

MCA - AUDIT AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 10 JUNE 2021 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor Allan Jones	Doncaster MBC
Rhys Jarvis	(Independent Member)
Councillor Phillip Lofts	Barnsley MBC
Councillor Ken Richardson	Barnsley MBC
Angela Marshall	(Independent Member)
Councillor Emily Barley	Rotherham Metropolitan Borough Council
Councillor Ian Auckland	Sheffield City Council
Councillor Glenn Bluff (Reserve)	Doncaster MBC
Dr Dave Smith	MCA Executive Team

Officers in Attendance:

Gareth Sutton	Chief Finance Officer/S73 Officer	MCA Executive Team
Mike Thomas	Senior Finance Manager/Deputy S73 Officer	MCA Executive Team
Steve Davenport	Principal Solicitor & Monitoring Officer	MCA Executive Team/SYPTE
Claire James	Senior Governance & Compliance Manager	MCA Executive Team

In Attendance

Hassan Rohimun	External Audit
Lisa Mackenzie	Internal Audit
Andrew Smith	Internal Audit

Apologies:

Councillor Joanna Baker-Rogers	Rotherham Metropolitan Borough Council
Dan Spiller	External Audit

1 Welcome and Apologies

The Chair, Councillor Jones welcomed everyone to the meeting.

The Chair said that today's meeting was not quorate and therefore, no decisions could be taken by the Committee. Any recommendations made by the Committee at today's meeting would be submitted to the MCA Executive

Team and approval sought at the July Audit and Standards Committee meeting.

The Committee agreed to proceed with transacting the intended business on today's agenda.

Apologies for absence were noted as above.

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**

For the benefit of new Committee Members, the Chair asked if an update could be provided at the July meeting to clarify the type of questions which would be appropriate for Committee Members to ask at future meetings. **ACTION: S Davenport**

6 **Questions from Members of the Public**

There were no questions from Members of the Public.

7 **Minutes , 18/03/2021 MCA - Audit and Standards Committee**

RESOLVED – That the minutes of the meeting held on 18th March 2021 be agreed as a true record.

8 **Matters arising and actions**

A report was presented to provide Members with progress updates on Actions/Matters arising from the Audit and Standards Committee held on 18th March 2021.

In relation to Minute 10, S Davenport confirmed that, once full integration of SYPTE into the MCA had taken place, a Health and Safety Tracker report would be presented to the Committee.

R Jarvis said that it would be beneficial for the Committee to also have an oversight and summary of operator's health and safety data.

In relation to Minute 12, M Thomas informed the Committee that the External Audit Plan had been circulated to the Committee as a late item.

The External Audit Plan had been noted by Members at a pre-meeting held prior to the Audit and Standards Committee; no feedback had been provided by Members.

Appendix A of the External Audit Plan report set out the proposed additional external audit fees for 2019/20. The Committee were informed that there was an error within the report and that, management had not agreed to the extra fee of £6,500. Management had only agreed to an extra fee of £4,000. The remaining additional audit fee of £2,500 had been referred to PSAA for their approval.

In relation to the action at Minute 12, the Chair said that he would discuss this with his fellow Doncaster MBC elected member colleagues appointed to serve on South Yorkshire Pensions Authority to request a timescale for the completion of their External Auditor's reporting in respect of the Local Government Pension Scheme assets. **ACTION: Councillor Jones.**

9 **Integration of MCA and PTE - Update on the Programme Plan**

D Smith delivered a report to provide Members with an overview presentation of the Integration Programme and governance process in place to deliver this priority.

Katie Thompson, Jonathan House and James Pemble from PwC had joined the meeting remotely to assist in answering any specific questions from Members.

Members noted that PwC had been advising the MCA on the governance arrangements being implemented with regards to the Integration Programme and providing assurance that the processes the MCA are following are robust and complete.

In summary, the report set out the programme plan along with the risk management arrangements for the programme. The report also set out how the MCA was establishing and pursuing a timetable to complete integration through a series of workstreams, which were being led and managed through identified officers and support teams.

The MCA were continuing to engage with staff on the proposed integration plans. A positive response had been received from staff around the proposal for integration. Some concerns had been raised by staff around how the integration would affect them in terms of roles and responsibilities, which would need to be addressed. Whilst acknowledging the concerns raised, the principle of the change, the rationale and desire to change had been broadly supported by staff.

D Smith said that he was pleased with the good start that had been made towards the integration process. Assurances were provided to Members that the MCA had the correct framework to complete the integration process.

Furthermore, the report drew to Members' attention that, one element not in the direct control of the MCA, was around the Parliamentary time required to formally, legally dissolve the PTE. Discussions were taking place with MHCLG

on the timetable for agreeing the Parliamentary Order.

Members noted that, whilst notwithstanding the formal dissolution of the PTE, work would continue to take place on the integration process. It was confirmed that 95% of the integration process could be achieved without the need for formal dissolution of the PTE.

Appendix A to the report provided Members' with a copy of a MCA Governance report of 7th June 2020, which set out a range of governance changes, in advance of the Parliamentary Order, to enable the MCA to fully integrate the management and decision making arrangements to achieve those stages of integration.

As part of those changes, the MCA had agreed to form one single Audit and Standards Committee, rather than one Committee for the PTE, and one for the MCA.

Members felt that a single Audit and Standards Committee could become overstretched. It was suggested that it may be appropriate for Sub-Committees of the Audit and Standards Committee to be established to undertake deepdives and to provide the necessary coverage.

The MCA Governance report also set out a number of options how the Committee could monitor integration specifically.

D Smith said that, his advice to the Committee about the preferred option, was for the Committee to agree to form an Advisory Committee that would specifically concentrate on the integration process to engage with Members as integration progresses.

Members asked for assurances that there were sufficient resources, finance and capacity available within the MCA and PTE to manage the proposed changes. Members also asked if the MCA had considered good/best practices from other organisations across the country and queried what a 'good' organisation may look like.

In response, D Smith confirmed that, in relation to resourcing of the integration process, a considerable amount of time had been taken to evaluate the resources required. Unfortunately, there were still a number of issues which he could not be predict. D Smith added that, he was confident that there would be the right resources available to carry out integration effectively.

G Sutton reported that a group-wide business planning process had been undertaken this year to examine resources available and pressures within both SYPTE and the MCA. An organisational commitment had been made to recruit extra staff in the finance team, procurement team and performance and programmes team.

In relation to best practices, D Smith said that discussions were on-going with colleagues in other Combined Authorities to understand the approaches taken and the journeys they had been on.

It was also important for the MCA to take on-board other areas of best practice, beyond Combined Authorities, to which, resources had been deployed on obtaining external advice from PwC and others who were providing technical and specialist advice to the MCA. Investment would continue in these areas.

R Jarvis asked if the Committee would have an oversight of transport needs, health and safety, and risk, once integration had taken place risk.

In response, S Davenport said it was proposed that, the Advisory Panel would have an oversight of operational transport, public transport and integration.

Members noted that the draft Terms of Reference for the Advisory Panel had been circulated.

R Jarvis requested that, Health and Safety, and risk be added to the Advisory Panel's Terms of Reference. **ACTION: S Davenport**

R Jarvis said he was of the opinion that, there needed to be a further separate workstream around risk management. He asked if a full risk review had been undertaken with regard to the integration process. Furthermore, he said he would welcome sight of the Risk Review which had been undertaken.

Colleagues from PwC confirmed that a full risk evaluation had been undertaken across all of the workstreams taking into account the mitigations and risks in the future and how these are mitigated in a two tier governance structure, in order that they are identified quickly and mitigated as a whole. It was added that, risk did run through every workstream, but the integrated risk management approach did sit within the Governance, Legal and Compliance workstream.

Members considered the options presented within the report and agreed that Option 1 be progressed to establish an Audit and Standards Advisory Panel to focus on integration. The Panel would have a standardised agenda including workstream overview, progress and risks.

The Committee nominated and agreed that the two Independent Members of the Audit and Standards Committee (A Marshall and R Jarvis) would sit on the Audit and Standards Advisory Panel.

Nominations from elected Members of the Audit and Standards Committee would also be invited to sit on the Advisory Panel. **ACTION: C James to write to Members to obtain nominations.**

In relation to the Internal Audit Plan for 2021/22, Members asked that integration featured as a review.

G Sutton replied that there was a recommendation within the Internal Audit Plan for 2021/22, that the MCA would assign a number of days for Internal Audit to review integration activity.

It was agreed that officers would develop proposals and a specification for the integration audit report, prior to it being finalised with Internal Audit colleagues.

It was agreed that the audit specification would be shared with Members of the Audit and Standards Committee. **ACTION: G Sutton**

RESOLVED – That the Audit and Standards Committee:-

1. Considered the programme planning undertaken as set out in Appendix A.
2. Considered the risk management arrangements and risks as set out in Appendix B.
3. Considered the options set out for their assurance activity and agreed their preferred approach as Option 1 to establish an Audit and Standards Committee Advisory Panel to focus on integration.
4. Outlined the requirements they would wish to see built into the Internal Audit programme.

10 **Internal Audit Plan 20/21 Progress Report**

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

It was noted that 50 of the 55 days in respect of MCA reviews had been delivered.

A total of 236 days of the 272 days in the joint Audit Plan had been delivered, a detailed breakdown was contained within the report.

Members noted that since the last meeting of the Committee, the AMP Technology Centre audit report had been finalised and received a partial assurance opinion with some improvement required.

Work had also been completed on grant certification and sign off certification letters in respect of the Growth Hub Grant and Business Readiness Funding 2020-2021.

Members noted that five reviews (Risk Management, Governance, Procurement, Adult Education Budget and Travel and Expenses Claims) were currently in progress. Fieldwork was almost complete with draft reports being shared with the Authority shortly.

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 Audit Plan was under constant review due to the Covid-19 outbreak and the uncertainty of its impact. Subsequently a number of changes had been made to the group Audit Plan resulting in an additional 38 days being moved to the contingency budget, increasing the total balance to 63 days.

A Marshall noted that the IT Advisory Review had been originally scheduled to be completed by 31st March 2021, with resources allocated from the

contingency budget. She asked when the Review would now be completed.

A Smith confirmed that the IT Advisory Review was currently being undertaken. A final report would be issued to the Authority by 30th June 2021.

RESOLVED – That the Audit and Standards Committee noted the progress of 2020/21 audit activity undertaken by Grant Thornton for:

1. Joint MCA & SYPTE audits
2. MCA audits
3. SYPTE audits

11

Strategic Risk Monitoring

A report was presented to provide the Committee with an update on strategic risks.

The Committee was reminded that, following a full internal Management Board review and an Internal Audit Report in 2020, the risk management framework of the MCA was revised and refreshed.

The Audit and Standards Committee had endorsed the revised policy and process in October 2020 and, following their recommendation, it was approved and adopted by the MCA at their meeting in November 2020.

The Work Plan for the Committee set out that strategic risk will be a standing item at each meeting.

A table within the report at paragraph 2.1 provided the Committee with a summary of the five strategic risk categories. Revised Risk Management Actions Plans for the five strategic risk categories were at provided at appendices A-E.

Referring to the Risk Category – Budget and Financial Management, G Sutton provided the Committee with a summary of the budget and financial management risks which continued to reflect the ongoing impact of, and fiscal response to, the pandemic, along with the change driven by the MCA's continuing devolution journey.

Members noted that the ongoing commercial sustainability of the passenger transport network remained highly contingent on the scale and longevity of government support.

R Jarvis said that there would be a key financial decision risk for the MCA to make in 2024, regarding the replacement of light rail stock, which the Authority would need to have on its horizon and commence planning for.

G Sutton confirmed that the Authority were currently examining how to shape a proposal to Government that fits with Government's current fiscal position, reflecting that a large financial "ask" may not be possible at the current time.

A number of new actions had been added to the Budget and Financial

Management Risk Category to reflect new strands of activity around integration; the drawdown of borrowing powers; and the development of an investment strategy.

A Marshall asked if the drawdown of borrowing powers would result in any delays during the financial year, until legislation was passed.

In response, G Sutton said that discussions were currently underway with HM Treasury and he hoped to submit a return to HM Treasury shortly. However, the Parliamentary timetable for passing the primary legislation was unknown and remained a key risk for the Authority.

Actions around the development of the Mass Transit business case had been re-profiled to better reflect the expected timing of the development and submission of those documents.

RESOLVED – That the Audit and Standards Committee noted the update on strategic risks and identified any issues.

12 **Internal Audit Plan Reports**

The Committee considered a report which presented the Internal Audit reports for the AMP Technology Centre and Core Financial Controls.

Members noted that the objective of the AMP Technology Centre review was to provide an independent and objective assessment of the design of MCA controls and the effectiveness of those controls relating to the internal and financial reporting arrangements within the Centre and the accuracy around financial reports received.

The audit concluded that the processes provided partial assurance with improvement required. Based on the findings, eight recommendations had been made. Full details of these were contained within the report.

Following publication of the AMP Technology Centre report in January 2021, it was confirmed that significant progress had been made in implementing the recommendations.

L Mackenzie said that a bespoke follow-up review on the AMP Technology Centre was scheduled within the Internal Audit Plan to be undertaken later in the year.

Councillor Auckland asked if the management arrangements in place with the third party managing agent for the AMP Technology Centre had the capacity to meet public service standards with regards to financial debt management.

In response, G Sutton said that the management agent for the Centre was performing well, however, there had been some lapses which had been identified within the Internal Audit review. In relation to financial debt management, bespoke systems had now been developed and were being regularly reviewed.

G Sutton added that, if the Committee wished to receive a report on the AMP Technology Centre's financial performance and its management of outstanding debt, he would be happy to provide this to the Committee in June 2022.

The Committee endorsed the suggestion. **ACTION: G Sutton – C James to add to the Committee's Work Plan.**

Councillor Jones queried if performance indicators were in place for the AMP Technology Centre.

G Sutton replied that the Business Plan for the AMP Technology Centre contained a broad suite of performance indicators. For example, occupancy levels and responsiveness to complaints etc. G Sutton added that, if the Committee wished to receive a report later in the year around the Centre's performance indicators he would be more than happy to provide this.

The Committee endorsed the suggestion. **ACTION: G Sutton – C James to add to the Committee's Work Plan.**

Members noted that the Core Financial Controls review for the MCA and SYPTE was focused on the following potential risk areas:

- General ledger
- Accounts payable
- Accounts receivable
- Cash & bank
- Payroll
- Capital Accounting
- Budgetary Control

The audit concluded that the processes provided significant assurance with some improvement required. Based on the findings, sixteen recommendations had been made. Full details of these were contained within the report.

In response to a query from Councillor Bluff, L Mackenzie confirmed that there had been no instances with regards to the segregation of duties with regards to the approval of journals and accounts payable.

RESOLVED – That the Audit and Standards Committee considered the findings and recommendations of the internal audits on:

1. AMP Technology Centre
2. Core Financial Controls

13

Internal Audit Plan 2021/22

Emily Mayne introduced herself to the Committee and confirmed that she would be the Authority's Head of Internal Audit for 2021/22.

E Mayne presented the draft Internal Audit Plan for 2021/22. The Plan was subject to final discussion with the Group Finance Director, Deputy Section 73 Officer and Chairs of Audit Committee, prior to final approval and adoption at

Audit Committee.

The specific objectives; associated risks; scope and approach to each review; and timing would be agreed with the relevant audit sponsor.

Members noted that the Plan had been formulated during the Covid-19 pandemic and was subject to flexibility to reflect the longer term impact of the virus.

A total of 263 indicative days were scheduled to be delivered in 2021/22. This included Contingency Days brought forward of 13 days.

R Jarvis noted that the scope and coverage for the integration review was still to be determined. He asked if Grant Thornton had any specialists in-house or external to help the MCA devise the scope for the review.

E Mayne replied that Grant Thornton did have expertise in-house which could assist the MCA in devising the scope for the review. Interviews with officers would take place firstly to understand the risks arising from the integration process.

A Marshall asked if Grant Thornton would be undertaking a review on assessing risk to fraud across all its clients, or if the review was specific to the MCA.

E Mayne confirmed that each client did engage with Internal Audit on fraud. However, a dedicated review on fraud was included within the Audit Plan to provide assurance to the Committee.

In relation to a query from A Marshall, E Mayne confirmed that Internal Audit was on track to complete all audits contained in the 2021/22 Internal Audit Plan.

Councillor Jones asked why 28 days had been included within the Internal Audit Plan to review assets.

L Mackenzie replied that, 28 days had been included within the Audit Plan to reflect two elements of work within the review. Firstly, to undertake a review of all SYPTE assets. And secondly, to carry out follow-up work in relation to the implementation of recommendations arising from the AMP Technology Centre review.

Councillor Bluff asked a question in relation to the scope of the audit. Due to connectivity issues it was agreed that he would submit his question to the MCA Executive Team to be passed onto E Mayne for a response. **ACTION: Councillor Bluff via C James**

RESOLVED – That the Audit and Standards Committee considered the Internal Audit Plan for 2021/22.

14 **Draft Head of Audit Opinion**

A Smith provided a verbal update on the draft Head of Internal Audit's Annual Opinion.

Members were informed that the draft Head of Internal Audit's Opinion had been issued to management. The final report would be presented to the Committee at its July meeting.

Members were informed that nine pieces of work had been completed during the year for the Group. Of the nine pieces of work, eight reviews had received a significant assurance with some improvement required level of assurance. Some of these pieces of work were currently been finalised with all fieldwork now completed. Final reports would be presented to the Committee in due course.

One partial assurance had been issued during the year in relation to the AMP Technology Centre, with one high risk recommendation issued. Given the actions taken by management to address the recommendations, it was confirmed that this did not have an overall impact on the Head of Internal Audit's Assurance Opinion.

RESOLVED – That Members of the Audit and Standards Committee noted the verbal update.

15 **Treasury Management Strategy**

A report was submitted informing the Committee that the regulation and the MCA's Constitution require that the MCA approve the adoption of an Annual Treasury Management Strategy (TMS).

Members noted that the MCA had considered and approved the Strategy at their meeting on 22nd March. In line with the terms of reference the Audit and Standards Committee are asked to scrutinise the Strategy.

Members noted that, in the new financial year there was an expectation that the MCA will accrue new powers to borrow for its non-local transport authority activity. The receipt of these powers is contingent on Parliament passing new legislation. It was expected that that process would begin in the summer, concluding in the Autumn

Reflecting this, the Committee noted that the TMS contained a proposal to increase the operational boundary and the authorised limit on debt the MCA can hold.

Whilst at this stage there were no plans to undertake borrowing for new non-LTA activity in the new year, increasing the limits at this stage provides the MCA with the necessary headroom to initiate a programme of borrowing funded activity during the year should the need or opportunity arise. All investment decisions would be subject to the MCA's revised Assurance Framework.

The TMS also contained an adjustment to the MRP policy to reflect the MCA's

intention to use future capital grant allocations to pay down debt that may be incurred in the financing of future gainshare funded schemes. This would allow for the costs of this type of borrowing to be wholly contained within devolution monies, avoiding costs falling onto the transport levy or mayoral precepts unless otherwise planned for.

RESOLVED – That the Audit and Standards Committee noted the Treasury Management Strategy.

16 **Annual Governance Review - Initial Findings**

A report was presented setting out the initial findings of the Annual Governance Review which had been carried out in line with CIPFA guidance note 'Application of the Good Governance Framework 2020/21'.

A summary of the outcome of this assessment was outlined in Appendix A and noted by the Committee.

In addition, the report also provided an update on the progress of the 2020/21 Governance Improvement Plan set out at Appendix B.

An additional report on the findings of the Annual Governance Review would be provided alongside a draft Annual Governance Statement to the Committee in July.

RESOLVED – That the Audit and Standards Committee:-

1. Noted the initial findings of the Annual Governance Review and identified any issues.
2. Noted the progress of the 2020/21 Governance Improvement Plan.

17 **Internal Audit Recommendations Tracker 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 five recommendations agreed with management that were outstanding. Management had confirmed three actions had been implemented since the last Audit and Standards Committee; five recommendations were not yet due.

Analysis on page three of the report showed the number of days that had passed from the original agreed implementation dates. It was acknowledged that progress with implementation may have been impacted due to the disruptions of Covid-19 and the Authority may wish to consider agreeing revised implementation dates.

A Marshall noted that a number of overdue recommendations had been marked on the tracker report as "not yet due" and had been outstanding for some considerable length of time. She queried why there had been no revised target implementation dates included on the tracker report.

In response, L Mackenzie said that, based on the information provided to her by the MCA, no revised target implementation dates had been set. However, the MCA did have the option to include revised target implementation dates.

C James added that, one of the Risk Management overdue recommendation was linked with the Integration project in one of the workstreams. C James agreed to re-visit the overdue recommendation and add a revised target implementation date. **ACTION: C James.**

A Marshall said that it would be beneficial if all overdue recommendations could be re-visited and target implementation dates added to the tracker report. **ACTION: C James.**

RESOLVED – That Members of the Audit and Standards Committee reviewed the progress of the implementation of Internal Audit recommendations.

18 **Revised Work Plan**

The Committee considered its updated Work Plan for 2021.

C James informed Members that she would develop and submit a detailed Work Plan to a future meeting setting out a programme of work for the next 12 months. The Work Plan would be based on the Committee’s revised Terms of Reference to ensure that the Committee meets its accountabilities.

RESOLVED – That Members of the Audit and Standards Committee considered its Work Plan for 2021.

19 **External Audit Plan**

The External Audit Plan was not considered by the Committee at its meeting held on 10th June 2021 however an informal discussion had taken place outside of the meeting.

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

Signed

Name

Position

Date