

**SHEFFIELD CITY REGION COMBINED AUTHORITY**

**AUDIT COMMITTEE**

**MINUTES OF THE MEETING HELD ON 24 JANUARY 2019**

PRESENT:

Councillor Karl Reid, Bolsover DC (Chair)

Councillor Ian Auckland, Sheffield CC  
Councillor Ken Richardson, Barnsley MBC  
Councillor Jeff Ennis, Barnsley MBC  
Rhys Jarvis, Independent Member  
Councillor George Lindars-Hammond, Sheffield CC  
Angela Marshall, Independent Member  
Councillor Shaffaq Mohammed, Sheffield CC  
Councillor John Shephard, Bassetlaw DC  
Councillor Ken Wyatt, Rotherham MBC

Councillor Tom Munro, Bolsover DC (observer)

Ruth Adams, SCR Exec Team  
Steve Clark, EY  
Andrew Frosdick, Monitoring Officer  
Claire James, SCR Executive Team  
Dan Spiller, EY  
Tim Taylor, SYPTE  
Mike Thomas, SCC / SCR Exec Team  
Craig Tyler, South Yorkshire Joint Authorities  
Rob Winter, Internal Audit

Apologies for absence were received from Councillors P Baker, D Challinor, A Cowles, C Furness, N Gibson, A Jones, G Morley, M Rayner and A White

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 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 THE PUBLIC AND PRESS

None.

5 DECLARATIONS OF INTEREST

None noted.

6 REPORTS FROM AND QUESTIONS BY MEMBERS

None received.

7 QUESTIONS FROM MEMBERS OF THE PUBLIC

None received.

8 MINUTES OF THE PREVIOUS MEETING HELD ON 25TH OCTOBER 2019

RESOLVED, that the minutes of the meeting of the SCR Audit and Standards Committee held on 25<sup>th</sup> October are agreed to be an accurate record of the meeting.

9 PROGRESS AGAINST SCR'S GOVERNANCE IMPROVEMENT PLAN & ANNUAL GOVERNANCE REVIEW PROCESS

A report was received to provide an update on progress against the Governance Improvement Plan (as determined by the 2017/18 Annual Governance Statement) and progress against the two recommendations made by external audit

The report also proposed the SCR Annual Governance Review Process for 2018/19.

Clarity was provided regarding the phrase 'decoupling of funding' in relation to milestones, noting this is specifically in reference to where scheme delivery milestones are 'not' being met.

Members questioned whether timelines towards completion, and expected completion dates, might be ascribed to the actions being undertaken to address the recommendations of the external auditor.

**Action: R Adams / C James to annotate future reports to the Committee to provide this information.**

R Adams noted some of this information has only recently become determinable, triggered by the LEP's determination of a timeline for the refresh of the SCR Strategic Economic Plan and other strategic documents.

The Chair recommended usage of a RAG-rating approach to help Members identify the extent to which intended actions might be off-track.

It was questioned whether the external auditor had identified any matters of note in respect of accounting transactions and if so when these matters might be brought before the Committee. M Thomas reported on recent meetings with the external auditor to address and noted there were a couple of areas where officers would be preparing some management representations. It was confirmed a report covering this information would be presented to the next Committee meeting.

Regarding the external auditor's recommendations in respect of the implementation of a new finance system, it was questioned whether lessons learnt around the impact on the control environment would be built into future plans. M Thomas provided this assurance.

RESOLVED, that the Audit and Standards Committee:

1. Notes progress against the Governance Improvement Plan 17/18 and against external audit recommendations
2. Notes the proposed Governance Review Process for 18/19

#### 10 DRAFT 2019/20 TREASURY MANAGEMENT STRATEGY

A paper was received to present the proposed annual treasury management strategy for the financial year 2019/20.

It was noted this is a compliance paper which sets out how the Authority's debt and investment portfolio will be managed over the period and that like other public bodies, the Authority adopts an efficient approach to its affairs which seeks to mitigate risk above all else.

Members were informed the proposals within this paper do not contain any material amendments to parameters previously agreed by Leaders.

It was noted the 2019/20 treasury management strategy is more focussed on day to day treasury activity and the affordability of capital investment plans over the short to medium term. Members were therefore advised the paper focusses on capital expenditure plans over the next 3 years, including prudential indicators, the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators, the annual investment strategy, (the parameters on how investments are to be managed), and, the minimum revenue provision (MRP) policy, which sets out the way in which revenue will be charged to meet capital expenditure financed by borrowing.

It was noted the treasury management strategy in this report has been prepared having regard to the revised CIPFA Code of Practice on Treasury Management in Public Services (Treasury Code), the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) and additional statutory guidance on local

government investments, MRP policy and Treasury Management in the Public Services Guidance Notes.

The key points of the strategy were explained in detail.

Cllr Wyatt asked whether it may be considered that SCR's treasury management advisors are doing a good job and for how long they are contracted to provide services. It was noted the advisors (Link Asset management) are also Sheffield CC's treasury management advisors and officers proposed that whilst engagement is going well, effectiveness will continue to be reviewed.

**Action: M Thomas to find out how long the SCC treasury management advisory contract has to run and informed Members.**

In response to a question from R Jarvis, it was confirmed the strategy is not subject to any exchange rate risks.

In response to a question from Cllr Auckland, it was confirmed that at the point of final transfer, an independent valuation of the value of the assets held by the former SYITA Property company will be undertaken and the values reflected in the 2018/19 final accounts.

Cllr Lindars-Hammond asked why there was a figure of £0 ascribed to the Transforming Cities Fund allocation (TCF). It was confirmed this is due to officers making no assumptions regarding the potential size of the future award, but to ensure ASC Members are aware of its potential inclusion in the SCR finances. Members were advised officers are devising a potential TCF programme with a value informed by a number of assumptions.

A Marshall noted the suggestion that the MCA, in conducting its asset management review, will have regard to the Guidance in relation to any proposals to develop its commercial investment activity whose primary purpose is to earn a financial return, and highlighted difficulties that other Authorities have experienced in developing commercial portfolios. R Adams indicated that the MCA currently has no major ambition to expand such a portfolio but will continue to ensure the assets it has are used for best purpose.

Members were subsequently advised of the reasoning behind the purchase of the AMP Technology Centre and why this was deemed to be of benefit to the SCR.

Members were reminded the MCA only has a legal framework to borrow for transport purposes.

Regarding the asset management strategy, R Jarvis questioned the intention to focus the strategy on ensuring that core operational assets within the MCA group (SCR and SYPTE) remain fit for purpose and asked whether this would include 'enhancements'. M Thomas confirmed it would and in doing so noted plans would be developed to ensure the longer term maintenance costs of all assets are fully understood, and appropriately captured within the medium term financial plan.

RESOLVED, that the Audit and Standards Committee endorse the following for approval at the MCA on 25th March:

1. The annual treasury management strategy and associated prudential indicators;
2. The annual investment strategy;
3. The minimum revenue provision policy

## 11 INTERNAL AUDIT PROGRESS REPORT

A report was received to inform the Committee of the Internal Audit work completed and in progress from 13th October 2018 to 31st December 2018, the position with regard to the implementation of recommendations, about planned audit work and the performance of the Internal Audit Team.

Members were advised all planned work would be completed by 31<sup>st</sup> March as intended.

It was confirmed there were no control or compliance issues to bring to the Committee's attention.

The Executive's governance control regime was referred to by the internal auditor as a 'well-oiled machine'.

Members were provided with more details regarding the two pieces of work completed during the last period.

Members were directed to the list of outstanding recommendations. It was confirmed appropriate responsibility for these recommendations has been claimed by the SCR management and regular updates are being provided regarding activity being undertaken to address matters of note. Specific examples of such activity were provided.

Cllr Richardson requested that where possible, target dates be included to indicate when it is envisaged the outstanding actions are due to be discharged by.

RESOLVED, that the contents of the report are noted.

## 12 INTERNAL AUDIT QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

A report was received to inform Members of the Framework proposed to prepare, manage and deliver the Quality Assurance and Improvement Programme (QAIP) for the Internal Audit function as required by the Public Sector Internal Audit Standards 2017 (PSIAS).

Additional information was provided to explain a number of other continuous improvement related activities underway in addition to the specific requirements of the PSIAS.

It was noted the proposed changes to internal audit reporting practices (improved templates etc.) have received fairly universal endorsement from the BMBC Internal Audit function's clients.

Cllr Lindars-Hammond asked why there was an intention to undertake a fundamental review of the MKInsight audit management system (to ensure that its current full functionality is being utilised and that the system is developed to meet our needs). R Winter confirmed this was to ensure the internal audit team is making the most of its available functionalities.

R Jarvis asked if all the intended review deadlines would be met. R Winter confirmed they would.

RESOLVED, that the Committee:

1. Notes the proposed QAIP Framework which sets out how it will meet the requirements set out in the PSIAS
2. Notes the future receipt of an annual update report on the delivery of the QAIP.

### 13 STRATEGIC RISK MANAGEMENT MONITORING

A report was presented to ensure the Audit and Standards Committee has appropriate oversight of MCA strategic risk management arrangements.

Outputs from the recent Statutory Officer risk workshop were provided for information.

RESOLVED, that the Committee notes the output from the Statutory Officer risk workshop.

### 14 COMMITTEE EFFECTIVENESS

A report was received setting out the options for how an assessment of the effectiveness of the Committee might be conducted, and to seek views from Members as to the proposal that an annual report is produced that demonstrates how the Committee has discharged its statutory functions.

Members were acquainted with the 3 broad options for how the assessment might be undertaken.

Members expressed a general preference for 'option 3', a structured questionnaire seeking feedback on the effectiveness of the Committee in relation to its core functions as described in CIPFA guidance.

It was noted this option would provide consistency and rigour for the evaluation and would allow for a body of information to be developed and compared year on year. It would also provide a solid foundation for the annual report should members agree that this should be produced.

Examples of other organisations that have adopted the structured questionnaire approach as a means for assessment were provided.

Members voiced similar support for the proposal to produce an annual report.

It was agreed it is of the utmost importance for the Committee to determine what it wants to do with the information garnered from the assessment once this has been collated. R Jarvis proposed that this should inform an 'annual plan' to be appended to the annual report.

RESOLVED, that the Audit and Standards Committee:

1. Determines that the 'structured questionnaire' option is the preferred methodology for conducting an assessment of the effectiveness of the Committee
2. Agrees that an annual report on the Committee's activities should be produced and presented to the MCA.

15 2018/19 MEETING DATES & REVISED WORKPLAN

The Committee was presented with the revised SCR Audit and Standards Committee work plan for 2018/19.

It was decided that the proposed 25<sup>th</sup> April meeting date is too close to the date of the local elections and should be brought forward by one or two weeks depending on logistical practicalities

**Action: C James / C Tyler to determine an alternate date for the April meeting.**

It was agreed the 11<sup>th</sup> July meeting should commence at 11.00am as originally scheduled.

RESOLVED, that Members note the revised work programme for 2018/19.

CHAIR