governance. It demonstrates how the Audit, Standards and Risk Committee has successfully fulfilled its terms of reference and overseen improvements to the Authority's governance arrangements, risk management arrangements and control environment.

The Committee plays a key role in ensuring that the organisation is fulfilling its legal obligations, complying with statutory requirements, is managing risk effectively and has robust control measures in place for all devolved powers and funding. The Committee advises on the adequacy and effectiveness of governance arrangements and scrutinises, reviews and endorses the Treasury Management Strategy, Financial Regulations and statutory accounts, before they are finalised and presented to the MCA Board for approval.

Minutes of the Committee's meetings are available on the Authority's website<sup>2</sup>.

## 2. Membership

The Audit, Standards and Risk Committee comprises 12 members: ten elected members nominated by the four South Yorkshire Local Authority's, and <sup>3</sup>two independent members appointed by the MCA. The quorum for meetings is two thirds.

As required by 'The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017'<sup>4</sup> the membership of the Committee, so far as reasonably practical, reflects the balance of political parties of the constituent councils (as per the outcome of the 2021 local elections) The re-appointment in 2021 of a number of members who had served on the Committee in the previous year, provided a level of continuity.

During the year the membership comprised the following:

<b>Councillor</b>	<b>Party</b>	<b>Authority represented</b>
Councillor Allan Jones	Conservative	Doncaster MBC
Councillor Austen White	Labour	Doncaster MBC
Councillor Ben Curran	Labour	Sheffield City Council
Councillor Emily Barley	Conservative	Rotherham MBC
Councillor Ian Auckland	Liberal Democrats	Sheffield City Council
Councillor Joanna Baker-Rogers	Labour	Rotherham MBC
Councillor Joe Otten	Liberal Democrats	Sheffield City Council
Councillor Ken Richardson	Labour	Barnsley MBC
Councillor Phillip Lofts	Labour	Barnsley MBC
Councillor Sioned-Mair Richards	Labour	Sheffield City Council
Angela Marshall		Independent
Rhys Jarvis		Independent

*Table 1 Audit, Standards and Risk Committee membership*

To support quoracy requirements, the Committee has in place a 'reserve' member arrangement for elected members. Reserve members are as follows:

<sup>1</sup> <https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

<sup>2</sup> <https://governance.southyorkshire-ca.gov.uk/mgCommitteeDetails.aspx?ID=142>

<sup>3</sup> [The Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#) requires the authority to appoint at least one independent person

<sup>4</sup> [The Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#)

<b>Reserves</b>	<b>Party</b>	<b>Authority represented</b>
Councillor Barry Johnson	Labour	Doncaster MBC
Councillor Dianne Hurst	Labour	Sheffield City Council
Councillor Glenn Bluff	Conservative	Doncaster MBC
Councillor John Clarke	Labour	Barnsley MBC
Councillor Mick Stowe	Labour	Barnsley MBC
Councillor Tim Huggan	Liberal Democrats	Sheffield City Council
Councillor Tony Browne	Labour	Rotherham MBC
Councillor Tracey Wilson	Conservative	Rotherham MBC

*Table 2 Audit, Standards and Risk Committee reserve membership*

## **Gender balance**

During the year the gender balance of the substantive membership of the committee (including independent members) was 66% male and 33% female.

## **Nomination of Chair and Vice-chair**

The Terms of Reference state that the Committee should be chaired by an Elected Member and the Vice-chair should be an Independent Person. Appointments are made annually at the first quorate meeting of the Committee after the Authority's AGM. Cllr Phil Lofts was elected Chair and, independent member, Rhys Jarvis, Vice-chair at the meeting held <sup>5</sup>15<sup>th</sup> July 2021.

## **3. Highlights of the year**

The main outcomes and benefits of the work of the committee during the period have included:

- An unqualified External Audit opinion on the 2020/21 Statement of Accounts, confirming their accuracy and completeness
- The recommendation of the 2020/21 accounts (in line with the amended timetable) to the MCA
- A positive opinion from the Head of Internal Audit in their 2020/21 Annual Report
- The development of a Risk Management Framework for the new integrated organisation
- The establishment of the Audit, Standards and Risk Panel to ensure sufficient and effective risk assurance and oversight of operational transport issues including health and safety, PTE accounts as well as assurance around the programme to integrate the PTE and MCA. The Panel is chaired by independent member Angela Marshall and reports to the Committee at each meeting.

## **Summary of Work Undertaken in 2021/22**

The Committee agreed a work plan at its meeting in July 2021 and included the following issues as standing items on all of its agendas:

- The monitoring of strategic risk and the development of a new risk management framework for the single integrated organisation
- The progress of the internal audit plan
- The progress of actions taken to address internal audit recommendations
- Monitoring of the Authority's Governance Improvement Plan

<sup>5</sup> <https://governance.southyorkshire-ca.gov.uk/ieListDocuments.aspx?CId=142&MId=386&Ver=4>  
SYMCA Audit, Standards and Risk Committee Annual Report 2022

In addition, during the year the Committee has considered the following matters:

- Breaches of contract procurement rules
- Health and Safety reporting
- Treasury Management Strategy
- Code of Corporate Governance revision
- Annual Governance Review process and findings
- The development of the Annual Governance Statement
- Governance and assurance arrangements for the programme dealing with the integration of the PTE and MCA

### **Internal Audit**

The Authority's internal audit function is provided by Grant Thornton. Representatives of Grant Thornton attended every Committee meeting during the year.

The Committee reviewed the audit plan and progress against it on a continual basis. The Committee received and considered the results of 14 internal audits which resulted in 63 formal audit recommendations. The audits and audit opinion can be found in appendix A.

\*At time of writing, delivery of the 2021/22 Audit Plan is still in progress.

### **External Audit**

The Authority's external audit function is provided by Ernst and Young who attended three out of six meetings during the period.

Two recommendations were made as part of the 2020/21 external audit. These were in respect of the control environment and related to reviews of the fixed asset register and a review of disclosure notes. Both of these have been addressed as part of year end processes.

## **4. Performance Information** (supporting data provided at appendix A)

### **Quorum and attendance**

Six meetings were held between June 2021 and March 2022. Three were quorate and three were not quorate.

### **Report publication**

For the meetings held between June 2021 and March 2022 a total of 66 reports were considered by the Committee. Only two reports were published late.

### **Public Engagement**

- Attendance by members of the public and press

The Audit, Standards and Risk Committee is a statutory meeting, is required to be held in public and receive and answer public questions.

No members of the public attended any of the Audit, Standards and Risk Committee meetings during the year or submitted any questions.

- Webcast

Meetings of the Audit, Standards and Risk Committee are webcast live and made available on the Authority's website for six months, after which, they are archived and available on request.

Live and archived views during the period 10 June 2021 to 31<sup>st</sup> March 2022 total 297.

- Website page hits

For the meetings held between June 2021 and March 2022 the Committees webpage received 500 visits.

## **5. Self-Evaluation of Committee Effectiveness**

The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that Audit Committees undertake an assessment of their own effectiveness annually. A survey to facilitate this took place in quarter four, closing on 22<sup>nd</sup> March. Based on the substantive membership of the Committee the survey received around a two thirds response rate.

The survey focussed on 3 key areas – skills and knowledge, relationships, and administrative and operational arrangements. The key findings are as follows:

### **Skills and Knowledge**

Feedback indicated that Members were confident of their understanding of the role and responsibility of the Committee however, there was a range of responses about the level of understanding of the key areas of accountability as outlined in the terms of reference. The results indicated a desire for further training and awareness around such things as the control environment but, indicated a level of confidence around the review and recommendation of the statement of accounts.

There was a mixed level of satisfaction on whether the Committee possessed knowledge of the core business of the organisation, the wider political landscape and other relevant strategic issues. In line with this, when asked about specific areas of development, the findings indicated that Members were keen to understand more about the control environment, strategies and plans and the wider context that the MCA operates in.

Members were also asked how new members could be better supported when joining the Committee. There was a clear indication that it would be beneficial for new members to undergo a comprehensive orientation or induction session about their role and about the MCA, along with an informal meeting with other members and a short reading list.

### **Relationships and Communication**

Members were asked to rate the effectiveness of the relationship and communication with each other and between members and officers. A range of responses were given but there was an indication that relationships are effective. However, there were some concerns raised about the level of attendance at meetings and the lack of opportunity to build relationships with members from other local authorities.

The survey also sought opinion about the effectiveness of the relationship between the Committee and the MCA and Mayor. The results highlighted that there is a desire to have a more productive relationship however, the Committee recognised that whilst this would be beneficial, it would be important to maintain a level of independence.

## Administrative and Operational Arrangements

The final section of the survey asked members about their satisfaction with the administrative and operational arrangements for the Committee.

Feedback indicated that, in terms of conciseness, relevance and quality, there was a good level of satisfaction with committee papers however, responses also indicated that document packs could sometimes be hard to navigate electronically and challenging to read, particularly where excel spreadsheets are used. It was also clear that verbal reports are less welcome and should be minimised.

There was a level of satisfaction with the number and range of non-member participants at meetings and that the workplan for the Committee met assurance requirements and supported the Committee in meeting its accountabilities.

When asked about the quality of debate and discussion at meetings there was a range of opinion. The contribution and expertise brought by the independent members was acknowledged and some suggestions were made about the structure of the agenda (dividing items for information and decision or discussion) to allow for greater focus on key issues. There were further concerns raised about attendance levels and the amount of time available for detailed discussion.

## Outcome

The outcome of the survey was considered by the Committee at their meeting 24<sup>th</sup> March and the issues were discussed at length. Officers were asked to explore the following matters when developing an effectiveness improvement plan:

- Increasing the number of independent members to the Committee
- Consideration of remuneration for Committee members
- Automatically appointing the Chair of each local authority to the Committee
- The importance of a strong induction process
- Giving voting rights to independent members
- The value of having the work of the Committee recognised

The Committee agreed unanimously that the matter of attendance needed to be addressed.

## 6. Effectiveness Improvement Plan

Officers met with the Chair on 17th May to explore the options for responding to the findings of the survey to drive improvement.

	Potential barriers to participation and contribution	Possible options and actions
1.	<b>Board membership and composition</b> The Combined Authorities (Overview and Scrutiny Committees, Access to	<ul style="list-style-type: none"> <li>• Undertake an open recruitment exercise to renew and grow the independent membership of the Committee</li> </ul>

	<p>Information and Audit Committees) Order 2017 requires</p> <ul style="list-style-type: none"> <li>- at least one independent member to be appointed to the Committee</li> <li>- requires the Committee, so far as reasonably practicable, reflect the balance of political parties among members of the constituent councils when taken together</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce the number of elected members on the Committee to one from each local authority whilst still maintaining political balance</li> <li>• Explore possibility of Local Authority Chairs automatically assuming membership of the MCA Committee</li> </ul>
2.	<p><b>Quoracy requirements</b></p> <p>The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 specifies the minimum number of members present to transact business be no fewer than two-thirds of the total number</p>	<ul style="list-style-type: none"> <li>• Explore whether a smaller more focussed Committee has a positive impact on attendance and quoracy and facilitates a deeper level of debate and discussion. MCA Board to consider options in June.</li> <li>• Pro-active interventions by Democratic Services Team to encourage attendance.</li> </ul>
3.	<p><b>Voting rights to independent members</b></p> <p>The MCA Constitution states that independent persons are non-voting positions.</p>	<ul style="list-style-type: none"> <li>• The Committee is not decision making. It makes recommendations and the independent role has influence on those made.</li> </ul>
4.	<p><b>Meeting schedule</b></p> <p>Meeting dates and times are scheduled well in advance, avoid local authority full council dates, published on the Authority's website and are communicated to local authority democratic services teams when seeking nominations.</p>	<ul style="list-style-type: none"> <li>• Explore if a different time of day for meetings would be more suitable for members</li> <li>• MCA Democratic Services team to contact members prior to meetings and identify where a substitute/reserve member may need to be contacted</li> </ul>
5.	<p><b>Remuneration/allowances</b></p> <p>The MCA Constitution specifies that no allowances will be payable by the Authority.</p>	<ul style="list-style-type: none"> <li>• Awaiting confirmation of legislative changes that are contained in the Levelling Up Bill which will set any parameters around allowances. Consider an amendment to the MCA Constitution as appropriate when required.</li> </ul>
6.	<p><b>Induction, training and engagement</b></p> <p>Member development is scheduled on the Committee workplan however, at times other priorities have meant it has not taken place. Previously, where training has been delivered, attendance has been low.</p>	<ul style="list-style-type: none"> <li>• Agree training requirements and schedule</li> <li>• Explore more flexible ways of delivering induction and training e.g. webinars, recorded presentations</li> <li>• Explore possibility of more informal elected member events and engagement with the Mayor</li> </ul>

	Induction has focussed on essential requirements e.g. accessing papers, meeting protocol and dates.	<ul style="list-style-type: none"> <li>Democratic Services Team will supply all Elected Members with an 'Information Pack' summarising how to access papers, meeting dates etc.</li> </ul>
<b>7.</b>	<b>Report style and content</b> Reports utilise the standard MCA board paper template and papers are checked for accessibility.	<ul style="list-style-type: none"> <li>Continue to develop the report format for risk management reports to reduce the use of spreadsheets</li> </ul>

*Table 3 Effectiveness Improvement Plan*

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