

## AUDIT, STANDARDS AND RISK COMMITTEE

### MINUTES OF THE MEETING HELD ON:

WEDNESDAY, 20 MARCH 2024 AT 10.30 AM

SOUTH YORKSHIRE MCA, 11 BROAD STREET WEST,  
SHEFFIELD, S1 2BQ



### Present:

Councillor Phillip Lofts (Chair)  
David Phillips (Vice-Chair)  
Councillor Ian Auckland  
Paul Schofield

Barnsley MBC  
Independent Member  
Sheffield City Council  
Independent Member

### In Attendance:

Gareth Sutton	Executive Director of Resources & Investment	SYMCA Executive Team
Mike Thomas	Assistant Director of Finance & Deputy s73 Officer	SYMCA Executive Team
Simon Tompkins	Finance Manager	SYMCA Executive Team
Owen Campbell	Assistant Director of Financial Services	SYMCA Executive
Claire James	Head of Corporate Governance	SYMCA Executive Team
Clare Monaghan	Executive Director of Policy and Strategic Development	SYMCA Executive Team
Melanie Corcoran	Executive Director of Transport	SYMCA Executive Team
Tim Taylor	Director of Public Transport Operations	SYMCA Executive Team
Lyndsey Whitaker	Senior Economic Policy Manager	SYMCA Executive Team
Sean Rodgers	Quality, Health, Safety & Environment Officer	SYMCA Executive Team
Ellen Hinsley	Minute Taker	SYMCA Executive Team
James Boyle	External Auditor	KPMG
Aaron Macdonald	Internal Auditor	RSM
Anna Mullen	Internal Auditor	RSM
Hassan Rohimun	External Auditor	EY

### Apologies:

Councillor Austen White

City of Doncaster Council

## 224 Welcome and Apologies

The Chair welcomed all to the meeting and noted apologies as above.

225 **Urgent Items/Announcements**

An urgent item had been received in the form of the following question from a member of the public:

*“In light of the Judicial Review ruling in the West Midlands which quashes the transfer of PCC powers to its mayoralty, has the government also conducted an illegal consultation in South Yorkshire for the transfer of PCC powers?”*

*Anyway, 65% of consultees disagreed with the transfer of PCC powers to the South Yorkshire mayoralty.*

*What happens now?”*

In response, the Executive Director of Resources & Investment stated that the challenge had related specifically to the West Midlands Order. As there had been no legal challenge to the South Yorkshire Order, Government was proceeding with the transfer of functions to the next South Yorkshire Mayor following the elections in May. It was noted that legislation had already passed through the Houses of Commons and Lords and was currently awaiting being signed into law by the Home Secretary.

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

None.

227 **Declarations of Interest by any Members**

The Vice Chair declared that he was a Member of the South Yorkshire Police and Crime Commissioner Board.

228 **Reports from and Questions by Members**

None.

229 **Questions from Members of the Public**

One question had been received from a member of the public. This was considered under agenda item 2, Urgent Items/ Announcements.

230 **Minutes of the Previous Meeting held on 13th December 2023**

**RESOLVED** that the minutes of the meeting held on 13<sup>th</sup> December 2023 were agreed as a true and accurate record.

231 **Change of Agenda Order**

In order to accommodate attendees present at the meeting, it was agreed to change the order in which items were considered. The minutes reflect the order of the meeting.

## External Audit Update

The EY External Auditor introduced an item on the External Audit Update. He advised that correspondence shared with officers confirmed that work on the audit was substantially complete, including work on the pension fund.

The Department for Levelling Up, Housing & Communities (DLUHC) and the National Audit Office (NAO) had issued a consultation on the backlog of outstanding audits and proposed arrangements to reset the market. This included a report which set out legislative changes in the accounts and audit regulations with the aim of:

- Clearing historic audits by September 2024; and
- Addressing systemic changes needed in the market.

It was anticipated that the 2022/23 financial statements opinion would be disclaimed as part of these arrangements, however, Value for Money (VfM) work was in progress and a draft was expected in April. Following the conclusion of the consultation the outputs would be put forward to a liaison committee meeting in April to agree a way forward.

In response to questions on fees from Members the EY External Auditor advised that audit fees were set by Public Sector Audit Appointments (PSAA) who had confirmed that they would be communicating any fee changes following the consultation. He added that numerous factors had led to the current state of the market which were outlined in the consultation documents and various reports received by the Committee. It was emphasised that this was a national issue with the external audit market as a whole and there was nothing that the MCA could have done to resolve this.

**ACTION: The EY External Auditor to share the wording of the disclaimer with officers before it was issued.**

The Executive Director of Resources & Investment also noted dissatisfaction with the process. Government had set challenging deadlines which had put the MCA and its officers under pressure to publish documentation on time, only for the information to then not to be audited.

**RESOLVED** that the Committee note the update.

## Update on External Audit Plan 2023/24

The KPMG External Auditor delivered a verbal update on the External Audit Plan 2023/24.

A revised date for the completion of the External Audit Plan had been set for the end of April. KPMG External Auditors had been liaising with management and had been assured that any outstanding information would be supplied shortly, which would enable the publication of the Plan before the end of April. He added that engagement with management was ongoing, to ensure any issues were addressed as soon as possible.

Members raised concerns around the resourcing of the audit, to which the KPMG External Auditor stated that they were confident that the audit could be undertaken effectively. There was a detailed resourcing plan in place for different scenarios and additional staffing would be added as and when needed.

**RESOLVED** that Members of the Committee note the update.

#### 234 **Health & Safety Update**

The Committee received a report on health and safety issues within the MCA and its estate, covering the period from 1<sup>st</sup> October to 31<sup>st</sup> December 2024.

Regarding the incident where a man had slipped on an escalator at the Frenchgate Centre in October, Members were informed that he was still receiving medical treatment but was recovering. At the time of the incident the escalator had been turned off according to protocol due to low footfall after 7pm.

The Executive Director of Resources & Investment added that it had been agreed to resource an improved information management system as requested in the health & safety business plan for 2024/25.

**RESOLVED** that the Committee note the contents of the report.

#### 235 **Tram Mobilisation Update**

The Executive Director of Transport provided a progress update on the tram transfer programme ahead of its reverting to public ownership on 22<sup>nd</sup> March.

In terms of governance, the MCA Board had endorsed the South Yorkshire Future Trams Ltd (SYFTL) Business Plan, including the division of oversight between SYFTL and the MCA. It was proposed that the remit of the Audit, Standards & Risk Committee be extended to include SYFTL as a subsidiary of the MCA. The 2024/25 revenue budget had also been approved and the shadow board had been meeting since December.

It was also noted that since the previous meeting:

- 93% of over 300 supplier contracts were now in place;
- New staff accommodation had been secured and refurbishment was in progress;
- New retail app had been developed and was in testing;
- Training on new handheld ticket machines successfully delivered;
- Various engagement sessions with staff had been held to support with the transition.
- Safety certificate to operate tram train had been received from the Office for Road & Rail.

Although there was still work to do for the transition date, all outstanding items were expected imminently. The Executive Director of Transport confirmed that a smooth handover was expected.

The Executive Director of Resources & Investment advised that SYFTL was wholly owned by the MCA, and the majority of directors would be MCA employees, making it a publicly run company.

Members noted their thanks to officers for their hard work in delivering such a large and complex project.

**RESOLVED** that Members of the Committee note the content of the slides.

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### **Bus Reform Update**

Members were given an overview of the franchising assessment process following the MCA Board's decision to proceed to the independent audit stage the previous week.

As part of the assessment a number of options were considered, including the current enhanced partnership model, an enhanced partnership plus, and four variations of franchising with different asset ownership options. The assessment had concluded that franchising option B was the preferred option. This would see the MCA taking ownership of both depots and fleet and give greater overall strategic control over the network.

The MCA was currently in the process of appointing an independent auditor. Once the audit had been completed, the results would go to the MCA Board where a decision on whether to proceed to a public consultation would be taken. Following a public consultation, the Mayor would be asked to make a final decision on which option to implement. It was anticipated that the final decision would be taken no sooner than 12 months' time.

In response to questions, the Executive Director of Transport confirmed that ideally the ageing fleet would be replaced by electric vehicles (EV), however these would likely be introduced in phases as the existing buses reached end of life. She noted that with the MCA owning the fleet and depots, this would allow for new entrants to the market and more competition. In terms of the risk of a judicial challenge, she advised that the MCA was following the legislation extremely closely in order to minimise this.

The Director of Public Transport Operations added that South Yorkshire had learnt from the experiences of other combined authorities who were further along in the process. Regarding the budgets for concessions and tendered services, he added that where less spending was used on concessions there was the possibility that this could be used to improve routes, but at the moment it was being used to support routes which would have otherwise been lost.

Members raised questions around whether funding allocations were likely to change should there be a change in government and were informed that in terms of City Region Sustainable Transport Settlement (CRSTS) there had been no suggestion that existing funding would be amended by a future government. The MCA would be setting out a level of ambition in its refreshed Bus Service Improvement Plan (BSIP) with the aim of securing greater funding in future.

It was noted that as a fundamental test was the affordability of a franchised system, prudent assumptions had been made to demonstrate that the network could be managed even with declining patronage.

**RESOLVED** that Members of the Committee note the update.

237 **Bus Data Quality Audit Recommendations Update**

The Committee received an update on the progress made around the bus data quality audit, following actions and recommendations raised at the previous meeting.

Six recommendations had now been confirmed as closed, with the remaining two in progress. These were:

- Completing a gap analysis on the data.
- To understand the relative profitability of bus services at an individual group level.

**RESOLVED** that Members note the update.

(Cllr Lofts left the meeting and D Phillips assumed the chair.)

238 **Internal Audit Plan Progress Report (including Annual Performance Report)**

Members were informed of the progress made on the 2023/24 Internal Audit Plan. It was noted that:

- 2 reports had been finalised.
- 2 reviews were nearing completion and would be completed by year end.

**RESOLVED** that the Audit, Standards and Risk Committee consider the Internal Audit Progress Report.

239 **PCC Update**

The Executive Director of Policy & Strategic Development presented a progress update on the proposed Police & Crime Commissioner (PCC) integration.

The relevant statutory instruments had now passed through parliament, and it was understood that the Home Secretary would be signing the transfer order into law imminently.

A mayoral election was then expected to be held on 2<sup>nd</sup> May for a Mayor who would also exercise PCC functions. Following the election, all PCC functions would transfer to the Mayor and the role of the PCC would be abolished. A Programme Board had been established to ensure a smooth transition of functions, with four working groups focussing on specific areas.

It was noted that an independent audit committee was required to be established. Work was ongoing to consider how this committee and the Audit, Standards & Risk Committee would interact with Members being included in these discussions as they progressed.

**RESOLVED** that Members of the Committee note the update.

## 240 **Internal Audit Reports**

The Committee was presented with the findings and recommendations of the recent internal audits on Adult Education Budget (AEB) and the Assurance Framework.

The internal audit on AEB had received reasonable assurance. Two medium and one low priority actions had been identified, relating to contracts not being signed and due diligence checks not being fully completed.

**ACTION: The Internal Auditors to find the exact figures relating to the individual contract that had been found to be unsigned and circulate this to the Committee.**

The Executive Director of Resources & Investment added that grants were only provided to local authorities and colleges, due diligence was always undertaken with procured private providers. Where a contract is unsigned the options would be to cancel the training or to continue delivery at risk. It was felt that the possibility of disadvantaging learners should be avoided but the MCA would continue to chase the provider to get documentation signed.

**ACTION: An item on the outcomes on the AEB programme performance to be brought to a future meeting of the Committee.**

The audit of the Assurance Framework received substantial assurance. Two low priority actions had been agreed relating to implementing changes in the governance model into the corporate induction for new starters and ensuring training in the new framework for staff.

The Executive Director of Resources & Investment stated that a lot of fundamental changes had been made to the Assurance Framework over the past year and the impact of this was now starting to be seen.

**RESOLVED** that the Audit, Standards and Risk Committee consider the findings and recommendations of recent internal audit activity.

## 241 **Internal Audit Plan 2024/25**

Members considered the draft 2024/25 Internal Audit Plan which had been drawn up following a review of the risk register and engagement with management.

Areas that had been identified for the 2024/25 plan included:

- Cyber security
- Health & safety

- Tram transfer
- Tendered bus services
- PCC integration
- Payroll

The Internal Auditors confirmed that they were confident that they had the resources to complete the audits. They noted that flexibility was built into the Internal Audit Plan, so that any emerging priorities could also be included.

**RESOLVED** that the Audit, Standards and Risk Committee are asked to consider draft internal audit plan for 24/25.

(The meeting was adjourned at 12.20pm)

## 242 **Assurance Framework**

(The meeting recommenced at 1pm)

The Chair welcomed all back to the meeting and noted that following the departure of Cllr Lofts the meeting was no longer quorate and would continue in an advisory capacity.

The Committee was asked to consider the 2024 Assurance Framework before its submission to Government as a requirement of the devolution settlement. The Framework had been presented to, and endorsed by, the MCA Board on 12<sup>th</sup> March 2024.

The key amendments that were proposed for 2024 included:

- The integration of PCC functions from May.
- Updates to the MCA Board structure following the governance review.
- Updates to the appraisal and approval process to improve efficiency.

The Head of Assurance & Evaluation confirmed that where funds were transferred between projects, the benefit cost ratio (BCR) was re-examined to ensure that value for money was still represented. In these cases, the projects would also be reconsidered by the MCA's programme board. She added that as the PCC integration would be expanded upon in the 2025 Assurance Framework.

**RESOLVED** that:

1. The Committee note the proposed amendments to the Assurance Framework listed in section 2.1, to ensure compliance with the Government's requirements and most recent issued guidance.
2. The Committee considers and agrees the draft Assurance Framework in Appendix A for onward publication and submission to Government.

## 243 **2024/25 Treasury Management Strategy**

The Executive Director of Resources & Investment updated the Committee on the development of the 2024/25 Treasury Management Strategy for the MCA.



He advised that a conservative approach had been adopted to the management of treasury activity over the last decade and there had been a reduction of the MCA's debt portfolio. The management of treasury activity had become more prominent, in the main due to increasing interest rates meaning that the MCA had accrued significant returns. This had enabled the MCA to build its financial resilience and invest in projects that would otherwise be unfunded.

It was noted that capital expenditure plans were fully funded for the next 3 years so there was no intention to take out any additional borrowing in the medium term. The debt cap, which was required to be negotiated annually, had factored in an additional £139m to allow for the impending integration of the PCC.

For 2024/25, the MCA was also now in a position to take advantage of capital flexibilities which would allow the MCA to use the proceeds from the disposal of assets. The MCA had provided a financial guarantee in order to underpin SYFTL as it was initially expected to run at a loss.

In response to questions, it was confirmed that the MCA would agree a business plan for SYFTL each year, which would set out the subsidy requirement. A subsidy of £7m was built into the transport budget for 2024/25. The MCA would be responsible for purchasing rails for the tram tracks as these assets were owned by the MCA.

**RESOLVED** that Committee:

1. Endorse the 2024/25 Treasury Management Strategy;
2. Endorse the borrowing strategy set out in Section A of Appendix 1;
3. Endorse the capital expenditure estimates and associated prudential indicators set out in Section B of Appendix 1;
4. Endorse the minimum revenue provision policy set out in Section C of Appendix 1;
5. Endorse the annual investment strategy set out in Section D of Appendix 1;
6. Note that HM Treasury have agreed a debt cap for 2024/25 which includes the estimated OPCC debt that will be inherited on integration;
7. Note the Executive Director of Resources and Investment's intention to make use of capital flexibilities in accordance with the strategy outlined in Section E of Appendix 1 where he considers it prudent to do so; and
8. Note the Executive Director of Resources and Investment's intention in consultation with Chief Executive to seek delegated authority to provide a financial guarantee in favour of SYFTL.

## 244 **Transport Risk Working Group Update**

The Chair of the Transport Risk Working Group summarised the Group's recent work, including:

- The tram transfer.
- New risks had been identified around the customer relationship management IT system. The current system would no longer be supported by Microsoft from January 2026, and work was underway to

- procure a replacement.
- A potential shortfall had been identified on the A61 and Parkgate projects. Both projects were expected to overspend but as yet there were no funds available to complete the work, in which case work could potentially be paused.

The Director of Public Transport Operations advised that with the A61 scheme could be opportunities for value engineering, but the costs would not be incurred until further in the future, allowing more time to resolve the issue. In terms of the Parkgate scheme, work was already ongoing and without an alternative, there was a possibility that work would have to be paused. The Executive Director of Resources & Investment added these projects had been discussed at a recent programme board meeting and it had been agreed that it would be possible to stop part of the Parkgate scheme with a view to scale up once additional funding was secured.

**RESOLVED** that the Committee note the update.

#### 245 **Risk Monitoring Report**

The Head of Governance introduced the Risk Management Dashboard, including corporate risks, High and Medium/High risks at Directorate level, risks with a health and safety 'theme' with a score of 5 or over and risks with a cyber security 'theme' with a score of 5 or over.

Since the last report there had been lots of activity on risk management with a good level of engagement from across the organisation. Risks with a cyber theme had now been included following a recommendation from internal audit.

**RESOLVED that** Members consider the Risk Management Dashboard and note the progress in embedding risk management processes.

#### 246 **Code of Corporate Governance Review**

Members were asked to provide any feedback on the Code of Corporate Governance for the South Yorkshire Mayoral Combined Authority.

**RESOLVED that** the Committee consider the Code of Corporate Governance (appendix A).

#### 247 **Governance Improvement Plan 2023/24 Update**

The Committee received an update on progress against the 2023/24 Governance Improvement Plan.

Four items on the Governance Improvement Plan were still in progress, largely relating to the harmonisation work from the integration of the Passenger Transport Executive (PTE) and MCA. Members agreed to continue monitoring this area as part of the 2024/25 Plan.

The Director of Resources & Investment noted that items had been deferred due to the need to prioritise resources on the integration of the Office of PCC

as well as the tram transfer. It was felt that there had not been the opportunity to meaningfully engage with the workforce on the proposed changes. It was anticipated that this work would be concluded in quarter 1 after the elections.

**RESOLVED** that the Committee consider progress against the plan.

#### 248 **Findings of the Annual Governance Review 2023/24**

Members received the initial findings of the Annual Governance Review and were asked to discuss and consider providing any additional feedback.

Key areas were identified to focus on the development and improvement of the approach to:

- Consultation and engagement.
- Customer feedback and complaints.
- Employee performance and development.
- Tendered services monitoring.
- Digital enablement.
- The generation and use of management information.
- The use of data and intelligence to inform policy development.

A finalised governance improvement plan was planned to be circulated to members as part of the draft Annual Governance Statement (AGS) ahead of submission to the MCA Board in June.

**ACTION: The Head of Governance to provide more details on the areas for development and improvement, including timescales and ownership. To be circulated with the draft AGS.**

**RESOLVED** that the Committee note the initial findings of the Annual Governance Review and consider and contribute to the draft the governance improvement plan.

#### 249 **ASRC Draft Annual Report (inc Committee Effectiveness Assessment Outcome)**

The Committee Annual Report summarised the work of the Committee during 2023/24, demonstrating how it has fulfilled its terms of reference and provided assurance to the Authority on its governance arrangements, risk management arrangements and the internal control environment.

Feedback was sought on the contents of the report, particularly on the improvement plan for the Committee, ahead of its submission to the MCA Board in June.

The Internal Auditors confirmed that the Head of Internal Audit Opinion should be ready for inclusion before the MCA Board meeting in June.

Members raised the possibility of risk management training through the MCA's insurance brokers.

**ACTION: The Assistant Director of Strategic Finance to contact the insurance brokers to investigate the possibility of providing a risk management training session for Members.**

**ACTION: Democratic Services to confirm the details of the substitute member for Sheffield City Council.**

Members also considered that an external perspective of the effectiveness of the Committee would be useful and suggested that internal and external auditors could be asked to complete the effectiveness survey in future.

**RESOLVED** that the Committee consider the draft Annual Report and recommend any amendments or additions ahead of its presentation to the Combined Authority meeting on 11<sup>th</sup> June.

250 **Work Plan 2023/24**

Members received the work plan for the remainder of 2023/24 and the proposed work plan for 2024/25.

Members noted that the following items be added to the Work Plan:

- EY External Audit Annual Audit Letter 2022/23
- KPMG External Audit ISA 260
- Treasury Management Final Report
- Net Zero

The Executive Director of Resources & Investment noted that an external review was currently being undertaken on Net Zero, but once completed a follow up report could be appropriate.

**ACTION: Members agreed that final reports on the PCC integration and Tram Transfer should be considered at the July meeting.**

**RESOLVED** that Members consider the work plan and agree any changes or additional items to be scheduled.

251 **Breach of Internal Controls Report**

No breaches to report.

252 **Issues for Escalation**

No issues for escalate.

It was noted that this would be Cllr Ian Auckland's final meeting of the Committee before he stood down as a councillor after 25 years. Members thanked him for his hard work and contributions to the Committee and wished him well for the future.

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

Signed \_\_\_\_\_

Name \_\_\_\_\_

Position \_\_\_\_\_

Date \_\_\_\_\_