



# **ANNUAL REPORT FROM THE CHAIR OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2022/2023**

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

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

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

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

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

# AUDIT AND GOVERNANCE COMMITTEE: ANNUAL REPORT 2022/2023

<b>FOREWORD FROM THE CHAIR.....</b>	<b>Page 3-4</b>
<b>INTRODUCTION .....</b>	<b>Page 5</b>
<b>OUTCOMES OF COMMITTEES ACTIONS &amp; RECOMMENDATIONS .....</b>	<b>Page 6-7</b>
<b>MEMBERSHIP AND MEETINGS .....</b>	<b>Page 8</b>
<b>ACTIVITIES DURING THE MUNICIPAL YEAR .....</b>	<b>Page 9</b>
<b>MEMBER DEVELOPMENT AND ATTENDANCE .....</b>	<b>Page 10</b>
<b>GOVERNANCE MONITORING .....</b>	<b>Page 10-11</b>
<b>PLANS FOR 2023/24 .....</b>	<b>Page 12</b>
<b>Appendix A: A&amp;G Committee’s Terms of Reference</b>	
<b>Appendix B: Detailed Record of A&amp;G Committee’s Work to meet their Terms of Reference</b>	

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

This is my Sixth Annual Report of the work of the Audit and Governance (A&G) Committee. It covers the municipal year 2022/23, which has been a difficult, unusual and worrying period for the Cambridgeshire & Peterborough Combined Authority (CPCA),

In April/May 2022 the CPCA commissioned an independent review of governance and ways of working to identify key issues and barriers in delivering effective governance and make recommendations for improvement. The results of that work were overtaken by:

- a. The External Auditor intervening in June 2022 to raise with me a value for money risk, because of significant weaknesses in the CPCA's governance arrangements.
- b. In January 2023, the Department for Levelling Up, Housing and Communities (DLUHC), issued a Best Value Notice that formally summarised the Department's significant concerns regarding CPCA's governance and the need for engagement to provide assurance of improvement.
- c. A number of negative internal audits with the likelihood that the CPCA will receive a qualified opinion from the Internal Auditor for the second year running.

The Committee's work this year has thus been dominated by the CPCA's actions in response to these weaknesses. The External Auditor recommended:

- ensuring the safeguarding of the Authority's staff was of paramount importance
- the Authority urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities
- more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical

The Committee received updates from the Chief Executive Officer and Lead Officers for the Improvement Plan at all of their meetings since June 2022, and have provided direct feedback to the CPCA Board.

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

The Committee has considered its own lessons learned. Whilst most of the issues identified had been reported to the Committee, in one form or another, the depth and scale of problems was not fully apparent. The Committee will consider how the linkages between the audit functions and the information provided from management could be improved. The Committee's role in advising on Member behaviour and application of the code of conduct will also be strengthened.

As reported below, normal A&G business continued alongside the improvement actions. The Committee also had to press for improvements in the governance of the CPCA's subsidiary companies; the creation of a Shareholder Board is welcome, but the Committee notes that, at the time of this report, it is still to have its first meeting.

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

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

Looking ahead, the Committee's primary focus will be on the scrutiny of progress by the CPCA Board and the officers to satisfy the concerns of DLUHC and the External Auditor. It will also look to improve its own effectiveness in response to the Governance Review recommendations and the changes arising from the CPCA's Improvement Programme.

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

## 1. INTRODUCTION

This is the A&G Committee's 6th annual report and is prepared in line with best practice<sup>1</sup>.

This report sets out the work undertaken by the A&G Committee for 2022/23.

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

The Committee's purpose is to provide:

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

The key benefits of an Audit and Governance Committee may be seen as:

- Raising awareness of the need for internal control, and the implementation of internal and external audit recommendations.
- Increasing public confidence in the objectivity and fairness of financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

Unfortunately, the Committee have had concerns this year that the benefits outlined above have not been achieved to as high a standard as perhaps they would have wished.

Following the External Auditor's intervention and the subsequent internal audits that have been given minimal assurances, the Committee has been forced to question whether there is an issue between the audit functions and information provided to the Committee. The Committee has felt that although the issues had largely been reported by officers; the depth, scale and impact of these had not been fully disclosed.

The Committee has felt that, despite its role to advise on member behaviour and standards, they had not been alerted to potential problems existing within the CPCA in a timely manner. They have requested that the internal controls be reviewed to enable the Committee to receive the right information at the right time.

Looking forward, the Committee will need to reflect on its role and seek improvements on how information is received and on how the behaviour of members is monitored. The Committee has requested that this issue forms part of the Committee's induction process in the new municipal year.

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

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

## 2. THE OUTCOME OF COMMITTEE ACTIONS AND RECOMMENDATIONS

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

The A&G Committee's specific actions and recommendations during the year included:

- 1) Improvement Work: the Committee made four key recommendations to the Combined Authority Board regarding the improvement work.
  - a) That the CA Board seek external advice in formulating an action plan to address the significant areas of concern identified by the External Auditor.

RESPONSE: The Interim Chief Executive Officer reported back to the Committee that he had liaised with both the DLUHC and the Department of Business, Energy and Industrial Strategy (BEIS) to get their perception of the issues. There had also been external independent input in the form of the CPCA's Review of Governance, the recruitment of a BEIS approved independent consultant to look at the zero-carbon work, and the partial release of the Senior Programme Manager from the Oxford Growth Board to look at several strands of CPCA work.

- b) That the CPCA Board, as a priority, considers its own ways of working. The Committee found it difficult to see how the required changes in culture, governance, leadership and capacity could be identified and delivered without the CPCA Board demonstrating collective leadership, acting as a board.

RESPONSE: The Interim Chief Executive Officer advised that he had met with every CA Board Member individually to discuss the issue of the organisation's culture.

- c) That the Interim Chief Executive:
      - i) obtains appropriate external advice, support and facilitation to drive the required culture change at the Combined Authority, recognising the need for a consensus of ownership by the Board
      - ii) reconsiders the terms of reference for the Improvement Panel, which were currently not fit for purpose
      - iii) commits to rapidly building the Senior Management Team capacity of the organisation.

RESPONSE: The Interim Chief Executive advised that the work done on outlining the format of the Panel had been premature and that the self-assessment exercise should have been conducted first, with a group brought together to question and oversee that. The Improvement Plan would then be designed around its findings. A revised Terms of Reference for the Improvement Board went to the Board in September.

The senior management capacity had been expanded with the appointment of an Interim Deputy Monitoring Officer and extension of contracts for the Interim Director for Place and Connectivity and Governance Improvement Lead.

- d) That the CPCA consult the Internal/External Auditors to help develop a baseline of where the CA needs to be in regard to the proposed action plan.

RESPONSE: Questions have been raised with external audit previously on this matter, but they have advised that it would compromise their position as independent auditors if they were to give this kind of advice. They have however provided the Combined Authority with a 'follow up' letter following a letter from the CEO to EY dated 23rd November providing details of progress being made against areas of concern. EY

responded on 8 February concluding as follows: "We are assured that the key issues and the associated actions included within our letter have both been acknowledged by the Authority and work to address them has commenced through the formal approval of the Improvement Plan and increases in short-term senior leadership capacity."

- 2) The Audit and Governance Chair sent a letter to all Board Members to provide direct feedback on the Committee's deliberations for them to take into account when considering the regarding the improvement work required.
- 3) The A&G Committee made four key recommendations to the CA Board regarding the adoption of the Procurement Policy which the Board accepted and approved the policy.
  - a) That the impact of the new procurement policy needed to be monitored over the first year to see if there were any adverse consequences; either to value for money or on fair competition.
  - b) That the Policy should include an annual review of the nature and size of contracts.
  - c) That the Policy should define what is meant by a 'local supplier'.
  - d) That every effort should be made to minimise the bureaucracy of the procurement process in order to aid small businesses.

**RESPONSE:**

The Combined Authority is in the process of instructing external auditors PWC to review its procurement processes.

- 4) The Committee reviewed the new governance arrangements due to be taken to the CPCA Board in March and provided feedback to the lead officer, who subsequently made changes to the report to clarify the issues raised by the Committee prior to its publication for the CPCA Board to approve.
- 5) The Committee has monitored the new Corporate Risk Register, provided feedback to officers and undertaken two development sessions in relation to risk management and risk appetite.
- 6) The Committee held a meeting to specifically review the extensive changes to the CA constitution and recommend it for approval to the CA Board.(Report going to CA Board on 22<sup>nd</sup> March)
- 7) The Committee reviewed and recommended for approval to the Board a new Member/Officer Protocol and a new Code of Conduct, Social Media and Monitoring Officer Protocol. These protocols will be considered by the Board at the meeting on the 22<sup>nd</sup> March.

### 3. MEMBERSHIP AND MEETINGS

During 2022/23, the Audit and Governance Committee met seven times on the following dates:

- 30 June 2022
- 29 July 2022
- 30 September 2022
- 2 December 2022
- 13 January 2023
- 27 January 2023
- 24 March 2023

There is a cross representation of parties in accordance with the make-up of the constituent councils across the Combined Authority area. The members for 2022/23 were:

Table 1: Councillor Audit Committee Membership 2022/23 as of 1st March 2023:

Independent Person	Conservative	Liberal Democrats	Labour
John Pye (Chair)	Cllr Ian Benney Cllr David Brown Cllr Steve Corney	Cllr Harvey Cllr Graham Wilson	Cllr Simon Smith PCC VACANT

Senior CPCA officers are also present at the A&G Committee meetings, including the Chief Finance Officer, Chief Legal and Monitoring Officer and Chief Executive Officer.

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

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



## 4. ACTIVITIES DURING THE MUNICIPAL YEAR

### 3.1 Background

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

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

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

In addition, the Committee have received regular updates on the Improvement Plan and the Combined Authority's engagement with DLUHC.

### Improvement Plan

In response to the External Auditor's intervention, and following engagement with DLUHC, officers have regularly reported progress to the Committee against the improvement actions identified needed improve governance, decision making and the effectiveness of the CPCA.

Reports received by the A&G Committee are detailed below:

#### **30 June 2022: Engagement with DLUHC On the External Auditors' Intervention**

The Committee received the report which provided the Committee with an update of the CPCA's engagement with DLUHC following the external auditor identification of significant weakness in the CPCA's governance.

#### **29 July 2022: Improvement Framework including Review of Governance**

The Committee received the report which provided an update on the development of an Improvement Plan and associated next steps for the CPCA, following consideration of an Improvement Framework report by the Board on 27 July 2022.

#### **22 September 2022: Improvement Framework Including Review of Governance**

The Committee received a presentation from officers which provided an update on the improvement work and informed the Committee of the priorities and focus of the improvement work which would be taken to Board in October.

#### **2 December 2022: Improvement Plan**

The Committee received the report taken to the CA Board in November for review and comments; this included the Improvement Plan Highlight report.

#### **27 January 2023: Improvement Framework**

The Committee received the report taken to the CA Board in January for review and comments; this included the Improvement Plan Highlight report. With the establishment of the IIB, the Committee asked that the receive reports that measured the CPCA Board and officers progress towards satisfying the concerns of the external auditor and DLUHC.

#### **24 March 2023: Improvement Framework**

The Committee received the report taken to the CA Board on 22<sup>nd</sup> March for review and comments.

## 5. MEMBER DEVELOPMENT AND ATTENDANCE

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

- Risk Management Training – November 2022
- Standards Hearing Training – January 2023
- Risk Appetite Training – March 2023

### Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
30 June 2022	7	0	Yes
29 July 2022	6	1	Yes
30 September 2022	8	0	Yes
2 December 2022	6	0	Yes
13 January 2023	6	1	Yes
27 January 2023	6	2	Yes
24 March 2023			

## 6. GOVERNANCE MONITORING

### FREEDOM OF INFORMATION REQUESTS

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

There have been 56 requests from 1<sup>st</sup> January 2022 and 31<sup>st</sup> December 2022; one of these requests were Environmental Information Regulation (EIR) requests. All responses are published on the CPCA website.

A member of the public has the right to ask for an internal review if they are dissatisfied with the handling of a Freedom of Information request. Over the last year the CPCA has received no requests for internal reviews.

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

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

Number of FOI & EIR received between 1 <sup>st</sup> January 2022 – 31 <sup>st</sup> December 2022	Responded within deadline	Late responses	Internal reviews undertaken	Outcome of internal review
56	56	0	0	

### COMPLAINTS

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

- Stage One follows an informal complaints process, where the relevant officer will do their

best to settle the issue directly with the complainant.

- Stage Two follows a more formal process which allows for a complainant to make a formal complaint in writing to the Monitoring Officer, which will then be thoroughly investigated.

Only Stage two complaints are recorded by the CPCA in accordance with the complaints policy: no complaints have reached the stage two this year.

## **WHISTLEBLOWING**

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

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

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

Number of whistleblowing cases – 1

In regard to the ongoing whistleblowing case external investigators have been regularly contacted for updates and confirmation of when the investigation would be completed. The last correspondence sent to external investigator of 13 March 2023 .

So far, some witnesses have been interviewed, some witnesses will require subsequent interviews. The decision has not been finalised.

When the investigators submit their report there will be consideration by a panel of the Audit and Governance Committee. This is the equivalent of a Standards Committee in local authorities.

Training has already been given to the Committee in anticipation of the need to fulfil that role.

## 7. FUTURE DEVELOPMENTS AND PLANS FOR 2023/2024

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

For 2023/24 the Committee will also review

- Project management processes
- Trading Companies and the new shareholder Board
- New governance and staffing structure
- Outcomes of whistleblowing complaints
- The Committee's role in regard to Member behaviour and code of conduct.
- Data on the responses to Committee recommendations.
- 

Future development sessions will include:

- Financial Management and the role of the Committee
- Project Management processes
- The Committees role rearing behaviour and conduct.

John Pye

Independent Person and Chair

Audit and Governance Committee