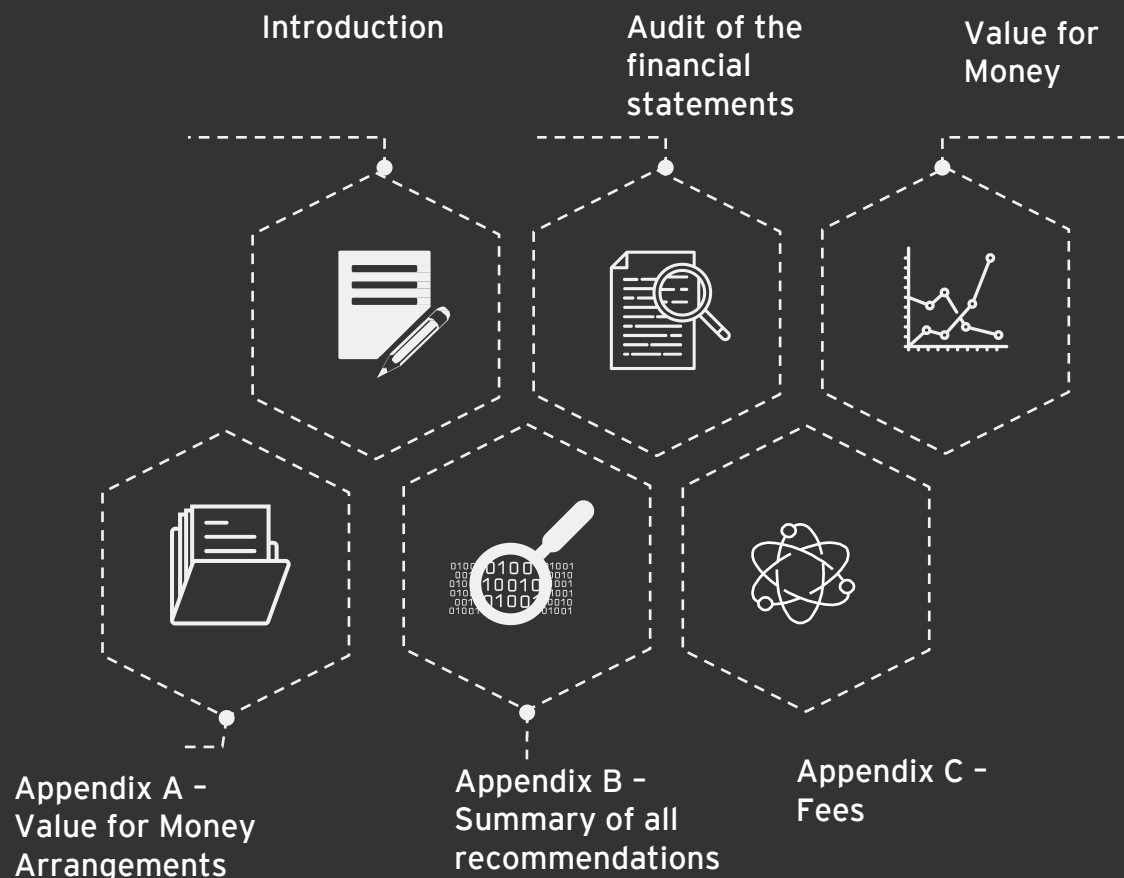


The background of the slide is a photograph of a modern building's interior. It features a large, multi-level atrium with glass railings and a polished floor that reflects the surrounding architecture. The space is bright and open, with a high ceiling and large windows that let in natural light. The glass railings are supported by dark metal brackets, and the overall design is sleek and contemporary.

# **Cambridgeshire and Peterborough Combined Authority Auditor's Annual Report**

Year ended 31 March 2022

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# Introduction

## **Purpose**

The purpose of the auditor's annual report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Authority, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## **Responsibilities of the appointed auditor**

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 18 January 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## **Responsibilities of the Authority**

The Authority is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2021/22 Conclusions

<b>Financial statements</b>	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.
<b>Going concern</b>	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.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had matters to report in respect of the Authority's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Authority .
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	<p>We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.</p> <p>The NAO as group auditor has not yet confirmed whether any further assurances or procedures will be required from us as component auditors of Cambridgeshire and Peterborough Combined Authority. We will liaise with the Authority if and when any additional procedures are required.</p>
<b>Certificate</b>	We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Cambridgeshire and Peterborough Combined Authority.



# Audit of the financial statements

## Key findings

The Narrative Statement and Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

On 12 February 2024, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 26 January 2024 Audit and Governance Committee meeting. These details are included within the Audit Results Report.

We outline the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

We reported two internal control recommendations or areas for improvement in the control environment in the Audit Results Report. We reported additional matters as part of our Value for Money reporting, contained later in this report. The internal control recommendations raised in the Audit Results Report were as follows:

1. The Authority did not complete the CIPFA Disclosure Checklist at the time of accounts production and we believe that this would be a valuable closedown exercise to ensure that all the requirements are addressed within the draft financial statements.

**Recommendation 1:** We recommend that the Authority prepares a full CIPFA Disclosure Checklist, as part of its closedown procedures, in advance of publishing future draft Statement of Accounts, to demonstrate that the Statement of Accounts are compliant with the CIPFA Code of Practice.

2. The Authority does not have any formal procedure in place for the authorisation of manual journals before they are posted to the General Ledger. This represents a level of weakness in the Authority's overall control environment and increases the potential risk of Management Override.

**Recommendation 2:** We recommend that the Authority initiates a control to authorise journals before they are posted to the General Ledger.

Significant risk	Conclusion
<b>Misstatements due to fraud or error</b>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have identified one area where such manipulation could occur, in the Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)</p>
<b>Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)</b>	<p>Our work did not identify any material weaknesses in the design or operation of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied.</p> <p>Our work did not identify any other transactions during our audit which appeared unusual or outside the Authority 's normal course of business.</p>
<b>Accounting in respect of Settlement Agreements</b>	<p>The Authority had agreed early in the 2022/23 financial year, a number of settlement agreements with Senior Officers, and we therefore raised a significant risk around this area. We identified two misstatements within this disclosure, which management corrected. The Authority had not recognised a further 5 Exit Package agreements, which had been fully agreed and paid within the financial year, as the Authority had incorrectly only recognised packages finalised post year-end in the original disclosure. We also identified that the Authority had used different bandings to those prescribed by the Code, as bandings should be presented in rising bands of £20,000. We had no other matters to report.</p>



We identified two risks of significant weaknesses in the Authority's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

We have reported matters in our audit report in respect of governance and improving economy, efficiency and effectiveness. Details of these are included within our VFM commentary.

## Scope

We are required to report on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our initial VFM risk assessment to the 27 January Audit and Governance Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Authority committee reports, attendance at Board and other meetings of the Authority, meetings with Senior Officers and evaluation of associated documentation through our regular engagement with Authority Management and the finance team.

## Reporting

We completed our risk assessment procedures in December 2023. We identified significant risks related to Governance and Improving economy, efficiency and effectiveness as part of our risk assessment procedures. We reported these matters in the audit report on the financial statements and provided further details in the Audit Results Report. We include within the VFM commentary below the associated recommendation(s) we have agreed with the Authority.

Our commentary for 2021/22 is set out over pages 7 to 10. The commentary on these pages summarises our conclusions over the arrangements at the Authority in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Authority plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Authority ensures that it makes informed decisions and properly manages its risks	We identified a risk in respect of governance linked to whistleblowing allegations regarding the culture, behaviour and integrity of key individuals at the Authority.	We deemed that this risk lead to significant weaknesses within the arrangements of the Authority, as communicated in our Auditor's Report.
<b>Improving economy, efficiency and effectiveness:</b> How the Authority uses information about its costs and performance to improve the way it manages and delivers its services	We identified a risk in respect of the level of oversight the Authority exercises over the operations of its subsidiaries.	We deemed that this risk lead to significant weaknesses within the arrangements of the Authority, as communicated in our Auditor's Report.



## Value for Money (continued)

### Financial Sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services

Cambridgeshire and Peterborough Combined Authority is made up of a directly elected Mayor and representatives from the Constituent Councils, and the Local Enterprise Partnership known as the Business Board. The Board provides direction for the Combined Authority, and therefore has responsibility for the use of resources and continued delivery of services. The long-term priorities of the Authority are set out by the Devolution Deal which identifies the specific projects the Combined Authority and member councils aim to complete over the 30-year period of the Deal. The Authority has a vision and 4-year business plan which articulates how it will deliver on its strategic and statutory priorities in the medium term.

During 2021/22, the Authority has experienced the challenges of Covid-19 and inflationary pressures, and we have reviewed the Medium Term Financial Plans with this in mind. The Combined Authority board initially approved the 2021/22 budget in January 2021, which made assumptions over future income streams and capital projects. This post-Covid review confirmed that these projects remained affordable within the lifetime of the Medium Term Financial Plan, and the Authority was not significantly impacted by inflationary pressures.

As the Authority uses a Single Pot funding approach (which comprises a transport settlement and an additional long-term investment fund grant, worth up to £600 million over a 30 year period) there is a lower level of risk at the Authority in terms of experiencing funding issues. The Authority has remained cash rich throughout the period, and continues to seek to make maximum return on these balances, through use of treasury investments.

The Authority continues to lobby for further funding, to commit to additional projects for the region. Central Government funding, private partnerships, and other grant opportunities are reviewed for consideration of further funding. The Authority also now, from the 2022/23 financial year, receives a Council Tax precept to support additional transport projects.

**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.**



## Value for Money (continued)

### Governance: How the Authority ensures that it makes informed decisions and properly manages its risks

The Authority is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. Our risk assessment identified one risk of significant weakness in arrangements in ensuring sound governance regarding the culture, behaviour and integrity of the Authority, as evidenced through a Code of Conduct investigation, linked to whistleblowing concerns raised.

The Cambridgeshire and Peterborough Combined Authority Order 2017 came into force on 3 March 2017. Cambridgeshire and Peterborough local authorities were amongst the first to establish a combined authority for its area under these new provisions. The Authority's first elected Mayor was elected in May 2017 for a four-year term. The Authority's second mayor was elected in May 2021, during the financial year we are reporting on. The Constitution for the Authority sets out the governance arrangements. This includes the powers and functions of the Authority, where responsibility lies for key decisions, and the structure of the Authority.

The Authority has devolved powers, from the constituent Council's, to deliver on its transport budget, promote economic development, and other devolved powers in areas such as Adult Education, Housing and further transport projects. Historically, the Combined Authority board held power for decision making, however areas were delegated to the Executive Committees in 2019, which feature representatives from the constituent Councils.

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 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.

**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.**

#### **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.**





## Value for Money (continued)

### Governance: How the Authority ensures that it makes informed decisions and properly manages its risks (continued)

#### Recommendations (continued)

Since we initially communicated the significant weakness in the Authority's governance arrangements, the Authority has taken steps to address the recommendations raised. Whilst our Audit Report, and Audit Results Report, has focused on the weaknesses in arrangements in the financial year, we have included additional details within this report as to the Authority's response, and further matters that have arisen, during the course of our audit.

In respect of the Code of Conduct Investigation, the investigation concluded in November 2023, with the conclusion being that the Mayor had breached the Code of Conduct on two counts. This was taken to a Hearing Panel on the 14 November 2023. The Panel imposed four sanctions:

- 1) To publish their findings (Published as part of the Decision Notice on 14 November 2023)
- 2) A report with the findings of the Panel to be taken to the next Combined Authority Board (A report was taken to the Combined Authority Board on 29 November 2023)
- 3) The Mayor to provide a written apology and, in consultation with the Monitoring Officer, determine the appropriateness of providing a written apology directly to one or more of the complainants. (The Monitoring Officer sent the Mayor's apology to two complainants on 17 November 2023).
- 4) The Mayor to undertake not to repeat the behaviour and agree with the CEO appropriate development & training, including HR practice when in a senior member role (The Mayor's undertaking was published as part of the Decision Notice on 14 November 2023. Three of the four scheduled training sessions have now been held, with the final session to be held on 28 February.)

This matter is now, therefore, deemed to be concluded. Our EY Forensics team found the Code of Conduct investigation to have been completed appropriately and therefore concurred with the findings.

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. In June 2022 the Board approved the appointment of Gordon Mitchell as the interim CEO, and in June 2023 Rob Bridge took over this role. 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.



## Value for Money (continued)

### **Improving economy, efficiency and effectiveness: How the Authority uses information about its costs and performance to improve the way it manages and delivers its services**

The Authority is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Authority is expected to have in place during the year ended 31 March 2022. Our risk assessment identified one area of significant weakness within the arrangements of the Authority. The Annual Internal Audit Report 2021/22 identified that the business plans of the subsidiaries have not been subject to regular review by the Authority, and the business plans include actions that are not specific or measurable.

The Authority's Section 73 officer has overall statutory responsibility for the proper administration of the Authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control. Management have a key role in monitoring the finances of the Authority against the budget, with a bi-monthly Budget Monitoring Report, and a quarterly Performance Monitoring Report being reported to the Combined Authority Board.

As the Authority uses a Single Pot funding approach (which comprises a transport settlement and an additional long-term investment fund grant, worth up to £600 million over a 30 year period) there is a lower level of risk at the Authority in terms of experiencing funding issues. The Authority has remained cash rich throughout the period, and continues to seek to make maximum return on these balances, through use of treasury investments. Partnership working is however key to the Authority. The Combined Authority Board has a voting representative from the Business Board and non-voting, co-opted members from Cambridgeshire and Peterborough Clinical Commissioning Group, the Cambridgeshire and Peterborough Fire Authority, and the Police and Crime Commissioner. The Business Board has co-adopted the management and evaluation framework alongside the Authority and provides performance reporting in a similar manner.

**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. 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.

# Appendices

## Appendix A – Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Board receives and reviews a bi-monthly Budget Monitoring Report, and a quarterly Performance Monitoring Report, which provide oversight over the financial performance of the Authority. The Audit and Governance Committee (A&amp;GC) also receives quarterly Performance Reporting identifying projects that are not performing as expected against budgeted spend and key performance indicators. The A&amp;GC consider this reporting and challenge officers as to the actions being taken to address the under performance and officers then consider the impact on the Corporate Risk Register.</p> <p>In December 2021 the Performance and Risk Committee (PaRC) was implemented. This is an internal officer group which included the directors, statutory officers and other senior officers. The PaRC undertakes reviews of financial and non-financial performance reports, the corporate and service risk registers and the Internal Audit actions tracker. It also considers project initiation documents and business cases and approval was required from PaRC before they could be taken to the Combined Authority Board.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>For 2021/22 the Authority has had no funding gaps, and due to the way it is funded, it does not currently have any need to identify savings. It uses a 'Single Pot' funding approach which is backed by the Devolution Deal signed by the member councils committing significant funding to the ambitions and priorities of the Mayor and Authority. The Authority employs a Treasury Management Strategy which can leverage the future guaranteed funding to obtain current borrowing to meet short term funding gaps of which none are currently identified.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Authority does not deliver services directly, but through a combination of direct contracting with providers (in the case of the Adult Education Budget and Passenger Transport services) or by commissioning or funding other organisations to deliver initiatives which contribute to strategic and statutory priorities which are clearly laid out in its Annual Report and Business Plan which is approved by the Board.</p> <p>The long-term priorities of the Authority are set out by the Devolution Deal which identifies the specific projects the Combined Authority and member councils aim to complete over the 30-year period of the Deal. The Authority has a vision and 4-year business plan which articulates how it will deliver on its strategic and statutory priorities in the medium term. The 21/22 Business Plan was established drawing on the findings of specially commissioned independent economic review of the region. Initiatives and services established in the plan are translated into a Medium-Term Financial Plan which is approved annually by the Board.</p>
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The Authority has established Strategic Plans based on the key performance indicators established through the Cambridgeshire and Peterborough Independent Economic Review. These Strategic Plans are used in the development of the Medium-Term Financial Plan and the 2021/22 Business Plan to ensure financial alignment with strategic initiatives. The Authority implemented the Sustainable Growth Ambition Statement during the year which the Authority use to prioritise projects.</p>

## Appendix A – Summary of arrangements

### Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	Projects funded by the Authority must implement the Monitoring and Evaluation Framework. Project managers report monthly on budget spend, performance against key metrics, and risk registers. A corporate risk register is reviewed monthly by the Directors of the Authority and reviewed quarterly by the Audit and Governance Committee. The Audit and Governance Committee provides recommendations to the Board for consideration on the management of risks identified on an ad hoc basis with respect to the Authority's management of risks and on any concerns that risks being accepted by the Authority may be unacceptable.

## Appendix A – Summary of arrangements (continued)

### Governance

Reporting Sub-Criteria	Findings
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Authority maintains a corporate risk register which is reviewed quarterly by the A&amp;GC. Corporate level risks are assigned to a corporate risk owner who is assigned responsibility for developing the management strategy for the risk. The corporate risk owner ensures that mitigation actions are undertaken by appropriate level of staff and monitors outcomes for updating the Corporate Risk Register.</p> <p>The Authority has an internal audit service to help gain assurance over the effective operation of internal controls. Internal audit also undertakes a Corporate Fraud Risk Assessment and liaises with officers to assist with the identification of fraud risks and development of mitigations to a desired level. The Internal Audit plan will include proactive testing of areas where a risk of fraud is identified. The Chief Finance Officer (CFO) is responsible for the adequacy of the internal audit coverage and the A&amp;GC review and approve the annual internal audit plan.</p>
How the body approaches and carries out its annual budget setting process	<p>The annual budgets are prepared by officers and submitted to the Board by the end of November with a consultation period of no less than 4 weeks with Constituent Authorities, the Business Board, and the Overview and Scrutiny Committee. It is then presented to the Board for approval in January.</p>
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>Projects are subject to the Assurance Framework and the Monitoring and Evaluation Framework. Business Cases are progressed through the PaRC for sign-off and the CFO and Monitoring Officer review all proposed funding decisions for business cases on a weekly basis as they come forward via this route, before they are taken forward for approval by the Board. Approved projects are captured within the Business Plan and the Medium-Term Financial Plan.</p> <p>The Mayor and CFO report bi-monthly to the Board a Budget Monitor Update which presents the financial position for the year to date and seeks Board approval for major amendments to the budget. In addition, the Mayor and Director of Delivery &amp; Strategy report a performance dashboard to the Board to support non-financial performance monitoring. The CFO oversees the adoption and operation of the Authority's Standing Financial Instructions including the rules relating to budgetary control, procurement, losses and controls over income and expenditure transactions.</p>
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>The effective operation of the Board, supported with regular, clear and relevant information, is the Authority's key tool for ensuring that it makes properly informed decisions. Published board papers and minutes evidence the challenge made by Members and the transparency in decision making. In June 2022 we raised concerns around weaknesses observed in how the extraordinary meeting of the Authority Board makes informed decisions, and the Board have considered their effectiveness in light of this finding.</p> <p>The A&amp;GC meets at least quarterly, is chaired by an independent person, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focus on the relevant aspects of governance, internal control, and financial reporting.</p>



## Appendix A – Summary of arrangements (continued)

### Governance (continued)

Reporting Sub-Criteria	Findings
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements as set out in the Authority's Constitution under Annex 1 - Code of Conduct. The Authority has an established complaints process with complaints being addressed by the Monitoring Officer.</p> <p>The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly - this is overseen by the Monitoring Officer.</p> <p>During 21/22 there have been allegations raised in respect of Member Code of Conduct, and whistleblowing complains have received media attention. This also extended to the culture at the organisation during this period and an increased number of employment disputes within the Authority. This resulted in EY issuing a letter to the Chair of the Audit &amp; Governance Committee in June 2022 to highlight the significant weakness in arrangements which was present during the financial year. The Code of Conduct review did not conclude until November 2023, which identified breaches in respect of the Code of Conduct.</p>

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	Each month officers are required for all projects funded by the Authority to prepare a highlight performance report updating budgeted spend, performance against key milestones, and outputs/outcomes. These reports also include risk registers to track key risks and assign individuals to monitor the risk throughout the project life cycle. The highlight reports are consolidated into a monthly dashboard and reviewed by the Directors of the Authority. On a quarterly basis the Board receive the Performance Monitoring Reports with identification of projects that are underperforming.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Authority only directly provides limited services – the issuing and replacement of concessionary bus passes. It does engage in projects to deliver key initiatives focused on Gross Value Added, Jobs Growth, and Affordable Housing. These key initiatives are established under the Devolution Deal and the Board receives monthly performance dashboard reports to help evaluate performance and seek assurances that improvements are being made where relevant.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Authority's main partnerships are with each constituent Council and the Business Board. The constituent Councils each appoint one member to the Board to act on the Council's behalf in the execution of the Strategic Initiatives identified as part of the Devolution Deal. In addition, the Board has a voting representative from the Business Board and non-voting, co-opted members from Cambridgeshire and Peterborough Clinical Commissioning Group, the Cambridgeshire and Peterborough Fire Authority, and the Police and Crime Commissioner. Each quarter members of the Board receive Performance Reporting against key performance indicators. The Business Board has co-adopted the management and evaluation framework alongside the Authority and provides performance reporting in a similar manner.</p> <p>The Authority also has relationships with a number of subsidiaries. Internal Audit findings identified significant issues including a lack of reporting from subsidiary companies into the CPCA Board, and business plans had not been subject to regular review. We have therefore raised a significant weakness in arrangements in this area.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	The Authority employs a Procurement and Contracting Manager responsible for the design, implementation, and management of the Procurement Gateway Process. The Procurement and Contracting Manager in partnership with the Monitoring Officer ensures that the Procurement Gateway Process is aligned with all relevant legislation, professional standards, and internal policies. All contracts require signature from the Procurement and Contracting Manager, CFO, Monitoring Officer, and Directors. Following the awarding of contracts the contract owner must hold performance management meetings at appropriate intervals to ensure that expected benefits are being realised and if not that appropriate action is taken.

## Appendix B – Summary of all recommendations

### Recommendations

The table below sets out all the recommendations arising from the financial statements and value for money audits in 2021/22. All recommendations have been agreed by management.

Issue	Recommendation	Management Response
<b>Financial statements:</b>  The Authority did not complete the CIPFA Disclosure Checklist at the time of accounts production. We believe that this is a valuable closedown exercise to ensure that all requirements are addressed within the financial statements.	We recommend that the Authority prepares a full CIPFA Disclosure Checklist as part of its closedown procedures, in advance of publishing future draft Statement of Accounts, to demonstrate that the Statement of Accounts are compliant with the CIPFA Code of Practice.	The Authority have noted this recommendation, and have added completion of the Disclosure Checklist to planned year-end procedures for the 2023/24 financial year onwards.
The Authority did not have any formal procedure in place for the authorisation of manual journals. This represents a level of weakness in the Authority's control environment and increases the risk of Management Override.	We recommend that the Authority initiates a control to authorise journals before they are posted to the General Ledger.	The Authority have noted this recommendation for further consideration. The Authority are to review whether a risk-based approach to journal review could be implemented, balancing the benefit of this control with the cost of additional staff time.
<b>Value for Money:</b>  Concerns were raised through whistleblowing allegations regarding the culture, behaviour and integrity of key individuals in the Mayor's office. Governance arrangements in place did not support the achievement of appropriate standards in terms of officer or member behaviour and were exacerbated by vacancies in the Authority's senior management team. We consider that this gives rise to a significant weakness in the Authority's governance arrangements.	To address weaknesses in governance the Authority needs to: <ul style="list-style-type: none"> <li>• Implement agreed actions as set out in the Code of Conduct investigation;</li> <li>• Identify and implement appropriate actions to ensure it has sufficient appropriate leadership capacity to deliver its objectives and statutory responsibilities; and</li> <li>• Establish and implement an improvement plan to address the questions raised over culture and behaviour at the Authority.</li> </ul>	Since our weaknesses were reported, the Authority has: <ul style="list-style-type: none"> <li>• Concluded the Code of Conduct Investigation and ensured the sanctions raised have been implemented;</li> <li>• Taken action to improve leadership capacity, including appointments within the Senior Leadership Team</li> <li>• Implemented an Improvement Plan to address the cultural and behavioural weaknesses identified.</li> </ul> More details of the Authority's response can be found on page 9 of this report.
The Annual Internal Audit Report 2021/22 has identified that the business plans of the subsidiaries have not been subject to regular review by the Authority, and the business plans include actions that are not specific or measurable.	To address weaknesses in improving economy, efficiency and effectiveness, the Authority needs to: <ul style="list-style-type: none"> <li>• establish and implement a plan to ensure appropriate and sufficient oversight of its subsidiaries, including reporting to the Authority; and</li> <li>• ensure business plans are subject to regular review, and the actions within these plans are both specific and measurable.</li> </ul>	Since our weaknesses were reported, the Authority has: <ul style="list-style-type: none"> <li>• Established the CPCA Shareholder Board to oversee operations with an inaugural meeting held in June 2023.</li> <li>• Received reasonable assurance over the relevant controls Internal Audit in June 2023.</li> </ul>

## Appendix C - Fees Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority, and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Authority's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Audit Fees - Cambridgeshire & Peterborough Combined Authority	Final Proposed Fee (Note 2) 2021/22	Final PSAA approved Fee (Note 1) 2020/21	Final Proposed Fee (Note 1) 2020/21
<b>PSAA scale fee</b>	<b>£26,950</b>	<b>£26,950</b>	<b>£26,950</b>
Additional Procedures required in response to additional risks identified in the Audit Plan and other areas of audit work:			
• Group Accounting	£14,375	£4,775	£4,775
• Pensions Valuation	£11,406	£1,375	£4,813
• Additional work linked to Close Monitoring designation, including staffing arrangements	£36,300	-	-
• Property Valuations (Group)	£1,493	-	-
• Consideration of the use of statutory powers	£13,200	-	-
• Prior Period Adjustments (Cash)	£4,891	-	-
• Technical Accounting Issues	£18,013	-	£6,950
• Quality or preparation issues	£14,610	£5,525	£5,525
• Value for Money procedures, linked to significant risks	£38,833	-	-
• Value for Money, changes in commentary arrangements	£6,072	£6,072	£6,072
• Covid-19 (including Going concern)	£2,756	£4,870	£4,870
• Increased FRC challenge	£3,563	£2,250	£3,563
• Reduced Materiality (1% PM, 50% TE)	£17,131	-	-
• Investment Valuations	£11,135	-	-
• Work of Internal Experts	£20,345	£2,910	£2,910
• ISA540 Requirements	£2,585	£2,585	£2,585
• Other	-	-	£7,345
<b>Total additional Fee</b>	<b>£216,708</b>	<b>£30,362</b>	<b>£49,408</b>
<b>Total Fees (*All fees exclude VAT)</b>	<b>£243,658</b>	<b>£57,312</b>	<b>£76,358</b>

## Appendix C – Fees

### Relationships, services and related threats and safeguards

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**Note 1:** Following completion of the 2020/21 audit we submitted a proposed additional fee of £49,408 to PSAA. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements as well as additional work in 20/21 in respect to the risks and additional areas of audit work as detailed in the table on the previous page. PSAA Ltd determined, with agreement from the Authority, a final additional fee for 2020/21 of 30,362.

**Note 2:**

The scale fee for 2021/22 will again be impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. An increased fee is also proposed for additional audit procedures required to respond to the risks identified and other additional areas of work as detailed in the table on the previous page which are not reflected in the PSAA scale fee. This includes additional costs in respect of our Value for Money procedures, as well as impacts from the designation of the audit as Close Monitoring, which was communicated in the Audit Plan. The proposed additional fee is yet to be discussed with management and remains subject to determination by PSAA.

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