

## SCR - AUDIT AND STANDARDS COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 23 JANUARY 2020 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
Angela Marshall	(Independent Member)
Councillor Mark Rayner	Chesterfield BC
Councillor Ken Richardson	Barnsley MBC
Councillor Ken Wyatt	Rotherham MBC

#### Officers in Attendance:

Dr Dave Smith	Chief Executive	SCR Executive Team
Dr Ruth Adams	Deputy Chief Executive	SCR Executive Team
Noel O'Neill	Chief Finance Officer/S73 Officer	Sheffield City Region
Mike Thomas	Senior Finance Manager/ Deputy S73 Officer	SCR Executive Team
Claire James	Senior Governance & Compliance Manager	SCR Executive Team

#### In Attendance

Dan Spiller	External Audit
Lisa Mackenzie	Internal Audit
Craig Tyler (Minute Taker)	

#### Apologies:

Councillor David Challinor	Bassetlaw DC
Councillor Tom Munro	Bolsover DC
Councillor Paul Parkin	NE Derbyshire CC
Councillor Austen White	Doncaster MBC
Stephen Clark	External Audit
Andrew Smith	Internal Audit
Steve Davenport	SCR Executive Team/SYPTE
Dr Ruth Adams	SCR Executive Team

1 **Welcome and Apologies**

Members' apologies were noted as above.

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

It was agreed there were no agenda items for which the non-Constituent Members should not have full voting rights.

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**

It was noted an action in relation to the reporting of the Capital Programme had been retrospectively discharged.

It was noted a previous action to look at External Audit reporting in more depth had now been included on the work plan and would be facilitated in due course in tandem with activity to determine the draft annual accounts

The Chair requested that the actions contained in future minutes are presented in bold as a matter of house style.

RESOLVED, that the minutes of the previous meeting are agreed to be a true and accurate record and may be signed by the Chair.

9 **Treasury Management Mid-year Report**

A report was presented to provide an update on treasury activities undertaken by the MCA Group for the 6 months to September 2019.

N O'Neill provided Members with explanations for the substantive mid-year changes and made an offer for Members to be provided with additional information where required

It was noted there was an error in the report in relation to Indicator 5 and confirmed the figure quoted is actually the total debt amount (as also recorded at Indicator 3).

Members' attention was drawn to the consequences of being what might be considered a 'cash rich organisation' (the reasons for which were explained).

Regarding the indicators, A Marshall (noting the PFI element was intentionally excluded at Indicator 2 at part of the PTE's capital expenditure (Doncaster Interchange)), questioned whether long term liabilities of the PFI are included at Indicator 5 to provide the MCA Group outstanding debt. It was confirmed this is the case.

A further explanation was provided for how PFI arrangements operate. The Chair made a reference to his understanding of how the PFI arrangement worked for Doncaster Bus Interchange. M Thomas explained how the profile of expenditure increases by inflation but the credits remain fixed. Early year surpluses are set aside in a provision to meet potential future year liabilities.

Cllr Furness questioned interest rates and why we don't replace the loans with high rate ones for ones with low rates. The meeting was informed that the high rate loans are fixed (at what was assumed to be a reasonable level at the time of fixing) and it was noted early repayments on these loans will incur a premium not much less than the anticipated amount of interest to be repaid.

It was noted more information on how much is held at higher or lower rates will be reported as part of the Treasury Strategy Report to the March meeting of the MCA and Audit & Standards Committee.

Regarding Indicator number 1, R Jarvis questioned the reported big increase in the SYPTE capital expenditure programme and suggested that as expenditure programmes are notoriously difficult to expend in one year it may be difficult to meet the spend profile. N O'Neill responded that the figures and timeframes quoted represent the best estimates of the capital projects team and reflects the Budget Management report for the current year to the MCA on 27th January

Cllr Auckland asked whether clawback may become a matter for consideration if the capital allocation isn't spent within the time available. N O'Neill stated that clawback is not an issue this year.

RESOLVED, that the Committee notes the mid-year treasury performance.

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### **Annual Audit Letter**

A report was received to present the Annual Audit Letter. It was noted the findings are mostly as presented at previous meetings.

Members' attention was drawn to the Audit Plan, to be presented later in the year, which will include changes to the accounting framework for 2021

Regarding scale fee variation, it was noted the Committee's approval is sought for £11,377 (already approved by management).

It was noted a further amount £1,556 is being contested by management and both parties have made representations to the PSSA for adjudication.

Further information was provided in respect of the External Auditor's proposed fee variations and why additional recompense is being sought for what is considered additional work.

Members discussed the need for disagreements to be avoided in future years and requested any extra work be agreed well in advance of commencement to avoid surprises.

Further information was provided to explain the agreed scale fee variations (MCA and SYPTE).

Members thanked the Auditor for his report.

RESOLVED, that the Committee

1. Recommends the annual audit letter to Sheffield City Region Mayoral Combined Authority following completion of audit procedures for the year ended 31 March 2019.
2. Approves the Proposed Scale Fee Variation not in dispute for £11,377

## 11 **Internal Audit Recommendations Update**

A report was presented to provide an update on the implementation of the recommendations made by SCR's Internal Audit provider (BMBC) during 2018/19.

It was noted the report aims to close off the outstanding recommendations from the previous year. Each section was explained in more detail.

Regarding GDPR Compliance outstanding action, this was noted as partially complete and will be completed in due course once the revised job description has been completed for the new SIRO.

Regarding recommendations relating to the Capital Programme, it was noted these are now complete and reports now include more detailed breakdowns of funding streams.

Regarding Inward Investment outstanding actions, it was noted these are on hold pending the developing of the refreshed SEP.

Regarding the 11 recommendations made in relation to procurement processes, it was noted work has been accelerated and 8 are now complete, with plans in place to address the remaining 3.

Regarding procurement, A Marshall asked if the recommendations were

applicable to SYPTE practices also. It was confirmed it is expected that is the intention.

The Chair requested that future reports include a single reference page of outstanding actions with dates and update positions.

**ACTION: Future internal audit reports to include a single reference page of outstanding actions (with dates), and commentary on what is being done in relation to these actions in future reports.**

RESOLVED, that the Committee notes the progress made in relation to the Internal Audit recommendations

## 12 **Internal Audit Progress Report**

A report was presented to provide an update on the progress of the 2019/20 Group Internal Audit Plan.

It was noted the Internal Auditor has delivered 38 of the 69 days in respect of SCR MCA reviews and a total of 127 of the 250 days in the joint audit plan which is a little behind schedule.

A breakdown of work being undertaken and reporting milestones was provided.

It was noted the back-office transformation scope will be rolled into next year to ensure the various changes being made to the SCR Executive Team are fully captured.

R Jarvis requested future information be presented by means of a Gantt to help qualify implementation timescales (start dates and end dates).

R Jarvis observed that due to the changes in auditors the Committee is likely to be received a significant number of reports at the same time and requested this be appropriately managed. It was confirmed a reporting schedule would be agreed with the Chair for the release of the reports once these have been cleared by the Management Board.

RESOLVED, that the Committee notes the progress of 2019/20 audit activity undertaken by Grant Thornton for: Joint SCR & SYPTE audits, SCR MCA audits and SYPTE audits.

## 13 **Internal Audit Plan 20/21**

A verbal report was provided to note the processes underway to define the 2020/21 work programme and to note Members will be engaged in respect of the draft Plan by the end of March.

Members questioned how this would be timed in relation to wider SCR meeting cycles and whether plans can be made for 2020/21 when reports for 2019/20 are still to be presented. Assurances were provided that an appropriate schedule of reports would be provided.

The Chair requested the SCR Management Board provide sufficient steer regarding what matters the Committee should provide the greatest focus on in 2020/21, acknowledging programmes of auditable matters are likely to continue to evolve going forward and will need to encompass what are still unknown components, e.g. any future SCR Devolution Deal.

14 **Proposed 2019/20 AGR Process & Update on 2018/19 AGS Governance Improvement Plan Actions**

A report was presented to provide an update on the progress against the Governance Improvement Plan described in the 2018/19 Annual Governance Statement and to set out the SCR Annual Governance Review Process for 2019/20.

An assurance was provided that the actions expected to be completed by January (monitoring and evaluation and organisational capabilities will be done so within timeframe or thereabouts. It was reported there has been a slight delay with the organisational capabilities action due an all staff meeting being cancelled as a consequence of the recent floods, but this will now take place on 30<sup>th</sup> January.

Cllr Furness questioned the new governance arrangements for the Thematic Boards and suggested there is confusion regarding how the non-Constituent districts are represented on the Board. D Smith suggested the matter is complex rather than confused and a consequence of the government's removal of overlapping geographies for LEPs. It was noted all outstanding legal questions would be resolved in due course and the status of all bodies will be determined.

**Action: D Smith to present a report to the next meeting of the Committee setting out the membership position in respect of the non-Constituent districts on the SCR/LEP Boards**

It was noted Thematic Boards have their information presented publicly (agendas and minutes) but the meetings are not open to public attendance.

D Smith confirmed the Thematic Boards are jointly overseen by the SCR MCA and the LEP Board.

Members were assured all points of contention regarding Board structures would be taken on board by the next review of governance, and an updated Code of Governance would be presented to the March meeting.

RESOLVED, that the Committee:

1. Notes the progress against the Governance Improvement Plan 18/19

Notes the proposed Governance Review Process for 19/20

15 **2019/20 Work Plan**

The work plan was presented for information.

16      **Any other business**

No further matters were raised.

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

Signed .....

Name .....

Position .....

Date .....