



# **CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY**

## **AUDIT AND GOVERNANCE COMMITTEE: DRAFT MINUTES**

**Date: 30 September 2022**

**Time: 10:00**

**Location: Pathfinder House, Huntingdon**

### **Committee:**

Mr John Pye	Independent Chair
Cllr Graham Wilson	Cambridgeshire County Council
Cllr Imtiaz Ali	Peterborough City Council
Cllr Ian Benney	Fenland District Council
Cllr Stephen Corney	Huntingdonshire District Council
Cllr Simon Smith	Cambridge City Council
Cllr David Brown	East Cambridgeshire District Council
Cllr Geoff Harvey	South Cambridgeshire District Council

### **Officers:**

Gordon Mitchell*	Interim Chief Executive Officer
Angela Probert	Interim Programme Director - Transformation
Jon Alsop	Head of Finance
Jodie Townsend	Interim Head of Governance
Edwina Adefehinti*	Monitoring Officer
Chris Bolton*	Head of Programme Management Office
Anna O'Keefe	Internal Auditor (RSM)
Adam Lickorish	Internal Auditor (RSM)
Anne Gardiner	Governance Manager
Joanna Morley	Interim Governance Officer

\*denotes remote attendance

## **1. Apologies for Absence and Declarations of Interest**

- 1.1 There were no apologies.
- 1.2 No disclosable interests were declared.

## **2. Chair's Announcements**

- 2.1 The Chair had had an online meeting with representatives from DLUHC and would report further on it during the discussion of the Improvement Framework, agenda item 4.

### **3. Minutes of the previous meeting and Action Log**

3.1 The minutes and the action log of the meeting held on 29 July 2022 were discussed.

3.2 Outstanding items on the Action Log led to a discussion on what should be included on the Committee's work programme. The following points were noted:

- a. There was an outstanding action to update the Committee on the progress of the externally commissioned work being carried out on HR policies and this would be followed up in time for the next meeting.
- b. As part of the Improvement journey, the Committee needed to assess its role and make sure that the right support was in place to enable the Committee to carry out that role.
- c. There was scope for the Committee to be involved in developing the approach to risk management and performance management and how the Committee could interact with it.
- d. It was suggested that a survey be sent to Members for them to assess the Committee's performance against the requirements of an effective audit committee. This could then be analysed alongside the terms of reference for the Committee and allow officers to submit a report on areas they felt the Committee needed to strengthen.
- e. Members were also asked to complete a form detailing their skills set and experience so that appropriate training sessions could be provided.
- f. Members were in favour of both a financial management and a project management session being scheduled and requested that the project management session focus on what the Committee's role was in relation to auditing projects.

#### **RESOLVED:**

- i. That the minutes of the meeting of 29 July 2022 be approved.
- ii. That the current Action Log be noted and that the following actions be added:
  - Members to be sent a survey to complete which would help in assessing the performance of the Committee
  - Members to submit details of their relevant experience and past training.
  - Having received the results of the survey, Officers to submit a report for the next meeting outlining where they felt the Committee had weaknesses with proposals for addressing these.
  - Officers to organise online development sessions on financial and project management.

### **4. Improvement Framework Including Review of Governance**

4.1 Gordon Mitchell, Interim Chief Executive introduced this agenda item and outlined how, since the last meeting in July, time had been spent putting the actions set out in the Framework into process and beginning work on an overarching strategy. The cancellation of the Board meeting in September, due to the official mourning period for her Majesty the Queen, had allowed for more informal discussions with Board members who hopefully would be reassured by the robustness of the improvement work and the next steps set out in the proposed report to the CPCA Board at their meeting being held on 19 October 2022.

Angela Probert, Interim Programme Director for Transformation and Jodie Townsend, Interim Head of Governance then gave a presentation (included in the agenda pack) that covered the key elements of the Board report as well as the role the Audit & Governance Committee could play in some of the improvement workstreams.

During discussion the following points were noted:

- a. In a meeting with the Chair, officers from DLUHC had said they were not yet able to give a view on the Improvement Plan but drew his attention to Government guidance on recent interventions. Officers confirmed that they had considered this guidance and other reports from the Department for Business, Energy and Industrial Strategy (BEIS) and the Local Government Association (LGA), when developing the improvement framework.
- b. It was expected that after the CA Board meeting officers would draw together a comprehensive update to the issues raised in the External Auditor's letter.
- c. The External Auditor reserved his opinion on the Plan, saying that although he could see that the necessary building blocks were in place, he was waiting to see the outcome of the implementation of the Plan.
- d. There was a need to seek consensus from Board members and speak with one voice to Whitehall. The common theme from other Combined Authorities that were seen to be doing well, was that they focused on the gain for their areas and messages that could be agreed upon.
- e. A timescale for developing the Plan would be appended to the Board report, along with an update on progress so far. Key actions with owners and delivery dates would be given to ensure that an assessment of progress could be made.
- f. Officers would ensure that the six indicators of poor culture and weak governance set out in the DLUHC guidance note were fully reflected within the 'five points for success' headline and would map them throughout the report to show that they were being addressed.
- g. The Chief Executives of the constituent Councils had stepped up to work with the Combined Authority on the Plan and each had attached themselves to one of the six priority areas of focus.
- h. The Plan was not just about improving delivery in certain areas but about making sure the connections between the different areas of policy and delivery were made and that there was a move away from being quite such a siloed organisation.
- i. The Committee was to be clear about its focus and needed a direct relationship with the Improvement Board so that progress and any issues with the Improvement Plan could be reported directly to it.
- j. It was set out very clearly in the terms of reference for the Independent Improvement Board (IIB) that they would provide regular advice, challenge and support to the Combined Authority on the full range of identified improvement activities and in particular on the delivery of the recommendations set out in the External Auditor's letter of 1 June 2022 and the Review of Governance. The IIB Board would be accountable to the Audit and Governance and Overview and Scrutiny Committees and would ensure that they received regular updates on the improvement activity.
- k. Audit & Governance Committee members could request to observe meetings of the IIB, and in turn the IIB could request the attendance of Members.
- l. One of the actions detailed in the Improvement Plan was that the Committee receive a 'fit for purpose' document giving an overview of the internal efficiencies of the organisation from the Performance and Risk Committee (PaRC)

RESOLVED:

1. That the Committee notes the presentation and welcomes the approach and proposed next steps.
2. That a report from the IIB be delivered at the next meeting on 2 December and that the Committee then take a view on frequency of reporting and whether it would be helpful to observe a future IIB meeting.
3. That the workplan agenda item be moved up the agenda for the next meeting and that discussion be had on the strength and weaknesses of the Committee, the findings of the Governance review, and proposals be given for a revised workplan regarding the Improvement Framework.

## **5. Internal Audit Progress Report**

Anna O’Keeffe, Senior Manager RSM, introduced the report which asked the Committee to note progress being made against the internal audit plans for 2021/22 and 2022/23.

5.1 During discussion the following points were noted:

- a. The Auditor was happy with the progress of audits except for the IT audit which had been pushed back to Q4, the next calendar year.
- b. Following a discussion at the last meeting about the scope of the proposed Affordable Housing Programme it had recently been concluded that Audit could focus on the grant application process and the monitoring of it through the development programme and that this would not overlap with the work of the Overview and Scrutiny Committee review.

### **RESOLVED:**

That the Internal Audit progress report be noted.

## **6. Subsidiary Governance Report**

6.1 Anna O’Keeffe introduced the internal audit report from RSM on Subsidiary Governance and Jon Alsop, Head of Finance, then reported on the proposed management actions and timescales to address the identified weaknesses as set out in the report.

During discussion the following points were noted:

- a. In its Terms of Reference, the Committee has responsibility for the monitoring and scrutinising the management of subsidiary companies but at the time the audit was undertaken, neither the Committee nor the Board had received any reports regarding this. The Auditors had noted that the Committee was aware of its responsibilities but needed to know how to discharge them.
- b. Minimal assurances were not unheard of but were quite rare.
- c. The Monitoring Officer, in response to a query as to why business plans for the subsidiary companies would not be in place until February 2023, reported that there were several steps to be taken that had to be approved at Board and therefore needed to fit in with their meeting cycle; this included the appointment of new directors. The deadline also afforded officers time to carefully consider the legal repercussions of any actions taken. Regular progress updates would be provided to the Committee during this period.
- d. The challenge was to set up a structure for scrutiny. If this was outlined as soon as possible it would help with the recruitment of directors as their roles and responsibilities would be clearly defined.
- e. It was clarified that the subsidiary companies carried out regular financial reporting and fulfilled their statutory requirements and that the audit was about the visibility and oversight that the Combined Authority, as the parent company, had.
- f. Members queried whether the scope of the governance architecture and work being done was proportionate to the scale of the companies’ activities.
- g. There were six subsidiary companies: one was OneCam which was being closed, two others were effectively dormant, and of the three remaining, two were separate joint venture companies with different shareholding partners, which meant that all three could not be merged into one.
- h. The current situation with the subsidiary companies needed to be addressed as it could lead to financial and reputational risks for the Authority. This tied in with the work of the Improvement Plan to improve the efficiency and effectiveness of the organisation.

## RESOLVED:

That the Committee:

Note the report but express their disappointment that a minimal assurance had been given by the Internal Auditors despite the issue being debated on several occasions over the past year.

## ACTIONS:

1. A full management update to be brought to the next meeting of the Committee on 2 Dec which would report on:
  - How the authority was now managing the subsidiary companies and what the current arrangements were
  - What the key concerns were and a timeline for them to be addressed
  - How the authority was responding to the recommendations of the internal audit.
  - A view on the added value of the companies to the Authority's activity.
2. Officers to report to the CA Board that a minimal assurance opinion on the governance of subsidiary companies had been issued by Internal Audit and that the Audit and Governance Committee had requested a full management report be presented at their next meeting.

## **7. Review of Corporate Risk Register and Risk Register Improvements**

7.1 Chris Bolton, Head of Programme Management Office, introduced the report which asked the Committee to note improvements to the Corporate Risk Register and the role of the Performance and Risk Committee (PaRC). Adam Lickorish, Internal Auditor from RSM, was also in attendance to answer Members' questions.

7.2 During discussion the following points were noted:

- a. Any risks that arose were escalated via the Executive Team meetings or the PaRC meetings.
- b. The risk scores attributed came about following conversations with the risk owner and an estimation of the risk. Discussions were then had on what the residual score would be once mitigating measures were put in place but some risks, even with actions taken, could still remain 'red'. The Committee was reassured however that the risk register was a live document and risks were reassessed each month to affect improvement over time.
- c. Actions were designed to reduce the risk score towards the target but the target score could be influenced by the organisations' appetite for risk. Auditors would work with the leadership team and the Committee over the next eight to ten weeks to assess risk scores and how practically targets could be achieved given the risk appetite. Not all risk could be eliminated or reduced to a negligible level.
- d. The auditor felt that the risk register was moving in the right direction in terms of the way the types of risk were captured and assessed.
- e. When risks were assessed it was done on an impact and likelihood basis with risk looked at on a worst-case scenario basis in case the way the risk was managed failed. This meant that the Committee would be aware of possible impacts and could make sure that the way in which risks were managed was prudent.
- f. The organisation's core funding was £20 million per year, but with inflation £20 million would buy a lot less in 25 years' time when the devolution deal came to an end. The organisation had a balanced budget and a MTFP for the next four or five years but over the long term it would need additional funds and had therefore been looking at a number of different options.

- g. The Chair queried why the governance of subsidiary companies had not been included in the risk register given that at a minimum, it posed a reputational risk to the organisation.
- h. Risk management now sat with the Programme Management Office (PMO) where there was much more risk management experience. Training was also being offered to the wider organisation to improve their knowledge and, as part of the Improvement Plan, the organisation was looking to get corporate accreditation for programme management including risk.

**RESOLVED:**

That the Committee note the improvements to the Corporate Risk Register.

**ACTIONS:**

- 1. A risk management and risk appetite training session to be held before the next meeting of the Committee.
- 2. The Committee to receive the full risk register and include in the accompanying narrative the top five risks and a summary of the movement of risks over time.

**8. Work Programme**

- 8.1 The work programme would be discussed at the next meeting of the Committee. It had been resolved earlier in the meeting, under the Improvement Plan item, that for the next meeting the workplan agenda item would be moved up the agenda so that a comprehensive discussion could be had.
- 8.2 The social media protocol would be presented to the Committee as part of the six monthly review report into the Code of Conduct and member/officer protocol due in January.

**RESOLVED**

That discussion of the Committee's work programme be postponed until the next meeting.

**9. Date and Time of Next Meeting**

- 9.1 The Committee would next meet on Friday, 2 December 2022 at 10:00am at Pathfinder House, Huntingdon

Meeting Closed: 12.56pm