



# **ANNUAL REPORT FROM THE CHAIR OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2023/2024**

**To review and scrutinize the authority's  
financial affairs**

**To make reports and recommendations  
to the CA on these reviews**

**To review and assess the economy,  
efficiency, and effectiveness of the  
authority's use of resources**

**To review and assess the authority's risk  
management, internal control, and  
corporate governance arrangements**

**To ensure high standards of conduct  
amongst Members**

## **AUDIT AND GOVERNANCE COMMITTEE: ANNUAL REPORT 2023/2024**

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## **FOREWORD FROM THE CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE**

This is my Seventh Annual Report of the work of the Audit and Governance (A&G) Committee. It covers the municipal year 2023/24, which has been a year of progress and change for the Cambridgeshire & Peterborough Combined Authority (CPCA),

Following the Value for Money intervention of the External Auditor in June 2022, the issuing of the Best Value Notice by the Department for Levelling Up, Housing and Communities (DLUHC) in January 2023, and the Internal Auditor's qualified opinion, the Combined Authority has implemented an Improvement Plan throughout 2023/2024. That Plan has five key themes that directly address the concerns raised:

- Governance and decision making
- Project Plans and delivery
- Procurement
- Partnerships
- Culture, Capacity and Confidence

The Committee's work this year has thus been dominated by the CPCA's actions in response to the Improvement Plan. The Committee has received updates from Lead Officers for the Improvement Plan at all of their meetings since June 2022, and have provided direct feedback to the CA Board.

The body of this report describes the Committee's engagement with the improvement activity. With the establishment of an Independent Improvement Board (IIB), the Committee asked to receive reports that measure progress by both the CA Board and officers in satisfying the concerns raised by DLUHC and in the External Auditor.

In addition to the Improvement work and normal A&G business, the Committee also established a sub-committee to enable it to discharge its Code of conduct matters as set out in the Constitution. A Hearing Panel was formed to consider the breach of the Code of Conduct by the Mayor which, in itself, had formed part of the concerns raised by the External Auditor and DLUHC in 2022. The Hearing Panel met on 14<sup>th</sup> November 2023 and unanimously agreed with the findings of the Independent Investigator and resolved to apply sanctions. Further detail on the Hearing Panel is detailed below at page 10.

The Committee recognises the extensive work that has been done by the Combined Authority to identify and address the issues over the past year. However, whilst the further Best Value Notice issued by DLUHC in January 2024 indicated some progress, there is still work to be done. The Committee's primary focus will continue to be on the scrutiny of progress by the CA Board and officers to satisfy the ongoing concerns of DLUHC. The behaviours of all involved will be as important as embedding the raft of process changes that have been introduced.

In another unusual year, the Committee has benefited from a stable and engaged membership, who were responsive to the pressures on quoracy.

I would like to thank Committee Members and Officers for their support of the A&G Committee work during the year.

**John Pye**  
**Independent Person & Audit and Governance Chair**

### 1. INTRODUCTION

This is the A&G Committee's 7th annual report and is prepared in line with best practice<sup>1</sup>.

This report sets out the work undertaken by the A&G Committee for 2023/24.

The A&G Committee was established by the Combined Authority in May 2017. The membership comprises seven elected members representing each of the CPCA's constituent councils, together with an Independent Person. The CA Board agreed at its annual general meeting in May 2017 that the Independent Person should act as the A&G Committee's Chair. At the annual general meeting in June 2021, the CA Board agreed to reappoint Mr John Pye as the Independent Person for a further 4 years and invited him to continue to act as Chair for the Committee.

The Committee's purpose is to provide:

- independent assurance of the adequacy of the risk management framework and the associated control environment.
- independent scrutiny of the CPCA's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weaknesses.
- to oversee the financial reporting process.

The Committee receives regular updates from Internal and External Auditors throughout the year, and updates on internal controls from CPCA officers with a particular focus this year on the Corporate Risk Register. It also requested deep dives into specific areas for further understanding around mitigations. The Committee also reviewed and approved a new Single Assurance Framework (SAF) and recommended its adoption to the CA Board; the SAF provides additional assurance to Government on how funding is allocated and helps to ensure that there are robust local systems in place which will ensure resources are spent with regularity, propriety and value for money.

The Committee have also recommended to the CA Board changes to the Constitution around the scheme of delegation, contracts procedure regulations, procurement processes, code of conduct sanctions and its own terms of reference.

The Committee have taken time this year to reflect on its role and has sought improvements. For example, and in line with CIPFA best practice, the Committee recommended to the CA Board that a second Independent Person be recruited to sit on the Committee from the 24/25 municipal Year. The Committee has also undertaken a review of its own arrangements and has committed that this will be repeated annually to ensure lessons learned are taken forward.

The A&G Committee's Terms of Reference are at **Appendix 1** of this report.

<sup>1</sup> Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

## 2. AUDITORS REVIEW

### Internal Audit: RSM

Last year the Committee reported that there had been a number of negative internal audits, and the authority received a qualified opinion from the Internal Auditor for the second year running. While the final opinion of the Internal Auditor is yet to be released the Committee were pleased to note that this year there have been improvements with three reports providing a positive assurance rating and a further report providing a split opinion of reasonable and partial assurance. The Committee supports the CA commitment to continuous improvement going forward and whilst the Best Value Notice has not yet been lifted, are pleased to note that the draft Internal Audit plan includes a focus on continual improvement through its range of proposed audits. The final Internal Audit Opinion will be presented to the Committee in June.

### External Audit: Ernst & Young

The External Auditor has issued their final opinion for 21/22 with the following conclusions:

- Financial statements – Unqualified - the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 12 February 2024.
- Going concern - We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- Consistency of the other information published with the financial statement - Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
- Value for money (VFM) - We had matters to report in respect of the Authority's VFM arrangements.
- Consistency of the annual governance statement - We were satisfied that the annual governance statement was consistent with our understanding of the Authority.
- Public interest report and other auditor powers - We had no reason to use our auditor powers.

The External Auditors statement on Value for Money states:

- 1) Financial Sustainability  
**Conclusion: Based on the work performed, the Authority had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**
- 2) Governance  
**Conclusion: Based on the work performed, the Authority did not have proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.**

On 1 June 2022, we wrote to the Chair of the Audit and Governance Committee, as part of our work in respect of Value for Money, to notify that we had become aware of a significant weakness in arrangements, which related initially to the 2021/22 financial year. Through our procedures, we identified that there was a Code of Conduct investigation to be undertaken in respect of the matters raised. We were also aware that there were a number of employment related claims against the

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Authority, which had led to a number of vacancies within the senior management team of the Authority. During this period, there was also evidence of weakness in the governance arrangements of the Authority Board, that meant that the Authority could not properly manage its risks during the period.

Recommendation: To address these weaknesses the Authority needs to:

- Implement agreed actions as set out in the Code of Conduct investigation;
- Identify and implement appropriate actions to ensure it has sufficient appropriate leadership capacity to deliver its objectives and statutory responsibilities; and
- Establish and implement an improvement plan to address the questions raised over culture and behaviour at the Authority.

Since we initially communicated the significant weakness in the Authority's governance arrangements, the Authority has taken steps to address the recommendations raised.

- In respect of the Code of Conduct Investigation, the investigation concluded in November 2023 – this matter is now deemed to be concluded.
- In respect of the need to identify and implement appropriate actions to ensure it has sufficient appropriate leadership capacity to deliver its objectives and statutory responsibilities, the Authority has worked to fill current vacancies, including at the Chief Executive level. Other vacancies have continued to be filled, with all senior leadership roles filled by permanent appointments, or experienced interims where required. Whilst retention of these individuals is key, this does show that action has been taken to ensure continued capacity within the leadership team.
- In respect of the need to establish and implement an improvement plan to address the questions raised over culture and behaviour at the Authority, the Interim Chief Executive took a paper to the Board in July 2022 to seek approval for an Improvement Framework, to address the matters set out in the significant weakness letter. In October 2022, the Board agreed an improvement plan to address issues raised. This has also led to the formation of the Independent Improvement Board, which holds meetings on a bi-monthly basis where it receives a report from the Chief Executive, to monitor progress against said plan.
- In January 2023, DLUHC issued the Authority with a Best Value Notice, that acknowledged the steps the Authority had put in place in respect of the Action Plan, but reflected the continued concerns around the Authority and therefore a need to engage more closely with DLUHC. Based on our own discussions with DLUHC, and the updated Best Value Notice issued in January 2024, we understand that the Authority has co-operated with DLUHC, and whilst the Best Value Notice has not been fully lifted, the latest position sets out the continued improvements made.

### 3) Improving Economy, efficiency and effectiveness

**Conclusion: Based on the work performed, the Authority did not have proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

Recommendation:

To address these weaknesses, the Authority needs to:

- establish and implement a plan to ensure appropriate and sufficient oversight of its subsidiaries, including reporting to the Authority; and
- ensure business plans are subject to regular review, and the actions within these plans are both specific and measurable.

Since this matter was initially raised by Internal Audit, Subsidiary Company Boards have been established to enable additional oversight of the subsidiaries, and the CPCA Shareholder Board had also been set up to centrally oversee operations with an inaugural meeting held in June 2023.

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The Shareholder Board is responsible for monitoring business plans and reporting, and reasonable assurance over the relevant controls was provided by Internal Audit at the June 2023 Audit & Governance Committee.

### **3. THE OUTCOME OF COMMITTEE ACTIONS AND RECOMMENDATIONS**

It is important to good governance that the CA Board and Officers accept the advice of the A&G Committee or provide feedback to the Committee when that is not the case.

The CA Board accepted all the A&G Committee's specific actions and recommendations during the year, which included:

#### **Recruitment of an Independent Person**

The Committee recommended that the CA Board:

- a. That an additional independent person be appointed to sit on Audit & Governance Committee
- b. Agrees to delegate to the Executive Director of Resources and Performance and the Monitoring Officer, in consultation with the Chair of the Audit & Governance Committee, authority to finalise the draft role description.
- c. That the recruitment of the Independent Member be led by a panel including the Chair of the Audit and Governance Committee

RESPONSE: Board Agreed

1. That an additional independent person would be recruited
2. The role for the independent person be delegated.
3. The recruitment of an independent person would be led by a panel of the Chair and the 3 main political parties.

#### **Outcomes and Recommendations from Procurement Review and High-Level Action Plan**

- a. Recommend to the CA Board the implementation of the high-level action plan.
- b. Recommend that the CA Board approve the recruitment of the additional posts noted in the high-level action plan.
- c. Recommend that the CA Board approve the changes to the Contract Procedure Rules (CPR's)
- d. Recommend that the CA Board approve the Procurement Strategy and Procurement policy document.

RESPONSE: Board Agreed

1. The implementation of higher-level action plan.
2. The recruitment of additional posts noted in the higher-level action plan.
3. The procurement Policy and Strategy
4. The revised contract Procedure Rules

#### **Revision of Scheme of Delegation**

- a. The Committee reviewed the suggested update to the Scheme of Delegation of the Combined Authority and recommended that the CA Board to adopt changes as revisions to the Constitution.

RESPONSE: Board Agreed

1. The proposed update to the scheme of delegation.

#### **Member Officer Protocol**

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- a. The updated protocol incorporating the changes suggested by the Committee be presented to the CA Board for approval, with a covering report highlighting the strong feeling of the Committee in regard to breaches of the code.

RESPONSE: Board Agreed

1. The member officer protocol and a yearly review.
2. That the Monitoring Officer could make changes to the protocol in consultation with the Chair of A&G.

### **Risk Management Framework and Deep Dive**

- a. Recommended that the CA Board approve the Risk Management Framework and Procedure (including refined Financial risk scoring definitions).

RESPONSE: Board Agreed

1. The Risk Management Framework and Procedure

### **Corporate Risk Register**

- a. Recommended that the CA Board review the Corporate Risk register at least once a year.

RESPONSE:

1. The Corporate Risk Register was taken to the 20<sup>th</sup> March 2024 CA Board meeting and has been added to the forward plan to be taken on an annual basis.



#### 4. MEMBERSHIP AND MEETINGS

During 2023/24, the Audit and Governance Committee met six times on the following dates:

- 9 June 2023
- 7 July 2023
- 8 September 2023
- 17 November 2023
- 26 January 2024
- 8 March 2024

There is a cross representation of parties in accordance with the make-up of the constituent councils across the Combined Authority area. The members for 2023/24 were:

Table 1: Councillor Audit Committee Membership 2023/24 as of 1st March 2023:

Independent Person	Conservative	Liberal Democrats	Labour
John Pye (Chair)	Cllr Andy Coles Cllr Gary Christy Cllr Stephen Corney	Cllr Geoff Harvey Cllr Graham Wilson Cllr Mark Inskip	Cllr Simon Smith

Senior CPCA officers are also expected to attend the A&G Committee meetings, in line with CIPFA best practice, including the Chief Finance Officer, Chief Legal and Monitoring Officer and Chief Executive Officer.

Dependent on the agenda, other officers attend as do the External Auditors, Ernst & Young and the Internal Auditors, RSM.

The Committee was well supported by the Combined Authority's senior officers.

#### 5. ACTIVITIES DURING THE MUNICIPAL YEAR

##### Background

The A&G Committee's terms of reference cover six main areas:

- Annual Accounts
- Corporate Governance
- Internal Audit
- External Audit
- Financial Reporting
- Code of Conduct

The detailed record of the A&G Committee's work to meet its terms of reference is at **Appendix 2**.

The Committee has received regular updates on the Improvement Plan at every meeting as well as progress reports on specific areas of work that have been carried out in response to the Improvement Work and the Governance Review undertaken in 2022. The Committee have also received reports on the Corporate Performance this year following the introduction of the Performance Management Framework in September.

A Summary of reports received, and actions taken are listed below:

- The Committee approved the audited Statement of Accounts 2021/22.

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- The Committee approved the Single Assurance Framework and recommended its adoption to the CA Board
- The Committee recommended the adoption of the high-level action plan for procurement following the PWC review.
- The Committee received and reviewed two corporate performance reports.
- The Committee recommended the Risk Management Framework be adopted by the CA Board
- The Committee received six updates on the Improvement Plan
- The Committee made recommendations to the CA Board on constitutional changes around procurement, scheme of delegation and code of conduct.
- The Committee reviewed, approved changes to the Member Officer Protocol and agreed to review every two years going forward.
- The Committee reviewed and approved the Whistleblowing Policy
- The Committee received six reports on the Corporate Risk Register to provide feedback to officers.
- The Committee requested the creation of an Internal Audit Action Tracker to be reported to the Committee on an annual basis.
- The Committee received five Internal Audit progress reports.

### **A&G Sub-Committee – Hearing Panel**

In June 2023 the Committee agreed to establish a cross party Sub-Committee which would have the ability to form a Hearing Panel to enable the subcommittee to carry out any functions of this committee and to schedule a code of conduct hearing, if required within reasonable time.

A Hearing Panel was requested by the Monitoring Officer in response to a Code of Conduct breach by the Mayor and was held on the 14<sup>th</sup> November 2023.

The membership of the Hearing Panel was formed of members of the parent A&G Committee and was cross party and chaired by the Independent Person.

#### **Membership:**

John Pye – Independent Person & Chair  
Cllr Mark Inskip – East Cambs District Council ( Liberal Democrat)  
Cllr Simon Smith – Cambridge City Council (Labour)  
Cllr Andy Coles – Peterborough City Council (Conservative)

The Hearing panel unanimously agreed with the findings of the independent investigator and resolved to apply the following sanctions on the Mayor.

1. Publish the Findings in the Decision Notice.
2. Report Findings to the CA Board.
3. The Mayor to provide a written apology for the Decision Notice and consult with the Monitoring Officer on the appropriateness of providing a written apology directly to one or more of the

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complainants.

4. The Mayor to provide an undertaking not to repeat his behaviour, and to agree with the Chief Executive an appropriate development and training programme to take place over the next six months; this should include the appropriate HR best-practice when operating in a senior Member role.

The Panel also recommended to the CA Board that a comprehensive induction process for whenever a new Mayor takes up their appointment be implemented.

The Panel recommended that the Audit & Governance committee review the relevant parts of the Constitution, in the light of the lessons learned from this first Sub-Committee hearing and make recommendations to the CA Board.

The Committee received a report in January 2024 which provided them with an opportunity review the processes around the code of conduct investigation and to identify areas for further work which included amendments to the code of conduct and/or hearings. A further report was brought to the Committee in March providing recommendations [*To be updated*].

## 6. ATTENDANCE AND MEMBER DEVELOPMENT

### Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
9 <sup>th</sup> June 2023	7	0	Yes
7 <sup>th</sup> July 2023	7	1	Yes
8 <sup>th</sup> September 2023	7	0	Yes
17 <sup>th</sup> November 2023	7	2	Yes
26 <sup>th</sup> January 2024	7	1	Yes
8 <sup>th</sup> March 2024			

There was a programme of Members' development sessions through the year involving:

Development Session	Attendance
Risk Appetite Training	7 members in attendance
A&G Committee Induction	3 members in attendance
Financial Management and Role of the Committee	6 members in attendance
KPI Training	5 members in attendance
Subsidiary Companies	7 members in attendance
Cyber Security	6 members in attendance

## 6. GOVERNANCE MONITORING

### FREEDOM OF INFORMATION REQUESTS

The CPCA is a public body for the purpose of the Freedom of Information Act 2000. (Schedule 1 Part 2 S19B); and as such must respond to requests for information held by the authority.

There have been 79 requests from 1<sup>st</sup> January 2023 and 31<sup>st</sup> December 2023; which is an increase on last year; we have received no Environmental Information Regulation (EIR) requests. All responses are published on the CPCA website.

A member of the public has the right to ask for an internal review if they are dissatisfied with the handling of a Freedom of Information request. Over the last year the CPCA has received four requests for internal reviews.

The table below shows how many Freedoms of Information requests were received this year and whether or not they were responded to within the statutory deadline of 20 working days.

### Freedom of Information Requests Received January 2022 – December 2022

Number of FOI & EIR received between 1 <sup>st</sup> January 2023 – 31 <sup>st</sup> December 2023	Responded within deadline	Late responses	Internal reviews undertaken.
79	76	3	4

### Internal Reviews Outcomes

1. Following clearer instructions being given documents requested were provided.
2. Original response upheld as information requested already existed within the public domain.
3. Information requested was unavailable at time of requesting but following publication of committee papers link sent to where documents were available on website.
4. Information relating to Code of Conduct investigation - link to the published documents provided and exemptions applied Section 36 (Conduct of Public Affairs), Section 40 Personal Information and Section 41 Provided in Confidence.

### COMPLAINTS

The CPCA publishes on its website its two-stage process for complaints from members of the public, businesses or organisations.

- Stage One follows an informal complaints process, where the relevant officer will do their best to settle the issue directly with the complainant.
- Stage Two follows a more formal process which allows for a complainant to make a formal complaint in writing to the Monitoring Officer, which will then be thoroughly investigated.

Only Stage two complaints are recorded by the CPCA in accordance with the complaints policy: two complaints have reached the stage two this year.

Stage 1 complaints are currently not recorded by the CPCA however, work is in progress to implement this in the next year.

## **WHISTLEBLOWING**

Whistleblowing is where an individual who has concerns about a danger, risk, and contravention of rules or illegality provides useful information to address this. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds.

The concerns can include something they believe goes against the core values of Standards in Public Life (the Nolan Principles) and the Code of Conduct for CPCA Members and staff. The Standards in Public Life principles are integrity, honesty, objectivity, accountability, openness, leadership and impartiality.

The procedure to be followed was approved by the A&G Committee and is published on the Combined Authority website.

There were no whistleblowing cases reported this year.

## **7. FUTURE DEVELOPMENTS AND PLANS FOR 2024/2025**

The A&G Committee will continue to scrutinise the progress made by the CPCA Board and officers to satisfy the ongoing DLUHC concerns.

For 2024/25 the Committee will also review

- Project management processes
- Trading Companies and the new Investment Committee
- Continue to monitor the new governance processes and structures in place.
- Review number of complaints being received to identify whether there are areas of concern.
- Risk register and appetite of the organisation.

Future development sessions can include training to cover:

- Financial reporting
- Governance - an understanding of the requirements of legislation and of local arrangements
- Understanding financial statements
- Risk management – principles and practices
- Internal control assurance

For new members - an induction covering topics such as

- The role of the committee
- The terms of reference
- An overview of the CPCA and its activities
- The financial and risk environment

John Pye

Independent Person and Chair

Audit and Governance Committee

## **Appendices**

**Appendix 1: A&G Committee's Terms of Reference**

**Appendix 2: Detailed Record of A&G Committee's Work to meet their Terms of Reference**