

# SOUTH YORKSHIRE MAYORAL COMBINED AUTHORITY

## Governance

Internal audit report 10.23/24

FINAL

10 May 2024

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# 1. EXECUTIVE SUMMARY

With the use of secure portals for the transfer of information, and through electronic communication means, 100 per cent of our audit has been conducted remotely. Remote working has meant that we have been able to complete our audit and provide you with the assurances you require. Based on the information provided by you, we have been able to sample test to complete the work in line with the agreed scope.

## Why we completed this audit

On the 5 June 2023, a report named 'The MCA Review and New Governance Model' was presented to Mayoral Combined Authority (MCA) Board which presented the final proposals of the new governance model (which was based on a Cabinet leadership style), the proposals for streamlined decision making, and confirmation of when the Business Advisory Board (BAB) and the Mayor's Economic Advisory Council (MEAC) would begin to meet. We conducted a review to provide assurance that the governance structure changes had been embedded within the MCA and the arrangements were delivering the required outcomes in engagement, decision making, transparency and accountability. We also conducted interviews with the following members to gauge their views and opinions on these changes to seek to identify further improvements:

- Chief Executive Doncaster Council;
- Executive Director of Resources and Investment;
- Corporate Director Growth, Business and Skills;
- Sheffield Councillor - Portfolio Lead;
- Barnsley Councillor; Chair of Audit, Standards and Risk Committee and
- Sheffield Councillor - Chair of Overview and Scrutiny Committee.

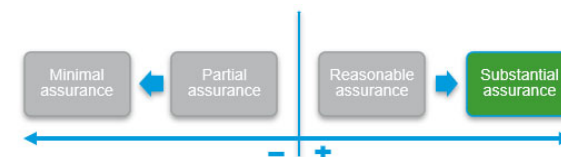
## Conclusion

We confirmed that the MCA had embedded the new governance structure and from the feedback provided from the individuals interviewed, we were informed that the changes were delivering the required outcomes. We have however highlighted one area for improvement, specifically regarding the lessons learnt process from the initial changes made. The review has led to the agreement of one low priority action with management.

### Internal audit opinion:

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Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and effective.



## Key findings

**Our audit review identified that the following controls are suitably designed, consistently applied, and are operating effectively:**



We obtained the meeting minutes of the MCA Board for 5 June 2023, through review we confirmed that present in the meeting was the South Yorkshire Mayoral Combined Authority (SYMCA) Mayor who was the Chair, alongside Leaders of the four constituent local authorities. The agenda for the meeting included a report on 'The MCA Review and New Governance Model' It was noted that the Mayor and Leaders had requested the review and that the Board had approved the work detailed within the report to be taken forward.



To support engagement with the private sector and facilitate accessibility to economic growth expertise in championing South Yorkshire, the introduction of the Business Advisory Board (BAB) and the Mayor's Economic Advisory Council (MEAC) was announced. The changes made to the governance structure have been incorporated into the Constitution. Through review of the Constitution we noted that Section 8 'Committees of the Authority' now includes details of the BAB and MEAC Advisory Boards and Appendix Four is the Terms of Reference for BAB and Appendix Five is the Terms of Reference for MEAC.



Appointed members of the BAB and MEAC were provided with communication outlining their responsibilities for the role both prior to and during the recruitment process. Upon successful selection, Terms of Appointment were issued to these members, encompassing terms and conditions supported by the Members' Code of Conduct, the Terms of Reference of the respective Advisory Boards, and a Register of Interests Form. Upon appointment, members were mandated to complete the Register of Interests Form and acknowledge the Terms of Appointment. The relevant staff members were made aware of the Cabinet style within the MCA Board meeting on the 12 September 2023 which confirmed the appointment of the relevant leaders to each portfolio. This was then briefed to all members of staff through the intranet website, which was confirmed during this review.



The MCA Board received updates on the progression of the governance structure changes on the 31 July 2023, 12 September 2023 and 14 November 2023 which was confirmed through review of meeting minutes and the webcast available on the MCA website. The structure was implemented following the MCA Board meeting on 14 November 2023.



We interviewed six key stakeholders involved in the governance structure, all of whom have been affected by the recent structure changes. Our sample confirmed unanimous agreement among stakeholders that the new structure represents a success compared to the previous working model. They all acknowledged that the new Cabinet style facilitates improved collaboration among the various authorities within the MCA, ensuring the appropriate involvement of key individuals during the phases before the need to go to MCA Board



Interviews with the six key stakeholders confirmed they thought the required outcomes are being met in the areas, engagement, decision making, transparency and accountability following the implementation of changes in the governance structure.

**Through the interviews with key stakeholders, there was suggested areas of improvement to continue the success of the change. These are outlined below:**



Greater attendance could be achieved by offering an allowance, similar to other bodies across South Yorkshire, to incentivize members to participate.



One stakeholder expressed uncertainty about whether the portfolio leads are adequately covering the necessary level of information during their meetings with officers. To improve their internal processes, SYMCA could consider implementing additional touch points or conducting analysis of portfolio meetings.



More clarity regarding strategic goals would emphasise the importance of having a clear supporting plan in place. A performance management system and a transparent dashboard would enable effective monitoring of whether strategic goals are being achieved by the MCA.



Enhancing relationships among leaders could lead to improvement. Spending more time together outside of formal decision-making settings, would facilitate smoother formal conversations by creating a better rapport and understanding among leaders.

**Details of the low priority management action can be found within Section 2 of this report.**

## 2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Lessons Learned				
<b>Control</b>	The MCA is actively identifying challenges, extracting valuable lessons from the implementation of structural changes, and taking proactive measures if urgent adjustments are deemed necessary. However, there is presently no formalised process in place to capture lessons learnt and to document actions for improvements.	<b>Assessment:</b>		
		<b>Design</b>		×
		<b>Compliance</b>		-
<b>Findings / Implications</b>	<p>Through discussion with the Head Of Corporate Governance it was advised that the MCA were assessing the impact of implementing the new governance structure on an ongoing basis, and refining the supporting processes as arrangements continue to embed. Therefore, when evaluating whether the changes have been successful in achieving the intended objectives, the experience of key stakeholders should be taken into account. We confirmed there is no formalised approach to a 'lessons learnt' process and analysis that would facilitate the identification and documentation of any improvement actions required to address any areas of weakness and capture organisational learning. However, we recognise that the commission of this internal audit assignment seeks to independently facilitate a similar process. Through interviews with six key stakeholders who have been impacted by the governance change the following feedback was notable:</p> <ul style="list-style-type: none"> <li>• In two interviews, the stakeholders advised that at the time of the audit, they felt that there were no improvements required as the arrangements were still embedding</li> <li>• In one interview, the stakeholder suggested that greater attendance could be achieved by offering an allowance, similar to other bodies across South Yorkshire, to incentivize members to participate. They emphasized that increased attendance would lead to greater challenge and rigor in decision-making processes</li> <li>• In one interview, the stakeholder expressed uncertainty about whether the portfolio leads are adequately covering the necessary level of information during their meetings with officers and that to improve internal processes, SYMCA could consider implementing additional touch points or conducting analyses of portfolio meetings. This would ensure that the appropriate content is being discussed and addressed during these sessions.</li> <li>• In one interview, the stakeholder highlighted that more clarity regarding strategic goals would emphasise the importance of having a clear supporting plan in place. They suggested that a performance management system and a transparent dashboard would enable effective monitoring of whether strategic goals are being achieved by the MCA. It was felt that this could be driven through the governance structure.</li> <li>• In one interview, the stakeholder suggested that enhancing relationships among leaders could lead to improvement. They recommended spending more time together outside formal decision-making settings and that this approach would aim to facilitate smoother formal conversations by allowing better rapport and understanding among leaders.</li> </ul> <p>Where these lessons/observations/opinions are not being actioned, there is a risk that the new structure is not performing at its optimum effectiveness leading to reduced quality of outcomes.</p>			
<b>Management Action 1</b>	The MCA will develop and implement a proportionate approach to lessons learned for any major change programmes, from which the results will feed into the relevance governance structure.	<b>Responsible Owner:</b>	<b>Date:</b>	<b>Priority:</b>
		Head Of Corporate Governance	31 July 2024	Low

## APPENDIX A: CATEGORISATION OF FINDINGS

### Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*	Non Compliance with controls*	Agreed actions		
			Low	Medium	High
Governance	1 (8)	0 (8)	1	0	0
<b>Total</b>			<b>1</b>	<b>0</b>	<b>0</b>

\* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

# APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

## Scope of the review

The internal audit assignment has been scoped to provide assurance with regard to how the MCA manages the following objective:

### Objective of the review

The governance structure changed from June 2023 with the restructuring of the Boards. This review will assess whether those changes have been effectively embedded and rolled out, and whether these are delivering the required outcomes.

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## 1.2 Scope of the review

The following areas will be considered as part of the review:

- Whether the changes to the governance structure have been clearly defined and communicated, with key outcomes documented.
- Whether the MCA take an informed decision when adopting the new governance model.
- Whether key documentation such as the Scheme of Delegation and Terms of Reference have been updated based on the structure changes.
- Whether staff and members understand their roles and how this has been communicated to them in an effective manner.
- Whether updates have been provided to the MCA Board and other governance forums on the progress of the changes to the governance structure.
- How the MCA are monitoring the success of the changes including whether it meets the required outcomes.
- How the MCA are identifying challenges and lessons learned from the rollout of the structure changes and incorporating these into future changes.
- We will undertake interviews with key staff and members to identify the following:
  - Whether the required outcomes are being met in areas such as
    - Engagement
    - Decision making
    - Transparency
    - Accountability
  - Whether they understand their role in the new structure.
  - What improvements could still be made.

**The following limitations apply to the scope of our work:**

- The scope of the work is limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- We will not comment on the effectiveness of the board or sub committees nor decisions made.
- We will not comment on the appropriateness of decisions to appoint committee members.
- Any testing will be completed on a sample basis.
- We will not confirm that the outcomes of the structure changes have been met.
- We will not comment on the adequacy of the changes made.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.



<b>Debrief held</b>	28 March 2024	<b>Internal audit Contacts</b>	Rob Barnett, Head of Internal Audit
<b>Draft report issued</b>	10 April 2024		Anna Mullen, Associate Director
<b>Responses received</b>	10 May 2024		Aaron Macdonald, Manager
			Sam Hammond, Lead Auditor
<b>Final report issued</b>	10 May 2024	<b>Client sponsor</b>	Steve Davenport, Director of Legal and Governance
			Claire James, Head of Corporate Governance
		<b>Distribution</b>	Steve Davenport, Director of Legal and Governance
			Claire James, Head of Corporate Governance

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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