



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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AUDIT & GOVERNANCE COMMITTEE DRAFT MINUTES

Date: Friday, 27 January 2023

Time: 10.00

Location: Civic Suite, Pathfinder House, Huntingdon District Council

Members Present:

Mr John Pye	Independent Chair
Cllr Ian Benney	Fenland District Council
Cllr Stephen Corney	Huntingdonshire District Council
Cllr Michael Atkins	Cambridgeshire County Council
Cllr Simon Smith	Cambridge City Council
Cllr David Ambrose-Smith	East Cambridgeshire District Council

Officers:

Gordon Mitchell*	Interim Chief Executive
Angela Probert*	Interim Programme Director - Transformation
Edwina Adefehinti*	Chief Officer – Legal & Governance, and Monitoring Officer
Jon Alsop	Chief Finance Officer
Rob Emery	Business Board S151 & Dept.S73 Combined Authority
Adrian Cannard	Strategic Planning Manager
Paul Staines*	Improvement Plan Programme Manager
Chris Bolton*	Head of Programme Management Office
Jodie Townsend*	Governance Improvement Lead
Anne Gardiner	Governance Officer
Joanna Morley	Interim Governance Officer

*denotes attendance via Zoom

1. Apologies for Absence and Declarations of Interest

- 1.1 Apologies were received from Cllrs Harvey, Brown, Ali and Wilson. Cllr Atkins attended as a substitute for Cllr Wilson and Cllr Ambrose-Smith attended as a substitute for Cllr Brown.
- 1.2 No disclosable interests were declared.

2. Chair's Announcements

- 2.1 On Tuesday 24th January the CPCA was notified by the Department for Levelling Up, Housing and Communities (DLUHC) of a Best Value Notice. Audit and Governance Members were sent an email by the Chief Executive on Tuesday evening to notify them of this. The notice clarified more formally DLUHC concerns, already shared with the Combined Authority following the Ernst and Young Auditor's letter issued to the Combined Authority on 1st June 2022 and historical matters. These highlighted significant concerns regarding the governance of the organisation and the need to engage with the Department to provide assurance of improvement.
- 2.2 The Member Behaviour – Lessons Learned Review that was due to come to the meeting had been withdrawn. The Monitoring Officer felt that it would not have been an effective report as there were items that could not currently be disclosed. The Chair agreed that this report would come instead to a later meeting, after the code of conduct investigation had been concluded.

3. Minutes of the Previous Meetings and Action Log

- 3.1 The minutes of the meetings held on 2 December 2022 and 13 January 2023 were approved as a correct record. Members made further comment on the need for terminology used in reports to be clear and consistent.
- 3.2 The Action Log was noted.

4. Improvement Framework

- 4.1 Before the report was introduced Gordon Mitchell, Interim Chief Executive addressed the Committee and made a statement concerning the DLUHC letter. Angela Probert, Interim Programme Director – Transformation then introduced the report which provided the Audit & Governance Committee with an opportunity to review the Improvement Framework report that was presented to the CA Board on the 25 January 2023.
- 4.2 During discussion the following points were noted:
 - a. The Best Value notice was a new form of communication and was non-statutory. The Chief Executive felt that it was an attempt by the Government to codify the concerns it had with authorities. Three separate authorities, including the CPCA, had been issued with notices at the same time.
 - b. The role of the Independent Improvement Board (IIB) was clarified and DHLUC would maintain a channel of communication with them.
 - c. The IIB had held their first meeting on 17 January, meeting first with the CA's Chief Executive and Board Members and then later as a group to discuss their focus.
 - d. The IIB would meet every two months and dates were in place for the next 12 months.
 - e. The IIB would have follow up conversations with the Chairs of Audit and Governance, and Overview and Scrutiny, to clarify their respective roles in regard to the Improvement Framework.
 - f. Referencing para 3.1 of the report, the Committee felt that it was not competent to assure itself or the CPCA Board that the improvement framework would satisfy the concerns of DLUHC and the External Auditor. Normally the Audit and Governance Committee would look to auditors to provide such advice, but in this situation that was a role for the IIB.

- g. It was not clear what the CPCA needed to do in order to satisfy the concerns of DHLUC and the External Auditor. This was rather like taking an exam without understanding the 'marking scheme' or the 'grade boundaries'.
- h. Whilst there was a lot of work going on with the various stakeholders, it would be important for the Authority to focus its available resources and avoid bureaucratic duplication. The establishment of the IIB had provided the opportunity to have conversations with Government to make sure the focus of the improvement work was correct.
- i. Members suggested that the Committee should receive improvement reports that measured progress against DHLUC's concerns and those laid out in the External Auditor's letter, rather than the intricacies of the Improvement Plan itself.
- j. The Chief Executive agreed that the Committee's role was not to second test each strand of the Improvement Plan. Instead, it would add value by seeking assurances that there was an appropriate governance structure that was functioning properly and flexibly, with intervention mechanisms in place in the event that it was not performing as it should.
- k. The IIB would be working confidentially, whereas the Audit and Governance Committee was a public forum where the results of that work could be made open.
- l. The Committee would look to the IIB to provide them with assurance of progress in addressing DHLUC's and the External Auditor's concerns.
- m. Officers would have conversations with the Chair of the IIB to ensure that there was a focus on the external 'tests'.
- n. The Committee wanted to be assured that they were adding value and impacting on the process and therefore it would be useful to analyse the extent to which the Committee's advice to the CPCA Board had been accepted. The analysis would enable the Committee to assess whether there were any areas for improvement

RESOLVED:

That the Committee:

- 1. Recommends that future IIB Highlight Reports to the Audit and Governance Committee measure progress against the concerns raised by DHLUC and in the External Auditor's letter of 1 June 2022.
- 2. Note the Improvement Framework Report that was presented to the Combined Authority Board on 25 January 2023.

ACTION:

- 1. Governance officers to map the extent to which the Committee's recommendations to the CA Board had been accepted and any further outcomes arising from them. This analysis would be included in the Committee's Annual Report.

5. Internal Audit Progress Report

- 5.1 Dan Harris, Internal Auditor, introduced the report, the purpose of which was for the Committee to note progress against the internal audit plans for 2021/22 and 2022/23, and to note the internal audit annual report for 2021/22.
- 5.2 The following points were raised in discussion:
 - a. The Partial assurance given to the Risk Management Audit was a negative opinion.

- b. The Internal Auditor felt the issue regarding Risk Management was one of both process and leadership focus. There had been frustration at the length of time it had taken to implement changes and the delay in getting the new strategy.
- c. Auditors would look again at Risk Management as part of the 2023-24 Plan but would give enough time for changes to be implemented.
- d. The Committee recognised that the work to implement actions was ongoing.
- e. It would be useful for the Committee to see progress against audit actions and this should be a regular agenda item. Internal Audit included a follow up review in their programme which took a sample of the actions agreed and looked to see how many had been implemented.
- f. There was an internal audit action tracker that was held by the Performance Management Office (PMO) and which was regularly taken to PARC (Performance and Risk Committee)
- g. The Committee was reminded that the PMO did not take on the risk register until September last year and since then there had been a number of improvements.
- h. It was highlighted to the Committee, given that it was already 10 months into the year, that there were three audits in draft that currently sat as negative opinions and that these would inform the Internal Auditor's final year opinion. The Chief Finance Officer would be kept apprised of any developments in these audits.

RESOLVED:

- 1. That the Internal Audit progress report against the audit plans for 2021/22 and 2022/23 as provided by the Combined Authority's internal auditors, RSM, be noted.

ACTIONS:

- 1. Finance officers to bring a paper to the next meeting of the Committee outlining the information that goes to PARC, and to include the internal audit action tracker.
- 2. Internal Audit to provide an update for the Committee at their March meeting on the progress of their final year opinion.

6. External Audit Plan

- 6.1 Jacob McHugh, External Auditor, introduced the report which asked the Committee to note the initial audit plan for the 2021/22 financial year as provided by the Combined Authority's external auditors, Ernst and Young LLP (EY).
- 6.2 The following points were raised in discussion:
 - a. The new risks for 2021/22 were highlighted red in the Plan.
 - b. £567 was a small balance for Mayoral Allowance and Expenses but the risk was that this could become a much bigger number.
 - c. Given the size of the sums involved with the subsidiary companies the Chair recommended that officers look again at the terms of reference for the new Shareholder Board that had been recently set up, to make sure they sufficiently took into account the risks.
 - d. Finance officers clarified that the stated figure of £56.4 million in the Balance Sheet in relation to the loans issued to subsidiary companies also included £10m of Local Authority Treasury Management investments, as well as both shares and loans.
 - e. Members queried how the CPCA monitored these other investments not just in an accounting spreadsheet but as a managerial and corporate matter and suggested that the remit of the Shareholder Board be broadened accordingly.

- f. The CPCA Board had approved the establishment of a Shareholder Board, but it had yet to have its first meeting as it was awaiting nominations to the Board.
- g. The External Auditor had lowered the materiality levels of the CPCA in line with its 'close monitoring' designation.
- h. Members queried whether the effects of lowering the materiality level, and the impact this would have on the amount of time and work required, had been considered.
- i. The External Auditors would be allocating additional staff to the work so that it could be done in a more timely manner.
- j. The External Audit Plan was the core audit into the financial statements. Whilst it considered the wider situation of the Authority, it was a separate piece of work and was not designed to address the other concerns outlined in the Letter sent to the Authority last year.
- k. The Auditors had in place a work programme to respond to the letter issued and this work was a high priority.
- l. Members were assured that although there was a lot of pressure in the sector and the draft accounts had been delayed, the 12-month time lag was not unusual or unique to the CPCA and was not because of a particular CPCA/EY issue.
- m. The Chair queried the level of resilience within the finance team, suggesting that one of the reasons the accounts had been delayed was because of a single point of failure within the system.

RESOLVED:

That the Committee:

- 1. Recommend that the terms of reference of the new Shareholder Board be reviewed to ensure that they sufficiently consider the risk highlighted in the External Auditor's Plan in regard to the recoverability of long-term investment with subsidiary entities.
- 2. Note the initial audit plan for the financial year 2021/22 as provided by the CPCA's external auditors, Ernst and Young LLP.

ACTIONS:

- 1. Officers to report back to the next meeting of the Committee on the remit of the newly formed Shareholder Board regarding the monitoring and managerial oversight of other investments made by the CPCA.
- 2. A verbal update to be given at the Committee's next meeting detailing the membership of the shareholder board and when they would be meeting.
- 3. Finance officers to provide for the Committee a brief insight into the challenges for a small finance team and what the business continuity arrangements were.

7. Climate Action Plan

- 7.1 Adrian Cannard, Strategic Planning Manager, introduced the report which updated Members on the governance of the Climate Working Group (CWG) which was now implementing the Climate Action Plan.
- 7.2 The following points were raised in discussion:
 - a. The Climate Action Plan was a key part of the new Environment and Sustainable Communities Committee's remit.

- b. The big challenge for the CWG was the shift to a low carbon economy. Each of the constituent councils of the CPCA had their own strategies to address this but the CWG would be looking to identify collaborative work.
- c. Future funding for projects was expected to be through bidding processes to Central Government therefore the Group needed to be ready to proceed.
- d. The A&G did not need any further reports for the time being, as the Climate Action Plan was no part of 'business as usual'

RESOLVED:

That the Committee:

- 1. Note the revised Terms of Reference for the Climate Working Group

8. Review of Corporate Risk Register and Risk Register Improvements

8.1 Chris Bolton, Head of Programme Management Office introduced the report which provided the full risk register and accompanying narrative as well as an update on the Risk management process following a recent Internal Audit report.

8.2 The following points were raised in discussion:

- a. The Risk Register was much more current with risks, such as Inflation and the Chief Executive appointment, being added to the register straight away.
- b. Compared to six months ago, Risk Management was much improved. Resources had been provided to make the necessary changes and officers were confident that they would receive a positive score by the time of the next audit.

RESOLVED:

That the Committee:

- 1. Notes the Risk Management process update following the recent Internal Audit report of Risk Management.
- 2. Notes the full Risk Register and accompanying narrative

ACTION:

- 1. The Risk Register to be presented to the Committee on a quarterly basis.

9. Code of Conduct, Social Media and Monitoring Officer Protocols

9.1 Edwina Adefehinti, Monitoring Officer, introduced the report which presented the Social Media and Monitoring Officer Protocols and gave information on the Code of Conduct complaint.

RESOLVED:

That the Committee:

- 1. Notes the Code of Conduct complaint information
- 2. Supports and recommends to the Board the Social Media Protocol

3. Supports and recommends to the Board the Monitoring Officer Protocol

ACTIONS:

1. The use of the word 'Member' in the Protocols to be examined so that it was clear who it was referring to; for example, a Councillor or a CA Board Member.
2. An annual report giving a summation of Code of Conduct complaints received, to be included on the Committee's work plan

10. Information Governance Update

- 10.1 This item was withdrawn by the Chair due to time constraints and would be rescheduled.

11. Revisions to the CPCA Constitution

- 11.1 Edwina Adefehinti, Monitoring Officer, introduced the report which detailed the revisions made to the Constitution.
- 11.2 The Financial Management Procedure Rules, marked as to follow in the agenda pack, would now be presented to the Committee at their meeting in March.

RESOLVED:

That the Committee:

1. Supports and recommends the revisions to the Constitution detailed in this report to the next meeting of the Combined Authority Board.

12. Work Programme

- 12.1 Members made no comments on the work programme.

RESOLVED:

That the Committee:

1. Notes the current work programme for the Audit and Governance Committee for the 2022-23 municipal year.

13. Date of next meeting

- 13.1 Friday, 24 March 2023 at 10am.

Meeting Closed: 12.44pm