

SCR - AUDIT AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON:

THURSDAY, 13 JUNE 2019 AT 11.00 AM

11 BROAD STREET WEST, SHEFFIELD S1 2BQ



Present:

Councillor David Challinor
Councillor Allen Cowles
Councillor Jeff Ennis
Councillor Chris Furness
Rhys Jarvis
Councillor Allan Jones
Angela Marshall
Councillor Tom Munro
Councillor Mark Rayner
Councillor Ken Richardson
Councillor Austen White
Dr Dave Smith
Andrew Frostdick

Bassetlaw DC
Rotherham MBC
Barnsley MBC
Derbyshire Dales DC
Independent Member
Doncaster MBC
Independent Member
Bolsover DC
Chesterfield BC
Barnsley MBC
Doncaster MBC
SCR
SCR

Officers in Attendance:

Rob Winter
Andrew Shirt

Internal Audit Manager

BMBC - Internal Audit
JAGU

Apologies:

Councillor Ian Auckland
Councillor Paul Parkin
Councillor Ken Wyatt
Eugene Walker
Claire James

Sheffield City Council
NE Derbyshire DC
Rotherham MBC
SCR
SCR

1 **Welcome and Apologies**

Apologies were noted as above.

2 **Appointment of Chair**

Nominations were sought for the position of Chair of the SCR Audit and Standards Committee for the ensuing municipal year.

Councillor Jones proposed that the Committee be chaired by an Independent person and was seconded by R Jarvis.

A Marshall spoke against the proposal. She stated that the Chair of the Committee needed to have contact with the political leadership and be part of that decision making process.

At this point in the meeting, the Committee received advice from A Frosdick on the SCRMCAs Constitution for Chairing meetings of the Audit and Standards Committee.

Following consideration of the advice provided by A Frosdick, nominations were re-sought from Members for the position of Chair.

Councillor Furness nominated Councillor Jones as Chair and R Jarvis seconded the nomination.

RESOLVED – That Councillor Jones be appointed Chair of the Committee for the ensuing municipal year.

3 Appointment of Vice-Chair

Councillor Jones invited nominations for the position of Vice-Chair of the SCR Audit and Standards Committee for the ensuing municipal year.

Councillor Furness nominated R Jarvis as Vice-Chair and Councillor Rayner seconded the nomination.

RESOLVED – That R Jarvis be appointed Vice-Chair of the Committee for the ensuing municipal year.

4 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.

5 Urgent Items/Announcements

There were no urgent items/announcements.

6 Items to be Considered in the Absence of Public and Press

None.

7 Declarations of Interest by any Members

Councillors Richardson and Ennis declared a Non-Pecuniary Interest in Agenda Item 14, by virtue of being elected Members of Barnsley MBC and the agenda item being linked to a service provided by Barnsley MBC.

Councillor Richardson also declared that he was Vice-Chair of Barnsley MBC's Audit Committee.

8 Reports from and Questions by Members

9 **Questions from Members of the Public**

None received.

10 **Minutes and Actions of the Previous Meeting held on 18th April 2019**

R Jarvis referred to Minute 10 'Review of Risk Management Arrangements', paragraph 5. He stated that Members had not received a copy of a report on the potential effects of Brexit on the SCR which had been presented at the SCR Overview and Scrutiny Committee held on 11th April 2019.

D Smith apologised for this oversight and stated that a copy of the report would be circulated to Members following today's meeting. **ACTION: C James**

Councillor Jones suggested that it would be useful for Members to have a separate item on future agendas entitled 'actions arising from the previous meeting' with all the actions listed and updates provided. **ACTION: C James**

RESOLVED – That the minutes of the meeting of the SCR Audit and Standards Committee held on 18 April 2019 are agreed to be an accurate record of the meeting.

11 **Head of Internal Audit's Annual Report 2018/19**

A report of the Head of Internal Audit and Corporate Anti-Fraud, Barnsley MBC was submitted which reported on the Internal Audit Team's completed assignments throughout 2018/19, recommendations made and also the Head of Internal Audit's annual assurance opinion based on the work undertaken during the year.

The Internal Audit Team had delivered all of the audit days included within the Group Annual Internal Audit Plan for 2018/19. It was highlighted that there had been an increase in the number of limited assurance opinions issued, based on the work undertaken by Internal Audit in 2018/19. A supplementary reading pack had been circulated to Members setting out details of the audit reports which had received limited assurance opinions.

Members were informed that, based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the Head of Internal Audit was able to give an adequate (positive) assurance opinion regarding the effectiveness of the control, risk and governance environment.

Members noted that the audit report of the Procurement Review had not yet been finalised. A meeting was scheduled with senior management on 4th July 2019 to discuss the report, its recommendations and senior management's response.

A Marshall commented that there were a number of Internal Audit recommendations arising with regards to financial management, contracts /

procurement / commissioning and information governance. She asked if this was an indication of any themes developing, or whether it was due to Internal Audit being asked to carry out work in these areas.

R Winter confirmed that the functions referred to were all contained within the Internal Audit's Annual Plan. There were no issues which he needed to bring to the Committee's attention in these areas.

A Marshall queried the response. She highlighted that the audit reports of the group's compliance with GDPR and contracts procurement had all received limited assurance opinions from Internal Audit.

R Winter confirmed that the most significant issue arising from the audit of the group's compliance with GDPR had been completed immediately. The remaining six recommendations were currently not due for completion and would be followed-up by Grant Thornton in due course.

A Marshall highlighted that the Accounts Payable audit had stated that there had been a failure to obtain valid receipts to support Barclaycard transactions. She asked if cardholders did not know the rules around obtaining receipts.

M Thomas confirmed that he was currently in the process of arranging refresher training to remind cardholders of the SCR's policy and protocols to provide valid receipts for transactions. He anticipated that the training would be completed during quarter 2 of the 2019/20 financial year.

Councillor Jones referred to Appendix E of the report – 'outstanding Audit recommendations as at 30th April 2019'. He asked if work to complete the Asset Register for Building 1 located at the AMP Technology Centre was on track to be completed by the revised implementation date of 30th June 2019.

M Thomas stated that he would check progress with the Contracts Team and provide an update outside of today's meeting. **ACTION: M Thomas**

R Winter informed Members that this would be the last Committee meeting he would be attending. He thanked the Committee and senior management for all their co-operation over the last 5 years.

On behalf of the Committee, Councillor Jones thanked R Winter and his Team for all their hard work.

RESOLVED – That the Audit and Standards Committee considered and received the report.

Group Internal Audit Plan

A report was submitted by Grant Thornton which presented the proposed group Internal Audit Plan 2019/20 for approval and adoption by the Audit and Standards Committee. The specific objectives; associated risks; scope and approach to each review; and timing would be agreed with the relevant audit sponsor.

The report also presented a proposed Internal Audit Charter.

Members noted that 250 indicative audit days were included within the proposed 2019/20 Internal Audit Plan.

A Marshall highlighted that the SYPTE Audit and Risk Committee had not yet considered the proposed group Internal Audit Plan 2019/20.

In relation to the proposed timings contained within the Plan, A Marshall commented that the Plan was 'back-loaded', due to there being a large majority of work scheduled to be undertaken during Quarters 3 and 4.

L Mackenzie provided the Committee with reassurances that resources were in place for the schedule of work to be completed within the Plan.

R Jarvis asked if asset integrity would be included within the review of Asset Management.

L Mackenzie replied that the scope of the audit and discussions with management were yet to be undertaken. She agreed to take forward the question raised by R Jarvis.

Councillor Jones asked in terms of duplication, would aspects of work contained in the Audit Plan for SYPTE be presented to this Committee.

M Thomas confirmed that SYPTE's Audit and Risk Committee was completely separate and independent of the SCR Audit and Standards Committee. It was confirmed that the Audit Plan had been designed to combine the two organisations.

A Marshall suggested that it would be prudent for the Committee to meet privately with both the Internal and External Auditors prior to, or after Committee meetings.

Councillor Jones supported A Marshall's suggestion.

Councillor Jones asked if there would be an Induction Session for new Members of the Committee.

M Thomas confirmed that an Induction Session for new Members of the Committee was currently in the process of being arranged. The SCR Executive Team would contact new Members with further details shortly.

Councillor Jones asked if existing Members of the Committee could be provided with re-fresher training and reminded of the Committee's Terms of Reference.

M Thomas acknowledged Councillor Jones' request.

A Marshall commented that it would be very useful in future years, to take Members through the Statement of Accounts to identify any issues, prior to them being presented to the Committee.

RESOLVED – That the Audit and Standards Committee approved the 2019/20 Internal Audit Plan and Internal Audit Charter for 2019/20.

13 **Draft Accounts & Annual Governance Statement**

A report was received to provide the Committee with an opportunity to ask any questions regarding the unaudited Statement of Accounts prior to external audit and public inspection.

M Thomas outlined that there were potentially two material adjustments that would need to be made to the opening balance sheet on 1 April 2018 which were not currently reflected in the unaudited Statement of Accounts.

The material adjustments were currently being discussed with the external auditors and, once finally determined, would be incorporated into the audited Statement of Accounts as a Prior Period Adjustment prior to the Accounts being presented to the next Audit and Standards Committee meeting on 11 July, and subsequently being formally adopted by the MCA at its meeting on 29 July.

Members asked a series of questions relating to the two material adjustments with detailed answers provided to them by M Thomas.

Councillor Furness referred to economic development. He asked if the creation of 70,000 new dwellings by 2024 was linked to the new dwellings figure set out in Local Plans published by all the local authorities.

D Smith replied that the figure was part of the original Strategic Economic Plan developed in 2014. The figure was estimated on the number of new houses as a direct consequence of specific areas of growth from across the City Region. At this time it was not linked to Local Plans. The figure would be revised to take account of Local Plans in the new Strategic Economic Plan currently being developed. It was anticipated that the new Strategic Economic Plan would be published during the autumn of 2019.

In response to a question from A Marshall, M Thomas informed the Committee how the accounts had been prepared on the basis that the Authority was a going concern.

R Jarvis asked why the Balance Sheet showed a large movement in Short Term Debtors, from £6m as at 31 March 2018 to £29m as at 31 March 2019.

M Thomas referred Members to note 24 'Short Term Debtors' in the Accounts. It was noted that included within other debtors was £15m due from JESSICA, which had now been received during May 2019.

R Jarvis queried why there was no movement year-on-year in relation to the non-current assets value.

M Thomas agreed to investigate and provide a response after today's meeting.
ACTION: M Thomas

A Marshall referred to Annex A of the report ('The Governance Framework'). She asked if officers were confident that the language used in paragraph 2.2 'Contract Procurement Rules' and paragraph 2.7 'Capital Programme', was appropriate, given that the audit reports in these areas had received limited assurance.

In addition, A Marshall referred to paragraph 2.17 of the report, which stated that, 'the Audit and Standards Committee terms of reference have been reviewed in year and an action plan is in place to maximise the value of the Committee adds to the SCR'. A Marshall stated that she wasn't aware that the Committee's terms of reference had been reviewed and queried whether the 'action plan' was actually the Committee's work plan.

R Adams explained that the Contract Procurement audit report was currently in draft format. The audit of Contract Procurement had received a limited assurance opinion, which was currently being challenged by management. The Capital audit report had been carried out to look at a specific transport capital scheme, which was not part of the Local Growth Fund.

In relation to the Committee's action plan, it was confirmed that this should have been titled as the Committee's work plan.

S Clark reported that, in relation to the Pension Liability, there was currently an ongoing legal case (McCloud v Ministry of Justice) which was due to have a Supreme Court Hearing later in June. The outcome of the case may have a potential impact on every individual Local Government Pension Scheme in the country. It was highlighted that Pension Actuaries may need to re-calculate pension costs which would require a disclosure note to be added to the Statement of Accounts.

On behalf of the Committee, Councillor Jones asked if key aspects of the Statement of Accounts could be presented to the Committee in future years.

M Thomas acknowledged the request.

RESOLVED – That the Audit and Standards Committee noted the unaudited Statement of Accounts 2018/19.

14 **Procurement of Internal Audit Provider**

At this point in the meeting, colleagues from Internal and External Audit were asked to leave the meeting for the following agenda item.

M Thomas presented a report to set out the process leading up to the award of a contract for the provision of Internal Audit services to the Mayoral Combined Authority group.

Members were informed that the weighting applied for the tender evaluation was pre-determined at 50% quality and 50% price. Five tender submissions were received. For 3 out of the 5 tender submissions, the quality scores fell below the threshold and were therefore excluded from the evaluation process.

Having attained the highest total score, it was recommended to the SYPTE Executive Board that Grant Thornton UK LLP be awarded the contract for the provision of Internal Audit services for an initial 3-year period from 1st April 2019.

Following advice from A Frosdick, Members voted and agreed to pause the webcast of the meeting for the remaining discussion of the agenda item, based on the grounds it may involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

RESOLVED – That the Audit and Standards Committee noted the contents of the report.

15 **2019/20 Meeting Dates**

A report was submitted to present the proposed future dates for SCR Audit and Standards Committee meetings 2019/20.

The proposed dates for the Audit and Standards Committee for 2019/20 were as follows:

10 October 2019
23 January 2020
26 March 2020
11 June 2020
9 July 2020

All meetings are scheduled to commence at 11:00 am and finish at 1:00 pm and be held at 11 Broad Street West, Sheffield, S1 2BQ.

RESOLVED – That the Audit and Standards Committee noted the proposed 2019/20 meeting dates as outlined above.

16 **MCA Adoption of Definitions of Antisemitism and Islamophobia**

A report was submitted to inform Members that, the Mayoral Combined Authority had received a report on 3rd June 2019 to adopt an agreed definition of antisemitism and agreed to an intention to adopt a definition in relation to Islamophobia. The adoption of these definitions was to provide clarity about what antisemitism is, and what Islamophobia is, as part of the MCA and LEP's general equal opportunities policy.

RESOLVED – That the Audit and Standards Committee noted the report presented to the Mayoral Combined Authority and that, further to this, it was agreed to:

1. Adopt the International Holocaust Remembrance Alliance (IHRA) working definition of antisemitism.
2. Adopt a working definition of Islamophobia when there is greater clarity and a shared understanding of the term.

17

Any other business

Councillor Jones asked Members to notify him if they had any potential agenda items they wished to discuss at future meetings.