

MCA - AUDIT, STANDARDS AND RISK COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 9 JUNE 2022 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Phillip Lofts (Chair)
Rhys Jarvis (Vice-Chair)
Angela Marshall
Councillor Austen White

Barnsley MBC
(Independent Member)
(Independent Member)
Doncaster MBC

In Attendance:

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
Steve Davenport	Chief Legal & Monitoring Officer	SYMCA Executive Team
Lynne Sutton	Health and Safety Advisor	SYMCA Exec Team
Claire James	Head of Corporate Governance	SYMCA Executive Team
Liz Morris	Risk Manager	SYMCA Executive Team

Apologies:

Councillor Emily Barley
Dan Spiller
Hassan Rohimun
Lisa Mackenzie
Dr Ruth Adams

Rotherham MBC
External Audit
External Audit
Internal Audit
SYMCA Executive Team

38 **Welcome and Apologies**

S Davenport welcomed everyone to the meeting.

It was noted that D Smith and P Clark were attending virtually.

Apologies were noted as above.

39 **Appointment of Chair and Vice Chair**

Cllr I Auckland nominated Philip Lofts to be Chair. This was agreed by all members.

R Jarvis nominated himself as Vice-Chair and this was agreed by all members.

Cllr I Auckland welcomed everyone to the meeting and thanked them for nominating him as Chair again. He touched upon the new changes to committee membership, from ten members to four, which has been agreed by the MCA Board on a one-year trial period.

40 **Urgent Items/Announcements**

None.

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

None.

42 **Declarations of Interest by any Members**

None.

43 **Reports from and Questions by Members**

None.

44 **Questions from Members of the Public**

None.

45 **Minutes of the Previous Meeting held on 24 March 2022**

These were agreed as a true and accurate record, other than the one item as below.

A Marshall questioned paragraph 31 regarding the Internal Audit Report. She does not believe the committee had taken 41 days from the previous year's plan but 24. She believes the 41 days refers to the amount of time to be spend on the Community Transport Review. **ACTION:** G Sutton to follow up with internal audit colleagues and clarify this point.

46 **Matters Arising/Action Tracker - Update**

M Thomas updated the committee on the Treasury training they requested in a previous meeting. He stated that there has been a slight delay due to the membership changes to the committee, but his team are working on this and he will come back to the committee with proposed dates when he is able to.

47 **Annual Report of the Chair of the Audit, Standards & Risk Panel and Verbal Update**

A Marshall gave an update to the committee.

The panel met on the 21st May with two independent members in attendance. There was a business update to bring the panel up to speed on current developments. She notes that the main update was the confirmation of Government funding until October, with a significant amount of this going to the trams. This had a condition that we had a Network Review, which will go to the MCA Board in July. Decisions need to be made on what network we want to provide and what network we can afford.

Capital schemes and the delays to these were also discussed and conversations with the Department for Transport are continuing on how this can be progressed and funding maintained. This is an issue across the country that has been compounded by the pandemic and rise in inflation.

The panel has some concerns about the deliverables for the authority in the Audit Plan for next year from the Net Zero Audit but they have been assured by the Internal Auditor that further conversations will be had around this.

Finally, A Marshall advised that the future of the panel – now that integration is complete – was discussed. They concluded that although there are some areas in which the panel could support the committee, it was for the committee to decide whether it needed a panel to do, and what the function of this panel would be. **ACTION:** Democratic Services to add this as an agenda item for the next meeting.

The Chair opened it up for questions and comments from members.

Cllr Auckland queried A Marshall about some of the specifics of her report relating to a specialist team from the internal auditor's future advisory work.

The Chair referred to A Marshall and asked her if she had anything else to add in terms of her report. She did not. R Jarvis concluded that it was a very full report and agreed with A Marshall's previous comment about the disappointing attendance at the Panel. He suggests that the role of the panel is added to the next meeting agenda so members can debate it and decide how to take it forward. **ACTION:** Democratic Services to look at the agenda for the next meeting and add this item on if there is time to do so.

The Chair thanked Angela.

RESOLVED: That members noted the contents of the report.

Risk Management

L Morris introduced the item and gave a brief update. She noted that the paper covered two main areas: the risk management development activity and how we are progressing, as well as the key risks to the organisation.

In terms of the developments, the Risk Management Framework is being implemented and are progressing well. Workshops are being delivered with business plan owners and members of the respective team. The workshops include:

- a presentation on the core principles of risk management to provide training to drive consistency.
- socialisation of the Risk Management Framework and discussion about what that means for the directorate, managers and teams.
- workshops have then been focused on a Control, Risk Self-Assessment exercise to identify, assess and evaluate risks taking account of the business plan deliverables.

Consideration has been given to any outstanding risks arising in the workstreams of the Integration Programme, aligned risks from the 4Risk system used by Operational Transport and also the stood down MCA risk registers.

Since the ASRC paper was written and the table and pie chart prepared further progress has taken place, 18 out of 21 workshops have been delivered, 12 teams have an initial risk register finalised, in so much as they can be, 6 have draft risk registers and 3 workshops have been booked in the diary with preparation work either complete or in progress.

Once all the risk registers are in place, the MCA will then be in a position to enhance the reporting into ASRC to include high level risks and to de-escalate the lower-level risks in line with the Risk Management Framework.

Work is underway to test a Risk Management technical system to operate as the central repository for risk and to facilitate much of the reporting. Much of the graphics in this paper have been derived from that system as we have input the Corporate Risks as part of our testing of the demonstration model. L Morris said that she would be interested to hear if members are now content that the report addresses the request for additional dashboard information.

Regarding the actual high and medium high-level risks, Operational Transport presents concerns, including:

- The value of the Recovery Funding to 4th October has been defined and is insufficient to meet the needs of the existing network. Work continues in this area.
- Funding for the Bus Service Improvement Plan was not awarded by Government and despite this the MCA continues to progress the Enhanced Partnership arrangements to the original timescales.
- Regarding the work associated with the end of the Tram Concession a paper is to be presented to the MCA in July covering Options & Assessment of Operating Models.

The risk relating to the Integration Programme has been closed in light of the

move to Business as Usual arrangements and any residual risks considered within the risk workshops.

We also propose to close the risk relating to the Mayoral Election at the point the risk becomes spent, which is the end of this month.

The Chair opened it up for questions and comments from members.

R Jarvis offered that in the year that L Morris has been involved there has been a vast improvement and that he is impressed at this. R Jarvis offered his congratulations and L Morris should take a great deal from that. He expressed that he liked the graphs throughout the paper.

R Jarvis said that he had some questions, on p32, the red risks are sitting in the Operational Transport area, and they are also recorded in the Infrastructure and Place Directorate. He asked if the Executive Director post for that Directorate, that was advertised a few months ago, had been filled. The Chief Financial Officer, G Sutton, responded and informed members that role is currently filled by M Swales, but it is currently out for recruitment due to his new role, as of the 1st July as the Interim Chief Executive. Also, Strategic leads are in place in that Directorate including a Strategic Transport lead and a Public Transport lead. He assured members that progress is being made to fill outstanding posts to build on the Target Operating Model.

R Jarvis continued to ask about resourcing risk and the proposed rail strike and visibility of such risks.

L Morris confirmed to members that within the Corporate Risk Register there is a risk relating to Workforce and additionally resourcing risks are being identified within team risk registers. The intention is that once all team risk registers are in place the MCA will be able to assess any correlation to the Corporate Risks and escalate as necessary. This is part of the work in progress.

S Davenport agreed and explained that resourcing is picked up in most of the departmental plans. The MCA has a recruitment drive to deliver the operating model proposed through the Integration Programme. The rail strike is not a direct risk to the MCA however, high inflation and pay claims going up is likely to impact more widely. Similar risks are coming up across all sectors. He added that the MCA is having a significant recruitment drive and have increased capacity in Human Resources to help with this. R Jarvis asked whether the organisation is having to put up salaries to attract people through recruitment. S Davenport remarked that this was entirely dependent on the sector and the organisation addresses these risks as they arise.

The Chief Executive, D Smith, added that as we are trying to manage this in difficult circumstances, the Head of HR is now reporting weekly to the leadership board, so we can look at the issues arising because of this and to consider the tactics we are deploying to attract the right candidates to the roles. The organisation's critical roles have been filled on an interim basis whilst recruitment takes place and they are not left empty.

G Sutton added that the pressures the organisation is facing are not just due to

internal vacancies but also because of vacancies in partner organisations as well, such as construction roles, employees within Adult Education Providers and also within Internal Audit Providers. The pressures in our partners are impacting on us.

The Chair opened the floor up to questions and comments.

Cllr Auckland clarified with L Morris on her question within the presentation and whether the paper met the needs and previous requests for dashboard information from members of the Committee. He agreed that it is comprehensive and meets the need raised during previous meetings. A Marshall seconded this and joined R Jarvis in congratulating L Morris on her success since joining the MCA and on the Committee and stated that it was a very good report. A Marshall also asked officers who will be picking up L Morris's work when L Morris has moved on. C James confirmed that this will sit within her Governance team.

RESOLVED: That members noted the updated position and raised any questions necessary.

49 **Draft Accounts Progress Report**

M Thomas introduced the report and gave a brief overview of it.

The draft accounts for 2021/22 are underway and in a final review and moderation stage. G Sutton and M Thomas are due to meet next week to discuss the PTE accounts, and then following week M Thomas and A Marshall will meet. The target for publication is the 30th June, which is one month before the statutory deadline.

H Rohimun from EY could not attend the meeting but M Thomas spoke to him the day before. The committee was informed that the good news was that EY have found a replacement for Reyna who was the previous Audit Manager. However, it is proving to be a challenge to get the new person confirmed within EY. The final bit of negotiation is in getting the audit underway and the timelines for this. EY's proposal does not fit with what they originally told M Thomas they were going to do, and M Thomas needs to work out how close they are planning to conduct the Audit to the statutory deadlines so the committee can review and scrutinise this prior to publication.

The Chair asked for further clarification around EY confirming a manager and whether it will delay anything. M Thomas confirmed that the only potential difficulty would be if the delay in confirming the appointment of the manager caused a delay to the planning stage of the Audit which is currently scheduled for the week commencing the 4th July. M Thomas has requested for a meeting with the new manager at least a week in advance of the planning audit to ensure they have set out their 'prepared by client' schedule which acts as a checklist for items the organisation needs to prepare in advance of the audit visit to ensure the best use of time. This should also minimise the amount of substantive testing required at the final stage and therefore speed up the process.

Cllr Auckland remarked that the deadlines seem very tight. M Thomas recognises this and some of the frustrations the committee has with the issues that have been arising in terms of the audit. M Thomas reassured members that he has contacted the independent body and let them know of the challenges we have had as requested by the Chair. He has asked for guidance from the PSAA on how to tackle these quality issues. Cllr Auckland noted that there is a reporting chain that we can pursue internally which may make someone take notice. He added that the committee has had to have a special meeting to agree the audit for the last two years and would like to avoid it this year. G Sutton remarked that there are two key parts to this – the items we can control and the ones we cannot. He noted that M Thomas's team is doing a great job at ensuring we are ready to go when the audit takes place so that will not be the cause of any delays. Members were reminded that the MCA was in the 9% of Local Government who met the statutory deadline for audits last year.

The committee agreed that they are concerned with how the audit process is continuing.

The Chair asked whether it would make a difference if we had a different external auditor or not. M Thomas informed the committee that the contract with EY is for five years and so we will not have the option to appoint another external auditor until after the end of the audit of next year's accounts. He added that we will be advised next year about who this new auditor will be. The Chair clarified his point and was not meaning we should change auditors now but asking if all auditors are bound by the same restrictions. M Thomas referred back to G Sutton's previous comments relating to the under-staffing and recruitment issues the external auditors are all facing.

R Jarvis remarked that our delay has always been due to the valuation of the pension fund, and they are still in dispute. M Thomas asked this to H Rohimum during their previous phone call and H Rohimum has assured him that he will have this conversation with Deloitte and come back to this committee with an update when one is available. **ACTION:** M Thomas to arrange an offline conversation between him, Cllr Lofts and H Rohimum. G Sutton updated the committee on the pension funds and said that it is often due to significant items in Q4 which means they have to revalue their portfolio. In recent years, this has been impacted by the UK's exit from the European Union, Covid Lockdowns and this year it may be impacted by the War in Ukraine.

RESOLVED: That member noted the progress of the preparation of the 2021/22 Annual Accounts and the indicative timetable for the publication of the audited Statement of Accounts.

50

Internal Audit Reports

P Clark introduced this item via teams and briefly ran members through the paper pack.

1. Progress Report – This provides an update on the progression of the internal audit plan 2021/22. It was noted that the draft Risk Management Report had been issued since the Committee last met and a significant

assurance with some improvements required rating had been given.

The Chair opened it up to questions and comments from members.

All were in favour.

2. The Recommendation Tracker - This report provided a status update on the internal audit recommendations and actions. In total Internal auditors have been tracking against 28 live actions – 14 have now been implemented, 9 are not yet due and 5 are now overdue. None of the overdue actions are high risk. It was noted that there would be further updates provided by the end of June.

R Jarvis noted that the ability to close out the requested recommendations is an issue that comes up frequently and recognised that this had improved. He asked P Clark how much of this was down to rescheduling.

A Marshall queried the deadline on implementing the overdue recommendations. G Sutton responded and noted that work is underway but not completed yet. M Thomas provided an update on the outstanding recommendation around fraud and confirmed a risk assessment for fraud in all management areas will be ready by the end of this quarter, 30th June.

3. Draft annual report – P Clark noted that this is a draft report and will be finalised at the conclusion of the Governance audit. It was reported that the final Head of Audit Opinion is expected by the end of June. It was noted there have been no non-assurance reports issued during the year and there have been 34 recommendations issued throughout the year, all of which have been accepted by management. The interim opinion for 21/22 is significant assurance with improvement required.

The Chair opened this up for questions and comments.

A Marshall questioned the governance audit that is still being completed and whether the outcome would affect the Head of Internal Audit Opinion. P Clark assured the committee that theoretically, it could however, it is extremely unlikely when taking all audit outcomes into account.

RESOLVED: That members noted the progress of the 2021/22 audit activity and approved any changes to the Internal Audit Plan.

51

Findings of the Annual Governance Review and Draft Annual Governance Statement (including Governance Improvement Plan 2022/23)

C James introduced this item and reported on the findings of the 2021/22 Annual Governance Review and presented a draft Annual Governance Statement including a Governance Improvement Plan.

The paper outlined the process undertaken for the Annual Governance Review.

Members were asked to consider the statement and improvement plan and recommend any amendments or additions ahead of presentation to the

Combined Authority meeting on 25th July. No changes were recommended.

RESOLVED: The Committee agreed the draft Annual Governance Statement and Governance Improvement Plan and recommended its presentation to the MCA Board 25th July.

52

Draft Chair's Annual Report

C James introduced the Audit, Standards and Risk Committee Annual Report which summarised the work of the Committee during 2021/22, demonstrated how it had fulfilled its terms of reference and provides assurance to the Authority on governance arrangements, risk management arrangements and the internal control environment.

The Committee were asked to consider the draft Annual Report and recommend any amendments or additions ahead presentation to the Mayoral Combined Authority meeting on 25th July.

ACTION: C James to circulate the missing appendices following the meeting.

A Marshall commented on committee membership and was surprised by the fact that committee had reserve committee members in place, yet so many meetings had not been quorate. She asked how confident officers are that, given the smaller membership, quoracy would improve. S Davenport responded that the democratic services team would be much more proactive going forward to ensure members are aware of meetings and reserves are contacted if they are not available. The 12-month trial of a smaller, more focussed committee would demonstrate the success of this approach. The Chair added that there had always been an inherent difficulty with the reserve list as often if he is in a meeting he cannot miss, it is likely that his substitute cannot either if it is a party or council-specific meeting.

S Davenport confirmed that prior to the decision to move to 4 members, research had been undertaken to establish the size of other Mayoral Combined Authority Audit Committees. The Chair concluded by saying he believed current members would be committed to the committee and he hoped this would mean that future meetings would be quorate.

Cllr Lofts queried whether the forward plan of meeting dates had been circulated to members. He suggested that all members should be provided with these and liaise with substitutes in advance of the meetings to identify any clashes. The Committee was reassured that the dates are already planned, and they have been checked against key council dates for all South Yorkshire Local Authorities as much as possible.

ACTION: Democratic Services to ensure the dates are in all members' diaries and circulate an email with these so they can forward plan and discuss with their reserve if they are not able to attend.

R Jarvis commented that a member was missing today and there was a nominated reserve therefore questioned why there was no representation from Rotherham. The Chair noted that it was the first meeting of the new committee

and asked members to be patient.

A Marshall commented that the effectiveness improvement plan would be clearer if the action to undertake a recruitment exercise to renew and grow the independent membership was changed to 'replace'. C James noted this.

RESOLVED: That members considered the draft Annual report and recommended amendments ahead of its presentation to the MCA Board in July.

53 **Health and Safety Update/Report**

L Sutton introduced the report and asked for any questions or concerns from members.

R Jarvis asked for more details on the 'near misses' as he noted that there were a few and he was conscious that they could lead to something if not tackled. L Sutton reassured the committee that there was nothing in relation to the MCA's own interchanges. In relation to the tram and buses, L Sutton noted that it is very difficult to get information from providers as they are not required to provide information. R Jarvis stressed the importance for partners to share this information and asked if there was a way of pressurising them to provide us with this information. **ACTION:** L Sutton to have a conversation with Tim Taylor and ask him to put pressure on the partners. Chair asked if there was anything else we could do for the information. S Davenport confirmed that L Sutton was correct in terms of legal powers, but as they are meant to be in partnership, there may be levers we can pull to get this.

A Marshall asked who has the ultimate legal responsibility for accidents. S Davenport confirmed that it depends on where the accidents take place. If it takes place on the bus or the tram themselves, it is down to the operators, in the interchanges it would be the MCA.

R Jarvis noted that there are some things that came out of the report into the accident in Croydon that are the MCA's responsibility now. S Davenport confirmed that we are and there is a Safety & Management System in place.

Cllr Auckland agrees with the comments on the spirit of partnership and would appreciate knowing why transport partners do not want to share their data and the committee would be interested in why that is. L Sutton confirmed she has tried this but has gotten nowhere yet but will try again. S Davenport confirmed that efforts will be redoubled, and pressure will be put on going forwards.

Chair thanked L Sutton for her report.

RESOLVED: That the Board noted and discussed the contents of the report.

54 **Breach of Controls Report**

G Sutton had nothing to report.

Chair opened it up to members to ask questions. There were none.

Work Plan

C James introduced the item and advised that at the next meeting, she will bring a forward plan for the year.

A Marshall questioned why the climate change paper was not on this agenda. The Chair seconded this point. **ACTION:** C James to check why the climate change paper has been pushed back.

RESOLVED: That members reviewed the work plan and agreed any changed or additional items to be scheduled.

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

Signed

Name

Position

Date