

SCR - AUDIT AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 11 JULY 2019 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Allan Jones (Chair)	Doncaster MBC
Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Jeff Ennis	Barnsley MBC
Councillor Chris Furness	Derbyshire Dales DC
Angela Marshall	(Independent Member)
Councillor Tom Munro	Bolsover DC
Councillor Mark Rayner	Chesterfield BC
Councillor Ken Wyatt	Rotherham MBC

Officers in Attendance:

Dr Ruth Adams	Deputy Chief Executive	SCR Executive Team
Mike Thomas	Senior Finance Manager	SCR Executive Team
Andrew Frosdick	Monitoring Officer	SCRSCR Executive Team
Claire James	Senior Governance & Compliance Officer	SCR Executive Team
Gillian Richards		
Tim Taylor	Director of Customer Services	SYPTE
Simon Tompkins	Finance Manager	SCR Executive Team

Apologies:

Councillor David Challinor	Bassetlaw DC
Councillor Josie Paszek	Sheffield City Council
Councillor Paul Parkin	NE Derbyshire CC
Councillor Ken Richardson	Barnsley MBC
Stephen Clark	External Audit
Andrew Smith	Internal Audit
Dr Dave Smith	SCR Executive Team
Eugene Walker	SCR Executive Team
Steve Davenport	SCR Executive Team/SYPTE
Martin McCarthy	SCR Executive Team

1 Welcome and Apologies

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

2 **Voting Rights for Non-Constituent Members**

It was agreed that there were no agenda items for which voting rights could not be conferred on the Non-Constituent Members.

3 **Urgent Items/Announcements**

None.

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

None.

5 **Declarations of Interest by any Members**

None.

6 **Reports from and Questions by Members**

None.

7 **Questions from Members of the Public**

None.

8 **Minutes and Actions of the Previous Meeting held on 13th June 2019**

Councillor Furness requested an amendment to minute 13. With regard to the creation of 70,000 new houses by 2024, he had asked if this could be linked to the new dwellings figures set out in Local Plans published by all the Local Authorities. D Smith commented that there was no current link between the SEP target and the Local Plans but this would be considered within the revised Strategic Economic Plan currently under development.

Action: When the revised new SEP is published the Committee to be advised of new targets.

With regard to minute 2, R Jarvis stated that he had not seconded the proposal to appoint an independent Chair and asked that his name be removed from this.

R Jarvis commented that, with regard to the procurement of an internal audit provider it had been agreed that the terms of reference would be revised to clarify the role of the Committee in Internal Audit arrangements, and asked that this was included in the minutes.

Action: Clarify the role of the Committee in Internal Audit arrangements in the Terms of Reference.

RESOLVED: That, subject to the amendments mentioned above, the minutes of the meeting of the SCR Audit and Standards committee held on 13th June 2018 be agreed as a true record.

Annual Governance Statement for 2018/19

A report was submitted to consider the Authority's Annual Governance Statement for 2018/19 which included the Governance Improvement Plan.

The Annual Governance Statement was brought to the Committee for any questions or observations before being embedded in the accounts and presented to the Mayoral Combined Authority.

Sections 1-3 of the report provided basic background including information on the Local Enterprise Partnership, the Executive Team and the statutory officers.

Section 4 summarised the governance review activity that had taken place during the year.

These included new governance arrangements for the thematic boards, a Local Growth Fund programme review, an annual performance review undertaken by the Ministry for Housing, Communities and Local Government and an Annual Governance Review. Members noted that the outputs from the Annual Governance Review were summarised in Annex A to the report and had assisted in the preparation of the Annual Governance Statement and the Governance Improvement Plan.

Section 5 highlighted outstanding areas for development that External Audit recommended should be focused on and provided an update on outstanding recommendations from the previous Annual Governance Statement.

Section 6 was the main area of Member focus as it contained the progress made against the 2018/19 Governance Improvement Plan.

Section 7 provided a summary review in terms of risks and controls and Section 8 was a look forward to the areas of focus for strengthening governance in 2019/20.

A Marshall referred to the External Audit recommendations from 2017/18. With regard to the impairment review, the recommendation was that the Group had to have effective monitoring control over the PTE and she queried what the Group had put in place as an effective monitoring control over this.

A Marshall also queried what the Group had in place with regard to pensions assurance.

Officers gave various examples of the monitoring controls in place with regard to impairments and pensions.

The Monitoring Officer commented that the Statutory Officers Group worked with the Director General of the PTE to keep sight of all the ongoing issues.

R Adams suggested strengthening the wording in the Annual Governance Statement as to how Statutory Officers provide Group oversight and management of key issues.

With regard to Table 4 and the areas of focus for 2019/20, R Jarvis suggested that it would be helpful to include dates and responsibilities for the actions.

R Adams agreed to look at including names or groups and indicative timelines into the table.

RESOLVED: That, subject to the additions detailed above, the Committee approve the Annual Governance Statement for 2018/19.

10 Draft External Audit Results Report

This item was dealt with during the Statement of Accounts item.

11 2018/19 Statement of Accounts

A report was considered which provided the Committee with an update on changes made to the Statement of Accounts since the unaudited version was presented to Members on 13th June 2019.

M Thomas thanked S Tompkins, A Mumford and S Ahmed who had been instrumental in working to a tight schedule to pull together the draft accounts and deal with all the fieldwork questions from EY, and also to the rest of the team for their support with regard to the audit and the accounts.

He also thanked EY who, in their first year, had been very professional and thorough and also to E Walker for reviewing the draft accounts. E Walker was due to stand down as a Statutory Officer in due course and had delegated authority to M Thomas to sign off the accounts at the MCA meeting on the 29th July 2019.

As mentioned earlier, subject to the Committee's agreement or otherwise, the Group accounts should be caveated with the fact that the PTE's Audit and Risk Committee were due to meet on Tuesday 16th July, so the accounts were subject to their endorsement of the PTE's accounts. M Thomas would be asking the Committee today to recommend the Group accounts to the MCA on 29th July 2019.

There had been four adjustments in total, two on the PTE side and two on the CA side.

The adjustments to the PTE accounts (and therefore the group accounts) were:

Revaluation reserve – this acknowledged that the 2017/18 accounts contained a substantial error which was now being corrected.

Adjustment to the balance sheet - this was due to a directive from South Yorkshire Pensions Authority who had been instructed by their auditors to take the full actuarial assessment of pension liabilities for all local government bodies within South Yorkshire; this had to be done as a result of the outcome of the McCloud court case. This would lead to an increase of approximately £750k.

With regard to SYITA Properties Ltd, which was now almost liquidated, in 2017/18 PWC had advised that it was appropriate to make an adjustment to the accounts in relation to this.

However, EY's view was that the adjustment was premature and a further adjustment had been made to the accounts to reflect this.

The final adjustment was in relation to a Skills Bank grant. £1.1m should have been transferred to a reserve account but was wrongly held as a receipt held in advance. This had now been corrected.

D Spiller presented EY's audit results report.

He drew the Committee's attention to the risks that had been identified previously in the audit planning report which had been presented in April; particular attention had been paid to these areas.

There had been two changes to the scope of the audit:

- The approach to the testing of PFI balances had been updated to include the account as a higher inherent risk.
- The materiality assessment had been changed from £3.351m to £2.956m

EY had substantially completed the audit of the financial statements, the outstanding items were listed in the report. Subject to satisfactory completion of these items EY expected to issue an unqualified opinion on the Authority's financial statements.

With regard to value for money, EY had considered the Authority's arrangements and had not identified any significant risks.

D Spiller went through each area of audit focus giving brief details of the work completed; no significant issues were reported.

In relation to property, plant and equipment, testing had found that with regard to one asset, SYPTE did not appear to have documentation that adequately confirmed ownership. Since the report had been produced, officers had provided sufficient information to show that the PTE did own the property in question.

With regard to audit fees, it was confirmed that a scale variation fee would be issued for work performed relating to SYITA Properties Ltd.

The Chair asked whether there were any plans to reduce the pensions deficit.

M Thomas replied that this issue would be considered when preparing the Medium Term Financial Strategy.

The Committee considered the proposed letter that confirmed Audit & Standards Committee's oversight of management processes and

arrangements.

The Committee confirmed that it was happy for the Chair to sign the letter.

RESOLVED – That the Committee:

- i) Notes the changes made to the Statement of Accounts.
- ii) Commends the amended Statement of Accounts to the MCA for formal adoption, subject to the outcome of the meeting of the PTE's Audit and Risk Committee on 16th July 2019.
- iii) Notes that the Section 73 Officer would delegate authority to the Deputy Section 73 Officer to sign the accounts at the MCA on 29th July 2019.

12 **Update on 2019/20 Internal Audit Recommendations**

A report was submitted that presented an update on the status of the outstanding recommendations made by Internal Audit during 2018/19.

Members noted that the appendices to the report had been produced in a different format which was intended to be more transparent for Members.

The Committee noted the status of the implementation of the recommendations to audits of:

- GDPR Compliance
- Transport Capital Programme
- Inward Investment
- Payroll
- AMP Technology Centre
- Accounts Payable

Members noted that all GPC card holders would be provided with refresher training and reminded of their responsibilities, this was presently being organised.

RESOLVED: That the update on the 2019/20 Internal Audit recommendations be noted.

13 **Work Plan for 2019/20**

The Committee considered its Work Plan for 2019/20.

C James informed the Committee that it was a draft Work Plan and included training sessions which Members had requested. Further suggestions for additions to the Work Plan would be welcomed.

With regard to the training on scrutinising the accounts, M Thomas informed the Committee that three options had been considered.

- In-house training

- Asking EY to provide the training
- Use an external provider

Members were asked to communicate their preferences to officers.

14 **Any Other Business**

None.

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

Signed

Name

Position

Date