

## SCR - AUDIT AND STANDARDS COMMITTEE

### MINUTES OF THE MEETING HELD ON:

THURSDAY, 29 OCTOBER 2020 AT 10.00 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 Josie Paszek	Sheffield City Council
Councillor Ian Auckland	Sheffield City Council
Councillor Jeff Ennis	Barnsley MBC
Angela Marshall	(Independent Member)
CLlr Phillip Lofts	Barnsley MBC
Councillor Ken Wyatt	Rotherham MBC

#### Officers in Attendance:

Dr Dave Smith	Chief Executive	MCA Executive Team
Gareth Sutton	Chief Finance Officer/S73 Officer	MCA Executive Team
Dr Ruth Adams	Deputy Chief Executive	MCA Executive Team
Mike Thomas	Senior Finance Manager/Deputy S73 Officer	MCA Executive Team
Claire James	Senior Governance & Compliance Manager	MCA Executive Team

#### In Attendance

Lisa MacKenzie	Internal Audit
Andrew Smith	External Audit
Gillian Richards (Minute Taker)	

#### 1 Welcome and Apologies

The Chair welcomed everyone to the meeting.

There were no apologies.

#### 2 Urgent Items/Announcements

None.

#### 3 Items to be Considered in the Absence of Public and Press

None.

4        **Declarations of Interest by any Members**

None.

5        **Reports from and Questions by Members**

None.

6        **Questions from Members of the Public**

None.

7        **Minutes and Actions of the Previous Meeting**

Cllr Ennis informed the Committee that Cllr Lofts had replaced Cllr Richardson on the Committee. He suggested sending a letter of thanks to Cllr Richardson for all his work on the Committee. This was agreed.

With regard to a joint meeting with the Overview and Scrutiny Committee, members felt this would still be beneficial and requested that a joint meeting be arranged for January 2021 This would enable discussions around governance and the Bus Review Response schedule and any changes planned due to the Covid-19 situation.

RESOLVED – That the minutes of the meeting held on 16<sup>th</sup> July 2020 be agreed as a true record.

8        **External Audit Progress Update**

A report was submitted that provided an update on the external audit process for the 2019/20 statutory MCA financial accounts.

Members were reminded that under the Committee's Terms of Reference they were obliged to make a recommendation to the MCA Board on whether to accept and approve the audited annual Statement of Accounts.

This meeting of the Committee had been planned to enable the Committee to receive the external auditor's final opinion on the accounts and take a decision on whether to formally endorse the accounts to the MCA Board.

The Committee was informed that, although the audit of the MCA's accounts was substantially complete, the audit of the South Yorkshire Pension Fund had still not been completed. Until this had been received that auditor would be unable to release his formal opinion. It was noted that the external auditor believed that the audit opinion would be ready for release by the paper deadline of 6<sup>th</sup> November.

The report gave details of options available to the Committee. These included calling an additional single-item meeting before the 6<sup>th</sup> November to formally receive the audit opinion or delegate the endorsement of the accounts to the Chair and Vice-Chair of the MCA Audit Committee and SYPTE Audit

Committee.

After a discussion it was decided to delegate the decision as described above providing there had been no material changes to the accounts.

RESOLVED – That the decision on whether to formally endorse the accounts to the MCA Board be delegated to the Chair and Vice-Chair of the MCA Audit Committee and SYPTE Audit Committee providing that there had been no material changes to the accounts.

## 9 **Annual Governance Statement**

A report was considered that presented the Authority's Annual Governance Statement (AGS) for approval and also included a Governance Improvement Plan GIP for 2020/21.

Members were reminded that an earlier draft of the AGS had been presented to them in June 2020. The final draft now included a 'Governance Improvement Plan' (at section 7) which had taken the events of the last six months into account. This was the only substantial change from the earlier draft.

RESOLVED – That the Committee approve the Annual Governance Statement for 2019/20.

## 10 **Internal Audit Progress Report**

A Smith presented an update on the progress of the 2020/21 Group Internal Audit Plan.

It was noted that 31 days of the planned 71 days in respect of the MCA reviews had been delivered and a total of 98.5 of the 272 days in the joint audit plan, a detailed breakdown was contained within the report.

Members noted that since the last meeting of the Committee the grant certification work had been completed and the sign off certification letter in respect of the Growth Hub and Local Transport Capital Funding had been issued.

The Capital Programme and Core Financial Controls audit reports had been finalised both receiving significant assurance.

The report also included details of work in progress and changes to the audit plan since the last meeting of the Committee. Members noted that the plan was under constant review due to the Covid-19 outbreak and the uncertainty of its impact.

RESOLVED – That the Committee note the progress of 2020/21 audit activity undertaken by Grant Thornton for:

- i) Joint MCA and SYPTE audits
- ii) MCA audits
- iii) SYPTE audits

## Internal Audit Reports

The Committee considered a report which presented the Internal Audit reports for the Capital Programme and for Core Financial Controls.

Members were reminded that a review of the SYPTTE Capital Programme was undertaken by the previous internal audit providers and a report was issued in May 2019 and four “significant actions” and two “merits attention” actions were agreed.

The objective of the review was to provide an independent assessment of the extent to which the agreed actions had been implemented.

Based on the progress made in the areas reviewed a significant assurance opinion was provided in respect of the progress being made to implement the six actions identified by the May 2019 audit.

Members noted that four actions had been addressed, one action had been considered and subsequently rejected and two actions were ongoing. Full details of these were contained within the report.

The review of the Core Financial Controls had focused on several potential risk areas. These were:

- General ledger
- Accounts payable
- Accounts receivable
- Cash & bank
- Payroll
- Capital accounting

The audit concluded that the processes provided significant assurance with some improvement required.

It was noted that the majority of the core financial processes across both organisations had robust controls in place and testing had found that these controls were generally operating effectively. Appendix 3 to the report provided a breakdown of assurance levels by core financial process for each organisation.

The audit had identified areas of good practice, areas for development and raised seven recommendations all of which were detailed within the report.

RESOLVED – That the findings and recommendations of the internal audit on:

- i) Capital Programme (Appendix 1), and
- ii) Core Financial Controls (Appendix 2)

are noted.

## **Internal Audit Recommendation Tracking Report**

A report was submitted which presented an update on the implementation of the recommendations made by Internal Audit.

It was noted that, at the date of finalising the report, there were eight recommendations agreed with management that were overdue. It was confirmed that one action had been superseded and nine had been implemented since the last Audit Committee; nine recommendations were not yet due.

The current status of all outstanding recommendations was detailed within the report.

It was acknowledged that progress with implementation may have been impacted due to the disruptions of the Covid-19 pandemic. Actions were being closed out much later than originally agreed and the Committee needed to be able to monitor the situation to see if it was getting better or worse.

L Mackenzie informed members that the next report would include KPI information which would give the Committee the information required.

The Committee also requested that actions with an 'on hold' status could be given a broad date for completion.

R Adams explained the delay relating to the development of an Inward Investment Plan with supporting KPIs and the launch of a Strategic Economic Plan. It was noted that the consultation on the SEP had now been completed and a report would be submitted to the next LEP Board meeting to seek their agreement, feedback and approval of changes that had been made as a result of the consultation.

In answer to a question from A Marshall, C James agreed to find out the timescale for the unions signing off the draft IT policy.

RESOLVED – That the Committee note the progress of the implementation of internal audit recommendations.

## **Risk Policy and Process**

A report was considered that presented a new risk management policy and process and sought to provide assurance that risk was being actively managed by the MCA Executive Management Board.

Members were informed that a recent Internal Audit report on risk management had concluded that the processes of the MCA Executive in monitoring and managing risk on behalf of the MCA provided 'significant assurance with some improvements required'.

The recommendations of the audit included refreshing the Authority's Risk Management Policy and Process to ensure they accurately reflected the structure of the organisation, set out reporting requirements, clarify escalation

and de-escalation procedures and outlined how the MCA oversee the risk management arrangements of the PTE.

Members noted that the documentation, attached at Appendix A to the report, addressed a number of recommendations made by Internal Audit on risk management, these were detailed within the report.

Subject to any suggestions made by the Committee the Risk Management Policy and Process would be submitted to the MCA for adoption.

RESOLVED – That the Committee agree that the amended approach gives the required assurance of active risk management and endorse the approach to the MCA Board.

## 14 **Strategic Risk Monitoring**

A report was submitted which presented revised strategic risk categorisations and risk management plans.

Internal Audit had recommended that the Authority reviewed the format of the strategic risk register to ensure there was clarity and evidence of movement in a risk and whether risks were controlled and managed or if further escalation may be required.

The Committee was informed that in response to the recommendations, the Management Board of the MCA had undertaken a review of its 13 strategic risk categories. As a result, the strategic risk framework had been rationalised to cover five categories of risk. These were:

1. Strategic Focus
2. Organisational Management
3. Budgetary and Financial Management
4. Programme Management
5. Governance and Compliance Management

Against the new risk categories, the individual corporate risks were summarised into Strategic Risk Registers which were attached at Appendix A to the report.

Members were informed that each risk register was structured to provide:

- A description of the risks, each individually scored for the likelihood and impact
- A description of the potential consequences/impact if the risk materialised
- A risk category cumulative score
- A description of the mitigation strategies and controls
- A mitigates risk category cumulative score
- Control/mitigation weaknesses
- Action Plan
- Risk Owner

A summary of the actions for the coming year was attached at Appendix B to

the report.

It was noted that the risk ratings shown in the risk registers are structured on a 4-point scale using a probability impact grid which was illustrated within the report.

It was suggested that in future the full risk registers were presented to the Committee twice annually but that, in between that, the Committee receive a monitoring report that covered and updated on Medium-High and High risks, identified any risk movements and charted progress against the cumulative action plan.

The Committee welcomed the revised strategic risk categorisations and risk management plans commenting that they provided greater clarity.

A Marshall suggested that it would be useful if the intermediate monitoring reports contained a heat map and Gantt chart to see where risks were moving and also to show any emerging risks that had been identified during the period.

R Adams confirmed that all Directors and Assistant Directors had been involved in the process and eight Risk Champions had been trained. The next step would be to embed the process throughout the organisation.

Members noted that consideration was being given to using risk management software to enhance reporting.

Officers updated the Committee on risks around the public transport system, resources to run the organisation, the effects of Covid-19 and the integration of SYPTE into the MCA.

It was agreed that further details on the integration of the MCA and SYPTE would be brought to a future meeting of the Committee.

D Smith agreed to bring an report describing the different possible economic scenarios for the region post pandemic to the next meeting.

**RESOLVED** – That the Committee had considered and discussed:

- i) The revision of the MCA strategic risk categorisations.
- ii) The strategic risk definitions.
- iii) The established mitigating controls and the self-assessment of weaknesses in controls.
- iv) The annual action plan.

## 15 **Work Plan (to July 2021)**

The Committee considered its work plan for 2020/21.

It was confirmed that reports on the Bus Review implementation and the

integration of SYPTE into the MCA would be added to the agenda for January's meeting.

D Smith confirmed that officers continued to work with businesses and provide information to prepare them for Brexit. He agreed to circulate a briefing paper to update members on the work being done in preparation for Brexit.

RESOLVED – That the work plan be noted.

16 **Any other business**

None.

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

Signed .....

Name .....

Position .....

Date .....