



Audit & Governance Committee

Friday 8th September 2023

Venue:	Civic Suite, Pathfinder House, Huntingdon PE29 3TN	
Time:	10.00 to 13.00	
Present:	Cllr G Christy Cllr A Coles Cllr G Harvey Cllr S Smith Cllr M Inskip Cllr G Wilson Mr John Pye	Fenland District Council Peterborough City Council South Cambs District Council Cambridge City Council East Cambs District Council Cambridgeshire County Council Independent Person
Also in attendance:	Cllr Edna Murphy Mark Hodgson Dan Harris	Lead Member for Governance (CA Board) External Auditor (Ernst & Young) Internal Auditor (RSM)

Minutes:

1	Apologies for Absence and Declarations of Interest
1.1	No apologies were received.
1.2	No disclosable interests were declared.
2	Chair's Announcements
2.1	Chair had met with the Lead Member for Governance, Cllr Edna Murphy who was also in attendance at the meeting.
2.2	The Chair had a meeting scheduled with the IIB Chair Richard Carr on 11 th September.
2.3	Register of Interest forms – members had been provided with paper copies to be completed if they hadn't already done so.
3	Minutes
3.1	The minutes of the meeting held on 7 th July 2023 were approved as a correct record.
3.2	The Action Log was noted.
4	Improvement Framework Report
4.1	The Committee received the report which provided the Audit and Governance Committee with an opportunity to review progress over July and August against the key areas of concern identified by the External Auditor in his letter dated June 2022 and February 2023, and the Department for Levelling up, Housing and Communities (DLUHC) in its letter dated January 2023.
4.2	The following points were raised during the discussion:-

	<ul style="list-style-type: none"> Members commented that it would be useful to have included key milestones that had to be met as part of the report – officers advised that work was being done on creating a user-friendly document and would include a map highlighting key milestones in future reports. The next staff survey would be carried out in the next couple of weeks in time for it to be fed into the staff conference which would take place on the 12th October. Members requested that further detail on how the RAG ratings were achieved be provided. Officers advised that as part of the project management process in place there were clear action dates where the CPCA had to deliver by and these fed into the RAG ratings but would provide more focus on the RAG ratings in future reports. The CEO had met with colleagues from DLUCH to discuss issues of the improvement plan and feedback given to staff to provide a level of reassurance. Officers continued to make the case for additional flexibilities in regard to financial risk around the impact of inflation. In response to a question regarding the code of conduct investigation officers advised that the case was being investigated by an external law firm and the last update indicated that it should be completed in the next month and would be reported to the A&G Sub-Committee. The Lead Member for Governance, Cllr Murphy provided her view that developing processes that were fit for purpose was necessary but these need to be put into operation and it needed to be recognised that delivering a good culture would not happen overnight. The Board were as confident as it was possible at this point that there would be genuine change. The External Auditor advised that his view was that there was still a journey for the CPCA to go on with the improvement work but there were currently no red flags. In response to a question about the alignment of the improvement report ratings and the risks on the Corporate Risk register, officers advised that in regard to the improvement work the authority was where it currently expected to be and therefore was showing green; however the risks that had been identified on the register remained red and would do so until the improvement work had been completed. In response to a comment from members the Lead Member for Governance advised that the Board was conscious that all members of the Board had to take on the challenge to lead and model the appropriate behaviours.
4.3	<p>RESOLVED</p> <p>a) The Committee noted the progress made over July and August against stated areas of improvement identified by the External Auditor in June 2022 and Best Value Notice received in January 2023 as reported to the CA Board on 31 May 2023.</p>
4.4	<p>ACTION</p> <p>1) Add Performance Framework to the work programme.</p>
5	Update to the Member Officer Protocol
5.1	The Committee received the report which sought the views of the Audit and Governance Committee on the revised Member/Officer Protocol and requested approval of the amendments.
5.2	<p>The following points were raised during the discussion:-</p> <ul style="list-style-type: none"> The Member/Officer Protocol had been discussed at the July CA Board, the Board had requested that the A&G Committee had final approval on the protocol before it was added to the Constitution. Members were advised that the member induction pack which had been circulated to members outlined the officers within the top three tiers of the organisation. The protocol recognised that there may be times when members may need to contact junior officers regarding certain matters and the protocol was there as an extra level of protection for junior officers.

	<ul style="list-style-type: none"> The Monitoring Officer advised that the report requested at the July meeting which would detail the context around the protocol was linked to the code of conduct investigation and therefore would need to be delayed until that investigation was concluded. Members agreed that the report was no longer required as the information would be included as part of the report provided.
5.3	<p>RESOLVED:-</p> <ul style="list-style-type: none"> a) Approve the amendments to the member officer protocol b) Review the protocol every two years and add this to the Committee's work programme. c) The extra report requested at the July meeting to provide context around the member officer protocol was no longer required.
6	Risk Management Framework and Risk Deep Dive
6.1	<p>The Committee received the report which requested the Committee recommend to CPCA Board approval of the CPCA's Risk Management Framework and Procedure and provided information on the Risk Deep Dive – Finance – Inflation and Future funding as requested by the Committee at their previous meeting. The report all presented the Corporate risk register and supporting reports for July 2023 for review.</p>
6.2	<p>The following points were raised during the discussion:-</p> <p><u>Risk Management Framework</u></p> <ul style="list-style-type: none"> The Risk Management Framework covered a number of issues related to risk. Part of the improvement work being done was to do a refresh on risk. The framework had been reviewed with input from the internal auditors RSM and would be reviewed every two years going forward. Members were advised that as well as the Central Management Team (CMT) reviewing the corporate risk register on a monthly basis that directors reviewed the directorate registers monthly as well. Risk appetite would be brought back on a regular basis for review; what was currently presented in the framework reflected the position of the organisation but officers recognised that would fluctuate overtime as the organisation changed. <p><u>Deep Dive on Finance – Inflation and Future Funding</u></p> <ul style="list-style-type: none"> Where decisions were needed in regard to funding options – this would be a CA Board decision as part of the MTFP discussions and the risks related. Less strategic decisions, for example the Rail Summit – did not require a long term process but would involve discussions with key stakeholders. Operational project risks were different to strategic long term risks. In response to a question on managing risk that an organisation has little control over; officers advised that these risks were reviewed regularly to identify where there might be opportunities or highlight any risks. There was a need to be cautious and acknowledge some risks were out of the organisations control, however by working with central government there could be opportunities to attract new funds to the area. The decision to use precept raising powers was a policy decision; within the Medium Term Financial Plan there were no current proposals for this to be used but officers would layout the range of options that were open to the CA Board when considering the MTFP. Part of the changes proposed in the report were how the matrix produces the ratings and members were advised that in future reports they should expect to see less red risks as the matrix for this would be smaller.

	<ul style="list-style-type: none"> Members were advised that there was a difference between urgent risk versus long term risk despite ratings being similar. Focus needed to remain on long term risk to enable the organisation to carry out their work and identify potential issues coming down the line. The risk related to long term funding was being kept on the register to ensure that it was on officers' radar when planning projects. Members were advised that in the past any financial risks more than £300k would have been classed as critical risks; the changes made now meant that it now had to be over £5m which would help remove a number of critical risks from the register. The Committee requested that when the register was brought to the November meeting that the report should include a proposal for how often the register should be reviewed going forward based on best practice.
6.3	<p>RESOLVED:-</p> <ol style="list-style-type: none"> The Committee recommended to CPCA Board approval of the Risk Management Framework and Procedure (including refined Financial risk scoring definitions). The Committee would review the risk appetite annually and the framework every two years. noted the Risk Deep Dive – Finance – Inflation and Future funding noted the July - Risk Register
6.4	<p>ACTION</p> <ol style="list-style-type: none"> Risk appetite and risk management framework be added to future A&G Committee work programmes. Risk register report in November include a proposal for how often the register should be reviewed going forward based on best practice.
7	Single Assurance Framework
7.1	The Committee received the report which requested that they consider the Draft SAF document and provide comment on its content and endorsement before it moved forward for consideration at the Combined Authority Board The report also requested that the Audit & Governance Committee consider the developing Draft terms of reference for the Investment Committee and the Investment Panel.
7.2	<p>The following points were raised during the discussion:-</p> <ul style="list-style-type: none"> In response to a question from members the Committee were advised that proportionality was determined by the level of financial approval and depending on the level of financial approval there would be different steps, guidance and criteria which would need to be taken into consideration of the development of that business case. Within Phase A - through the concept phase there would be an element where officers would assess and determine the development routes and there was guidance on each business case route that could be taken. Every process and document within the Single Assurance Framework had its own supporting guidance, criteria and checklists. Checklists were also being developed for the application of the Green Book to ensure that the requirements were being met. Within phase 2 – work was being done on the development of an assurance observation report which would be a tool to check the maturity of a business case. In addition, it would be a requirement that the relevant Executive Director must sign off on a case before it reached the development phase to provide extra assurance. This was a request from the constituent councils to ensure there was a clear CPCA Lead for all projects. The Executive Director advised that training for staff and members would be provided once the Single Assurance Framework was approved by CA Board and an Implementation Plan would be developed.

- In response to a question from members regarding the difference between concept papers, outline business cases and business cases the officers advised that 'concept paper' was a request from constituent councils and would contain less information than usual for a project bid but would help to encourage ideas to be brought forward. This would then be developed through the Phase A process to become a business case. An outline business case would be developed through phase two. This would help to ensure the right information was included.
- Officers advised that the concept paper would have three sections, the first would include a succinct description which was to encourage businesses and voluntary sectors to bring forward ideas. The second section was an internal process to ensure the concept aligned with the strategic fit and the corporate plan for the CPCA. The third section would be the development of the concept paper which would include the financial and risk issues.
- Once SAF was approved the Monitoring Officer would undertake a review of the constitution to see what impact the introduction of the Investment Committee and Panel would have on existing governance structures. There would definitely be a role for the Audit and Governance Committee in assuring itself that the relevant processes were in place for the Investment Committee to perform its role effectively.
- Officers advised that it wouldn't be until after November once the SAF was in place that they would know how well it worked in practice and this would need to be reviewed regularly. There would be an annual review by the A&G Committee but a 6-month review for the first 18 months would be done at the request of the constituent councils to ensure the SAF was fit for purpose.
- The M10 Group was developing guidance for Audit and Governance Committee's on how best to review assurance frameworks in the future.
- In response to a question from members regarding how the prioritisation of proposals received would be fed into the strategic planning and prioritising process the officers advised that the strategic planning and prioritisation process was being developed but in regards to the SAF all proposals would need to ensure that they would deliver on the golden thread of the CPCA's Corporate Plan. The SAF would eventually plug into the strategic planning and prioritisation process.
- There would be a paper going to O&S and CA Board which would look at the MTFP and Corporate Plan which would pick up a number of issues around the strategic planning process.
- In response to a question about greater funding coming from central government and whether the SAF would enable or hinder the bidding process the Committee were advised that the SAF would ensure there was a pipeline of projects ready for when funding became available and ensure the CPCA was better able to react than had been the case in the past.
- The SAF had been developed using best practice examples from other Combined Authorities and this would be where all CA's would be moving to in future, the CPCA was slightly ahead of other Combined Authorities in the development of the SAF.
- The Chair requested some more information about the proposed Investment Committee and Panel and officers advised that the Investment Panel was a technical officer group which would provide support to the Investment Committee and would help in the preparation of reports in Phase A. The Investment Committee was still being developed but these already existed at other Mayoral Combined Authorities and the aim was that the membership would have a good skill set and knowledge of the green book. Officers were looking to expand the role of the Shareholder Board.
- In regard to value for money requirements, each phase had value for money criteria that had to be met. There was a tolerance within SAF however that meant that any business cases that received a low value for money score would then be considered by the CA Board to decide whether there were other benefits that would outweigh the value for money objectives.

7.3	The Lead member for Governance on the CA Board Cllr Murphy welcomed the Committee's comments and highlighted that the Single Assurance Framework was fundamental as it would set out the roles of the CA Board and the Investment Committee.
7.4	RESOLVED: a) The Committee supported the draft SAF document for consideration by the CA Board b) The Committee supported the developing terms of reference for the Investment Committee and Investment Panel.
8	Internal Audit Progress Report
8.1	The Committee received the report which provided an update on progress against the 2023/24 plan and summarised the results of work done to date. It also provided an update on the remaining 2022/23 reports.
8.2	The Committee noted the report.
9	External Audit – Verbal Updates
9.1	The External Auditor from Ernst & Young, Mark Hodgeson provided a verbal update on the 21/22 Audit and approach to the national audit backlog.
9.2	The Audit 21/22 Statements were underway and were progressing well with fieldwork due to complete in the next week. The report would be brought to the November A&G Committee meeting. The value for money report which was usually included as part of the statement was dependent on the conclusion of the independent investigation and therefore this may not be ready for the November meeting.
9.3	The External Auditor provided an update on the state of the public sector audit market and advised that the minister had stated that all outstanding audits would be completed and that the audit market would be reset. There were a lot of unknowns on how this would be implemented. There was currently not enough resource within the industry to complete all the outstanding audits and also to reset, however guidance was due to be issued which it was hoped would provide some help.
9.4	The Executive Director advised that there had been issues in the audit sector nationally for a long period of time; with little investment into the audit profession and many trainee schemes being stopped by local authorities. It was difficult to attract good accountants.
9.5	The Committee thanked the External Auditor for the update.
10	Update Procurement Review
10.1	The Committee received the report which provided an update of the various workstreams within the procurement improvement work.
10.2	In response to a question from members about the procedure for urgent decisions the Committee were advised that the officers who could take an urgent decision was limited to the CEO and the Mayor with a Mayoral Decision Notice. When an Officer Decision Notice or a Mayoral Decision Notice was made this would be posted on the website and the O&S Committee would be consulted to allow for call in rules.
10.3	There was an internal audit planned for the fourth quarter of the year and officers would bring a more in-depth report back to the Committee once this was completed.
10.4	RESOLVED:- a) To note the guidance document attached within appendix A (which will be reported to Board on 20 September) and invite comments from this committee b) To note the Internal Audit of procurement is scheduled for Quarter 4 2023-24

	c) To note there may be a paper returning to this committee should there be any significant changes once the impact of the Procurement Bill is known and that updates on procurement will be provided to the committee annually thereafter.
11	Review of Mayoral Combined Authority Audit & Governance Committee Arrangements
11.1	The Committee received the report which provided an overview of some of the arrangements for Audit & Governance Committees by the other eight existing Mayoral Combined Authorities
11.2	The Committee agreed that the questions contained within the report be compiled into a questionnaire and sent out to members to respond. This would then be followed up by a workshop for the Committee to discuss their views before reporting any recommendations back to the CA Board.
11.3	RESOLVED:- a) To note the different arrangements for Audit & Governance Committees amongst Mayoral Combined Authorities b) That a questionnaire be circulated to members to complete and a workshop arranged for members to discuss the outcomes.
11.4	ACTION 1) Governance Manager to create and circulate questionnaire to members 2) Workshop to be arranged before the November meeting to discuss the feedback received.
12	Appointment of independent person
12.1	The Committee received the report which requested that the Audit and Governance Committee consider and approve to appoint an additional independent person to the Audit and Governance Committee.
12.2	The Monitoring Officer requested that the Committee accept an additional recommendation: 'Seek approval from the CA Board to amend the constitution to reflect that if two Independent Persons sat on the A&G Committee that one of these should be the Chair for the Committee.'
12.3	The Committee were advised that the remuneration for Independent Persons would be looked at by the Independent Remuneration Panel when they were next convened.
12.4	RESOLVED:- a) The Committee agree to recommend to the CPCA Board that an additional independent person is appointed to sit on Audit Committee for a period of four years 1.1 which may be renewed up to a maximum of one further term (i.e. total maximum 8 years). b) Recommend that the CPCA Board agrees to delegate to the Executive Director of Resources and Performance and the Monitoring Officer, in consultation with the Chair of the Audit and Governance Committee, authority to finalise the draft role description, skills, competencies and person specification attached as Appendix 1 and to approve the advert. c) Recommend to the CPCA Board that the recruitment of the Independent Member be led by a panel consisting of the Chairman of the Audit and Governance Committee and three members of the three main political parties of the committee supported by the Executive Director of Resources and Performance and the Monitoring Officer. Nominations for members of the committee be provided d) Following the recruitment process, a report to formally appoint the Independent Person will be presented to a future CPCA Board meeting. e) Seek approval from the CA Board to amend the constitution to reflect that if two Independent Persons sat on the A&G Committee that one of these should be the Chair for the Committee.
13.	Audit and Governance Work Programme

13.1	The Committee received the report which provided the Committee with the draft work programme for Audit and Governance Committee, for the 23/24 municipal year.
13.2	RESOLVED: a) The Committee approved the work programme.
14.	Date of Next Meeting
14.1	17 th November at 10am at Huntingdonshire DC

Meeting Closed 12:54

Chair