

## SCR - AUDIT AND STANDARDS COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 10 OCTOBER 2019 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



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### 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 Josie Paszek	Sheffield City Council
Councillor Chris Furness	Derbyshire Dales DC
Councillor Ken Richardson	Barnsley MBC
Councillor Austen White	Doncaster MBC
Councillor Ken Wyatt	Rotherham MBC
Dr Dave Smith	SCR Executive Team
Noel O'Neill	Sheffield City Region

### Officers in Attendance:

Dr Ruth Adams	Deputy Chief Executive	SCR Executive Team
Mike Thomas	Senior Finance Manager	SCR Executive Team
Claire James	Senior Governance & Compliance Officer	SCR Executive Team

### Guests in Attendance

Dan Spiller	External Audit
Stephen Clark	External Audit
Lisa Mackenzie	Internal Audit
Gillian Richards (Minute Taker)	

### Apologies:

Councillor David Challinor	Bassetlaw DC
Councillor Allen Cowles	Rotherham MBC
Angela Marshall	(Independent Member)
Councillor Tom Munro	Bolsover DC
Councillor Paul Parkin	NE Derbyshire CC
Councillor Mark Rayner	Chesterfield BC
Andrew Smith	Internal Audit
Steve Davenport	SCR Executive Team/SYPTE

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 11th July 2019**

R Jarvis commented that with regard to minute 8 concerning the procurement of an internal audit provider it was agreed that the Committee would be involved in this process in the future and not that the role of the Committee should be clarified in the Terms of Reference.

R Adams agreed stating that the Committee would have a role in the process but not in the appointment.

With regards to the targets for housing, it was confirmed that the Strategic Economic Plan (SEP) would contain new targets for house building and this would be broken down by each local authority. The SEP would be put to the MCA for approval in January 2020 but would be available on the LEP website in draft form in November.

The Chair questioned why the minutes now had to be ratified by the Head of Paid Service (or their nominee) and not, as was usual practice, signed by the Chair.

R Adams commented that she would ask the Monitoring Officer the reason for

this and report back at the next meeting.

**Action: Clarify the reason why the minutes had to be ratified by the Head of Paid Service.**

RESOLVED – That subject to the amendment above, the minutes of the meeting of the SCR Audit and Standards Committee held on 11 July 2019 be agreed as a true record.

9 **External Audit Opinion on 2019/20 Accounts**

A report was submitted which summarised the external audit preliminary conclusion in relation to the audit of Sheffield City Region Mayoral Combined Authority.

Members noted that the main amendment to the report was the additional work required in respect to the Local Government Pension Scheme assets which involved PTE employees. This work was now complete and the statements signed accordingly.

The Chair expressed concern over the length of time it had taken to produce the report.

The external auditor explained that it had been challenging to receive assurance in this area. There had been lengthy discussions with Deloitte, the Chair of SYPTA and officers from South Yorkshire Pensions Authority and more extensive testing than had first been envisaged had been carried out.

R Jarvis questioned the increase in fees in relation to the audit work completed, a large proportion of which arose from the fact that Ernst & Young disagreed with the previous auditors and he felt the Committee should reject those fees.

S Clark replied that it had been decided to remove the SCR fees of £1500.

N O'Neill, newly appointed Interim Chief Financial Officer, welcomed the proposed fee reduction from the draft proposed fees.

Cllr Auckland pointed out a missing word in the report that changed the meaning of the sentence significantly.

With regard to the value for money conclusion, the report read: "We did not identify any significant risks around these criteria. We therefore expect having matters to report about your arrangements...."

The sentence should have read: "We therefore expect having no matters to report..."

It was agreed that this should be corrected.

The Chair requested organising a session to look at external audit reports in more depth to enable members to have a greater understanding of the reports and suggested that the external auditors could deliver this training.

RESOLVED – That the Committee accepts the external auditor’s report subject to the correction as detailed above.

## 10 **Internal Audit Recommendations Update**

A report was considered which presented an update on the status of the outstanding recommendations made by Internal Audit during 2018/19 and the final report for the audit undertaken by BMBC on Procurement Arrangements.

C James informed the Committee that the audits in relation to the AMP Technology Centre, accounts payable and payroll had all been concluded and actioned and were therefore not included in the report.

Appendix A covered the actions on the GDPR audit and indicated progress against the actions where relevant.

Appendix B was the Capital Programme, Appendix C Inward Investment, Appendix D Procurement and Appendix E was the full report on the Procurement audit undertaken by BMBC.

In response to a question from R Jarvis on Appendix B, M Thomas commented that the more detailed report on the Capital Programme’s funding streams to be presented to the MCA had slipped to Quarter 2 due to a lack of resources and would now be presented to the MCA in November.

R Adams gave a detailed update on all the actions relating to the Procurement audit.

With regard to BMBC’s Procurement audit report, the Committee felt that some aspects of the report were concerning and that the completion of actions should be speeded up to give further assurance.

Members also queried whether the current Internal Auditors had reviewed the report and actions.

L Mackenzie reported that this would not normally be done until later in the year when preparing the Head of Internal Audit’s opinion.

It was suggested that Internal Audit had some time in contingency which could be used to do some interim work that could give assurance to the Committee about progress being made.

D Smith commented that the action plan and the dates had been agreed with the previous internal auditors who had made the recommendations. The dates were set against planned interventions so that the recommendations could be implemented in a consistent way. This was a balanced approach against the level of risk attached to the recommendations but D Smith would welcome a further external view to ensure that it was a balanced approach.

L Mackenzie commented that there could be some benefit if Internal Audit took a second look, but agreed that they would not want to disrupt the arrangements

already in place.

R Jarvis commented that there were a couple of questions put by Angela Marshall who had been unable to attend the meeting, which could be relevant to the current discussion about closing out audit work through internal audit.

On the additional pieces of work that have been added, are these key priorities based on their risk profile? Is there a prioritised list of substitute audits that can be included in the Plan each year if needed, or are these add-on ad hoc and arise at the spur of the moment should additional projects be needed?

L Mackenzie replied that the Audit Strategy showed what was planned to be included, but work could be introduced based on emerging risks.

The Internal Audit report on the agenda today asked for approval to change the original Plan and put some of the time saved into contingency; the Procurement audit was a good example of a risk area where, with approval, Internal Audit could use some of those days to do that extra piece of work.

Cllr Jones suggested that the report at Appendix E should have been included before the Action Plan to avoid confusion. This was acknowledged.

**RESOLVED:**

- (i) That the Internal Audit recommendation tracker be noted.
- (ii) That the final audit report for Procurement Arrangements be noted.
- (iii) Request that officers, in conjunction with Internal Audit, reconsider the appropriateness of the timescales assigned to the recommendations of the Procurement Audit.

11

### **Internal Audit Plan 2019/20 - Progress Report**

A report was submitted that gave an update on the 2019/20 Internal Audit Plan, asked for approval for some changes to the original Plan and also gave details of work carried out outside the original Plan.

The Committee was informed that 20 of the 69 days in respect of SCRMCA reviews and a total of 64 of the 250 days in the joint audit plan had been delivered. A detailed breakdown of the work was included within the report.

L Mackenzie informed the Committee that the grant certification work had been completed in respect of the Transport Capital Funding and the Growth Hub grants, the sign off certification had been issued.

Work in progress included reviews of the Resource Management/HR systems and Risk Management; scoping had commenced for the Back Office Transformation and Programme Management reviews for Q3.

The Committee were informed that following discussions with officers, it had been proposed to postpone the review of the Capital Programme until Quarter

4 to enable actions agreed as part of the 2018/19 to be fully implemented. It was also proposed that the number of planned days be reduced from 25 to 12 to complete a follow-up of the original report. The remaining time would be used to cover the additional grant certification work required and contingency

Members noted that the following additional work had been undertaken:

- Growth Hub - urgent grant certification work not included within the original Plan.
- Adult Education Budget – the scope, objectives and resource requirements to be discussed and agreed.

R Jarvis commented that in the event of a no deal Brexit, there may be a need to make further adjustments to the Plan.

L Mackenzie replied that this, as well as other emerging risks had been discussed in quarterly meetings; there was contingency available within the plan and additional resources would be available if required.

RESOLVED – That the Committee:

- (i) Note the progress of the audits underway.
- (ii) Note the additional work undertaken outside of the agreed Plan.
- (iii) Approve the changes to the original Plan as detailed in the report.

12

### **Risk Management Monitoring**

A report was submitted which provided an update on changes to risk ownership, the status of risk management plans and on the establishment of a new Risk Management Action Plan relating to Brexit.

C James informed the Committee of the changes to risk ownership due to the recent changes in the statutory officer roles. The report detailed the changes and listed the new risk owners.

The status of each of SCR's Risk Management Action Plans were summarised at Appendix 1 to the report.

It was noted that all Risk Management Action Plans were on track; all action plans had been reviewed with the risk owners recently.

The report introduced a new Risk Management Action Plan in relation to Brexit and detailed the activities currently underway and the controls in place to manage this risk.

It also included a 3-point plan that the LEP Board had been working on since the beginning of the year which focused on 'practical support, 'intelligence' and 'lobbying'.

R Jarvis questioned the level of support that Local Authorities were receiving

from government.

D Smith replied that in the here and now, SCR had enough resource to do the work to understand the potential impacts on the economy and the position of various types of businesses that trade in Europe and other parts of the world; the government had made resources available periodically for this purpose.

The main concern at the moment was that, depending on the outcome and the speed of any impact, there was no idea what the government would make available. This made it very difficult to plan for various outcomes.

In answer to a question from Cllr Furness, D Smith explained that following the decision by the MCA to agree to the recruitment of a permanent Chief Finance Officer, an interim CFO had been recruited because the process of recruiting to permanent position took an average of six months.

At present, a job description was being finalised for a joint role to include the PTE; the advertisement would go out in the near future.

RESOLVED – That the Committee:

- (i) Note the changes in Risk Ownership.
- (ii) Note the status of the Risk Management Action Plans
- (iii) Note the establishment of a new Risk Management Action Plan relating to Brexit.

### 13 **2019/20 Work Plan**

A report was submitted which presented the SCR Audit and Standards Committee Work Plan for 2019/20.

Members note two proposed training events:

- Early December – Treasury Management
- Early April – Scrutinising the Accounts

Members were also informed about a proposed change of date for the July 2020 meeting. The Committee were asked to approve the change from 9<sup>th</sup> July 2020 to 16<sup>th</sup> July 2020 to be aligned with the sign-off of the PTE accounts.

RESOLVED - That the Committee:

- (i) Note the revised Work Plan for 2019/20.
- (ii) Note the proposals for Member training.
- (iii) Agree to move the July 2020 meeting of the Committee to 16<sup>th</sup> July 2020.

### 14 **Any other business**

None.

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

Signed \_\_\_\_\_

Name \_\_\_\_\_

Position \_\_\_\_\_

Date \_\_\_\_\_