



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 16 December 2019

Time: 2pm

Location: South Cambridgeshire District Council

Present:

Mr John Pye
Cllr Ian Benney
Cllr Mike Davey
Cllr Tony Mason
Cllr Mark Goldsack
Cllr David Ambrose-Smith

Chairman
Fenland District Council
Cambridge City Council
South Cambridgeshire District Council
Cambridgeshire County Council
East Cambridgeshire District Council

Officers:

Dermot Pearson
Katarina O'Dell
Jon Alsop
Neil Cuttell
Francesca Houston
Louise Cook

Interim Monitoring Officer
Interim Scrutiny Officer
Chief Finance Officer (S73 Officer)
AEB & Skills Devolution Manager
Transport Programme Coordinator
Group Internal Auditor (Peterborough City Council)

1. APOLOGIES AND DECLARATIONS OF INTERESTS

- 1.1 Apologies were received from Councillor Sandford and Councillor McGuire. Councillor Brown substituted by Councillor Ambrose-Smith.

Apologies were also received from Kim Sawyer, Chief Executive Officer and John Hill, Chief Executive Officer.

2. DECLARATION OF INTEREST

- 2.1 Councillor Davey declared a non-pecuniary interest as his wife is an Assistant Director at Peterborough City Council and Cambridgeshire County Council in Housing matters.

3. MINUTES OF THE MEETING HELD ON THE 27 September 2019.

- 3.1 The minutes of the meeting held on the 27 September 2019 were agreed and signed by the Chair.
- 3.2 Action Sheet was reviewed by the Committee.

A point was raised on the fact that more assurance is needed that environmental measures are in place and how they are being incorporated into the work of the Combined Authority.

AGREED:

That a briefing note would be produced for mid-2020 on whether there is a process in place to enable environmental measures to be taken into account in decision-making of the Combined Authority, in order for the Audit & Governance Committee to review whether judgements are being made in a transparent framework.

3.3 CHAIR'S ANNOUNCEMENTS

- 3.3.1 The Chair noted that both Chief Executives were unable to attend the meeting and a personal assurance was received that this was an exceptional circumstance.
- 3.3.1 The Chair followed up on the item from the last meeting, regarding the accounts not being audited on time. The Chair attended the meeting with EY, the Public Sector Audit Appointments (PSAA) organisation and their Audit Forum, where it was noted that due to resource issue around 470 council across England and Wales were not audited on time and as of the end of November over 100 councils were still waiting for their accounts audits to be complete. The Chair reported that personal assurances were given by EY that the Combined Authority would not experience the same issue next year.

The Chief Finance Officer noted that a discussion was held with EY about the need to do more audit planning in advance, in order to relieve any increased burden of work during high peak times.

The Chair further noted that Ernst & Young were not present at the meeting and their External Audit Programme update would come to the Audit & Governance Committee in March 2020.

4. ASSURANCE FRAMEWORK REPORT

- 4.1 The Interim Monitoring Officer explained this was an update to the Assurance Framework previously agreed in May 2019 by the Business Board and the Combined Authority Board and then renegotiated with the central government.

As the Assurance Framework is part of the controls of the Combined Authority, this report is on the agenda for Audit & Governance Committee.

- 4.2 It was noted that the Assurance Framework consists of the systems and processes that the central government requires to have in place, in order for them to provide the funding that the Business Board and the Combined Authority receive from them. This is a set of requirements in one place, so the Combined Authority can be held to account as a Local Enterprise Partnership and a combined authority.
- 4.3 The Interim Monitoring Officer further explained that the key elements changed were set in section 2.5 of the report and clarified that those elements were not necessarily already carried out before, but that the Combined Authority was asked by the central government to include them in the Assurance Framework.
- 4.4 It was pointed out that previously the Assurance Framework was somewhat inflexible around benefit – cost ratios, which has been improved in this version.
- 4.5 The Chair raised a question about the governance relationship between the Combined Authority and subsidiary in holding companies and the PSAA's view that it is not good practice if members of a combined authority are also on the board of a holding company. The Chair asked for a paper to be produced for the Audit & Governance Committee meeting in March 2020, describing the governance arrangements and to what extent they would be filtered into the Assurance Framework.
- 4.6 A further point was raised asking about limited companies that the Combined Authority has with procurement arrangements and the role of Audit & Governance Committee understanding the governance under that arrangement. The Interim Monitoring Officer explained that there would be a Growth Service company, promoted by the Business Board and agreed by the Combined Authority Board and part of its role would be to procure the arrangements to support small businesses. The Committee requested this to be included in the paper for March 2020, with one element of it being the governance of conflict of interests.

RESOLVED:

- 4.7 That a paper on governance arrangements is produced for Audit & Governance Committee meeting in March 2020, as per points 4.5 and 4.6.
- 4.8 That the Committee noted the revised Assurance Framework.

5. REVIEW OF THE CORPORATE RISK MANAGEMENT STRATEGY AND RISK REGISTER

- 5.1 The Transport Programme Coordinator introduced the report and explained that the Strategy is based on the previous one and is a more effective approach to the management and mitigation of risk across the Combined Authority's activities. It differs from the current one in that:
 - Adopts a clearer hierarchy in dealing with Project, Programme, Portfolio and Corporate Risks with defined risk promotion and risk escalation processes.

- Provides greater and improved clarity on the aims and objective of the Strategy and its implementation within the Combined Authority.
- Clearly defines the roles and responsibilities of individuals, committees and the Combined Authority Board in their importance in managing and mitigating risk.
- Confirms how risks are to be managed, within appropriate measures and controls and how issues are to be mitigated when they do arise with clear processes to be followed.
- Addresses how risks can also be positive and create opportunities.
- Sets out the expectations of officers in relation to the understanding and management of risk.
- Aligns with the Assurance Framework and Constitution and relates to British Standard principles and guidelines.
- Provides an opportunity register and issue register to ensure all aspects of the management of risk is captured throughout the Project, Programme and Portfolio lifecycle.

The Transport Programme Coordinator further noted that the overall big change was the fact that this Strategy referred to how risks could be positive.

- 5.2 In response to a question raised about where the process can come from, it was clarified that anybody could initiate a risk.
- 5.3 Regarding a question on how the authority would ensure all employees understood risk management, it was explained that it would be ensured everyone was aware of the new Strategy and the roles, therefore, the roles have been clearly defined within the Strategy and were relevant to the people within the Combined Authority.

The Interim Monitoring Officer further explained that the Combined Authority would roll it out to all staff, however, it would also have to be tailored to different levels of people. With one of the key elements of the Strategy being how one identifies a risk early on in projects, a particular focus would be on project managers.

- 5.4 The Chair noted that some of the wording in the report would need to be adjusted in accordance to the Audit & Governance Committee's role.

RESOLVED:

- 5.5 That the wording in the report is reviewed with accordance to the Committee's role.
- 5.6 That the proposed revised Strategy and changes to the Corporate Risk Register be recommended.

6. REVIEW OF THE DATA PROTECTION POLICY

- 6.1 The Interim Monitoring Officer noted that the law requires to review and update Data Protection policy, which was the reason this report was in front of the Committee. It was explained that the Combined Authority took an approach of looking at how other combined authorities deal with data protection policies.

Additionally, it was noted that in comparison to the Members' home authorities, which would often have housing, social care functions and hold a wealth of personal information, this policy was slightly different, as the Combined Authority, with the exception of certain aspects of Adult Education, did not hold much personal data.

- 6.2 A question was raised on what protections there are in place for sharing information, particularly from areas with a lot of vulnerability, to ensure we have the expertise and knowledge to protect the Combined Authority and people living within the area. The Interim Monitoring Officer explained that as we get more involved in delivery of key projects, we would be doing more consultation and could gather more information, including potential personal data and, therefore, reassured the Committee that the Combined Authority would have to keep this under review.
- 6.3 The Committee welcomed the approach of researching how other combined authorities deal with data protection policy and praised the Combined Authority for looking elsewhere for best practices, which saves work and proves additional security.
- 6.4 A point was raised that the legislation that came with data protection was constantly changing and evolving, so a continuous visiting to and updating of the policy was recommended. The Committee requested an update from the Data Protection Officer in a year's time, unless special circumstances require an update sooner. The update to include data on aspects such as the volume of data, any requests for erasure etc.
- 6.5 It was noted that going forward it would be important that practicalities of visitor and data management at the Combined Authority are possible, practical and applied.

RESOLVED:

- 6.5 That an update from the Data Protection Officer be put on Audit & Governance Committee Work Programme for December 2020.
- 6.6 That the Combined Authority would keep an eye on implications on data protection after Brexit.
- 6.6 That the Data Protection Policy report be recommended.

7. COMBINED AUTHORITY BOARD SUMMARY REPORT

- 7.1 The Interim Monitoring Officer reported that with moving towards giving more delegated authority to Executive Committees and more decision-making going to them, the agendas for the Combined Authority had become lighter, which reflected its strategic role better.
- 7.2 The Chair asked for the Mayor's attendance to be confirmed for the Audit & Governance Committee meeting in March 2020.

RESOLVED:

- 7.3 That the Committee noted the Combined Authority Board Summary Report.

8. COMBINED AUTHORITY INTERNAL AUDIT PROGRESS REPORT

- 8.1 The Internal Auditor noted that this report is the regular update on the internal audit and that the internal audit planning process had started for next year.
- 8.2 It was reported that a major piece of work had been done on Human Resources (HR) recruitment and that a draft report had gone out. It was noted that the last report in March 2019 marked '*no assurance*' and there had been significant improvements made since, therefore, the updated mark received was '*reasonable assurance*'.
- 8.3 The HR Manager explained that the latest audit report found three low and three medium recommendations and agreed for the low ones to be completed by the end of 2019. It was noted that a timetable was agreed for the three medium recommendations, which were the appraisal system, style changes to contracts and transferring and doublechecking process as part of moving away from paper to electronic system.
- The HR further noted that a lot of work had been done on recruitment programme, which was challenging due to it being heavy on administration and paperwork, but that was successfully completed.
- The Chair thanked the HR Manager and congratulated him and the team on the amount of work completed in a reasonably short amount of time.
- 8.4 The Internal Auditor further reported that there was continued work around Adult Education Business (AEB) arrangements, working with education and skills agencies to better understand their work and the role of the audit review. Additionally, it was reported that Internal Auditors would also be looking at the overarching project management framework, budget management, fraud risk assessment and some further work on AEB regarding contract management type arrangements.
- 8.5 The Committee requested for an update report in March 2020.
- 8.6 A point of future planning was raised, and the Internal Auditor explained that a few ideas have been identified, but asked Members to think about any concerns or items for Internal Auditors to look at. It was agreed that a reminder email would be sent to Members asking them to send their ideas to the Chair by the end of January 2020.
- 8.7 In response to a point raised on the understanding of timelines, the Internal Auditor explained that the opinion would be brought forward in July 2020. The Committee requested for future reports to provide a scheduled end date.
- 8.8 The Chair questioned how the Audit & Governance Committee could change the plan that is usually agreed in March, in case any extra work would need to be commissioned. It was agreed for the update report in March 2020 to include a simple procedure put in place for any potential urgent items.

RESOLVED:

- 8.7 That an update report be brought back to Audit & Governance Committee in March 2020, including a procedure for urgent items.
- 8.8 That a reminder email be sent to Members regarding themes for internal auditors for the following year.
- 8.9 That the Audit & Governance Committee noted the report.

9. TREASURY MANAGEMENT STRATEGY UPDATE

- 9.1 The Chief Finance Officer explained that this is the second out of three Treasury Management reports this year, asking the Audit & Governance Committee to review the mid-year performance against the prudential indicators included within the Treasury Management Strategy. Those are designed to ensure that the capital investment plans are affordable, to look at external borrowing and to ensure that treasury management decisions are taken in accordance with professional good advice. The Chief Finance Officer continued with explanation of details of prudential indicators 1 – 10.
- 9.2 It was further elaborated that the Treasury Management Strategy follows, in particular order, the principles of security, liquidity and yield.
- 9.3 In terms of strategies going forward, the Chief Finance Officer reported that Arlingclose had been appointed as the Combined Authority's Treasury Advisors with effect from 1 August 2019 to support the Combined Authority in developing strategies that are tailored to the specific requirements, constraints and ambitions of the Combined Authority.
- 9.4 The Chief Finance Officer further noted that the Combined Authority, together with Arlingclose, was developing the following strategies: Capital Strategy, Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Statement.
- 9.5 Responding to a question in regards to the list of counterparties and whether the rates were benchmarked against, the Chief Finance Officer explained that as discussed with Arlingclose, those rates were better than average and the Combined Authority was developing more relevant indicators that could be introduced next year.
- 9.6 The Committee further queried whether the financial plans were according to the Combined Authority's projections. It was explained that in September the Combined Authority has completed a refresh of the funding, their timings and expected drawdowns, which had been further updated for the draft Budget. There would be some ongoing balances and depending on how the Combined Authority develops in the future, the Medium-Term Financial Plan, cash flow and Investment Strategies would be continually updated.
- 9.7 The Chief Finance Officer further noted that there was a trade-off between certainty and yield; the Combined Authority has a Medium-Term Financial Plan, which shows a drawdown of required funds and those pots of money would go down over the next couple of years, which was more certain now than it was last year. Furthermore, it was noted that funds that were readily available and secure, were still needed, therefore, the Combined Authority could not go for investments that are tied up for a significant amount of time.

RESOLVED:

- 9.8 That the Audit & Governance Committee reviewed the Treasury Management Strategy report.

10. ADULT EDUCATION BUDGET AUDIT AND ASSURANCE PROGRAMME

- 10.1 The Adult Education Budget & Skills Devolution Manager presented the report and explained that in Spring 2019, the Education Skills Funding Agency wrote to the Combined Authority to outline a proposal to support the devolution of the Adult Education Budget in 2019/20 with Audit and Assurance, Fraud and Investigations and Financial Health. The Combined Authority undertook to award a grant to the indigenous and contiguous grant providers within the Cambridgeshire and Peterborough area and has been responsible for the delivery of Adult Education since 1st August 2019.
- 10.2 The Adult Education Budget & Skills Devolution Manager further elaborated on the key principles offered by the Education & Skills Funding Agency (ESFA) and what further assurance, audit, fraud and financial health information should be required to ensure that the best services would be provided to the learners within Cambridgeshire and Peterborough.
- 10.3 Responding to a question on the definition of adult education, The Adult Education Budget & Skills Devolution Manager explained that was over 19 year olds, predominantly those who had been failed by the system and had no English or Maths GCSEs, but also those affected by economic turmoil, as number of providers help with CV writing skills, job interview skills etc.
- 10.4 In response to a question on whether that included vocational training, it was explained that one of priorities was upskilling; in some cases that would be fully funded and in other cases co-funded with the employer. Additionally, it was noted that there was an aspiration to link this programme with the shortage of skills in areas, to grow the networks and tackle those that are not well-voiced.
- 10.5 The Committee requested for the next Committee meeting a landscape view on areas where the money had been contracted and the Combined Authority has the authority and obligations that standards are met.
- 10.6 The Committee acknowledged that a presentation on Adult Education Budget would be beneficial to all constituent authorities, as there seemed to be a lack of understanding, particularly as the programme is quite new.
- 10.7 The Committee requested a paper providing an insight on the range of activities and timelines. The Committee further asked for the Adult Education Budget & Skills Devolution Manager to come back to Audit & Governance Committee in a year's time.

RESOLVED:

- 10.8 That the insight paper, which would include a landscape view, range of activities and timelines, is produced for the next Audit & Governance Committee meeting

in March 2020; followed by an annual insight to come to Audit & Governance Committee every year.

10.9 That an information paper would be produced for the Committee meeting in May 2020 and that Members would liaise with the Adult Education Budget & Skills Devolution Manager to organise a briefing session.

10.10 That the Adult Education Budget Audit and Assurance Programme, along with the arrangements, is noted.

11 WORK PROGRAMME

11.1 The Committee received a report and the draft Work Programme and calendar of working programme items for the year.

11.2 The Committee agreed to the following additions to the Work Programme:

Value for Money workshop in March 2020

Mayor's attendance requested at the meeting in March 2020

Governance review paper in March 2020

Self-assessment exercise at next meeting in March 2020.

A date for a joint induction and training to be identified, for May 2020.

Governance of trading companies in March 2020.

The meeting concluded at: 4.24pm.