



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 20th July 2018

Time: 10am

Location: Fenland District Council

Present:

Mr John Pye
Cllr Mac McGuire
Cllr Anthony Mason
Cllr Nichola Harrison
Cllr Chris Morris
Cllr Will Sutton
Cllr David Seaton
Cllr Richard Robertson

Chairman
Huntingdonshire District Council
South Cambridgeshire District Council
Cambridgeshire County Council
East Cambridgeshire District Council
Fenland District Council
Peterborough City Council
Cambridge City Council

Officers:

Rachel Musson
Debbie Forde
Steve Crabtree
Anne Gardiner
Ian Pantling
Darren Edey

Interim Chief Finance Officer
Governance Advisor
Chief Internal Auditor – PCC
Scrutiny Officer – CPCA
Financial Accounting & Control Manager
Compliance Manager

Others in attendance:

Suresh Patel
Kay McClennon

Executive Director – Ernst & Young LLP
Ernst & Young LLP

1. Apologies and Declarations of Interests

- 1.2 Apologies were received from Cllr Anne Hay, substituted by Cllr Will Sutton.
- 1.3 No declarations of interest were made.
- 1.4 The Chair thanked the outgoing members of the committee and welcomed the new members Cllr McGuire and Cllr Mason to the committee.

2. Appointment of Vice Chair

- 2.1 Councillor Mac McGuire was nominated by Councillor Will Sutton and seconded by Councillor Nichola Harrison for the position of Vice Chairman.

The Committee resolved to appoint Councillor Mac McGuire as Vice Chairman for the municipal year 2018/19.

- 2.2 The Committee members noted that the Combined Authority Board had delegated power to appoint the Vice Chairman to the committee at their AGM in May 2017.

3. Minutes of the meeting held on 26th March 2018

- 3.1 The minutes of the meeting held on the 26th March were agreed as a correct record.
- 3.2 The Committee requested that an action sheet be included in each set of minutes.

4. Combined Authority Board Update

- 4.1 The Chairman invited the Interim Chief Finance Officer, Rachel Musson to provide the committee with an overview of the Combined Authority activities.

- 4.2 The Interim Chief Finance Officer highlighted the following points:-

- The Combined Authority had undertaken a large piece of work in creating a new organisational staffing structure with the inclusion of the former Greater Cambridgeshire Greater Peterborough staff. A number of staff had been matched to posts while others were now going through an interview process to ensure that all the roles within the new structure were covered.
- The Chief Finance Officer position was still being recruited.
- Overall staffing level is now circa 60 members of staff with a staffing budget of circa £5m. The increased cost was largely covered by different income streams, although some streams such as the Mayoral Capacity Fund are only guaranteed for two years and so this is reflected in staff contracts.
- A key piece of work within the Medium Term Financial Plan development,

was the integration of former LEP and Combined Authority work, which was currently underway.

- There had been some costs to the Combined Authority due to taking on the LEP; payments that had to be made to ensure voluntary liquidation. However, there had been large funding streams to which the Combined Authority would be able to benefit from in the future, in terms of coordinating all work by the Business Board and Cambridgeshire and Peterborough Combined Authority.
- The new Business Board, which would take on the role of the local enterprise partnership was being recruited in September, this Business Board was a separate legal entity to the Combined Authority Board and it was important to note that the Business Board had different areas of responsibility. A piece of work on how to bring the two separate geographical areas, covered by each organisation, together was being carried out.
- There would be a separate Code of Conduct for members of the Business Board.
- The Committee were advised that the officers would be taking a paper to the Board next week to propose introducing a committee structure for the Combined Authority which would see a Transport Committee, Housing Committee and a Skills Committee introduced to consider decisions in these areas.

4.3 It was requested that a report be brought to the September meeting outlining the structure and governance arrangements for the LEP functions and the Business Board, including the role of the Audit & Governance Committee. The Committee also asked for a development session prior to the next meeting on these topics.

4.4 The Chairman thanked the Interim Chief Finance Officer for providing an update for the committee.

5. Report from the Informal Audit & Governance Committee Meeting

5.1 The Committee received the report which provided an update on the items that were discussed at the informal workshop held on 22nd May 2018.

5.2 The Committee discussed the necessity to hold the review of the draft accounts as an informal meeting and whether it would be better to have a public meeting.

5.3 Officers advised there may be practical issues around statutory deadlines but would look into organising a date in May for a public meeting.

5.4 The Committee members agreed that, subject to the practicalities, they would like to hold the review of the draft accounts in public next May.

5.4 The Committee noted the report.

6. Annual Audit Report

- 6.1 The Committee considered their draft Annual Audit report and the accompanying self-assessment analysis.
- 6.2 The Committee approved the draft Annual Audit and Governance Committee Report for submission to the Combined Authority Board.
- 6.3 The following points were raised regarding the self-assessment analysis:
- The Committee felt that the self-assessment form should be turned into an action sheet with time-frames and should be reviewed by the committee on a quarterly basis.
 - The Combined Authority was a new concept, quite different from standard local government and therefore it was expected that there should be some question marks within the self-assessment responses
 - The challenge for the committee would be holding the ambiguity of a new organisation to account while helping it to develop.
 - The newness of the Audit and Governance Committee for the Combined Authority meant that it was still developing its role, unlike the well-established committees in local authorities.
- 6.4 The Committee discussed the need for substitutes on the committee to be involved with training and discussed whether the training sessions should be mandatory.

Some members felt that this would meet with resistance.

The Committee agreed that it was up to the individual member to ensure their substitute was aware of issues for the committee; officers advised that substitutes were copied into all correspondence.

- 6.5 The Committee endorsed the value of having development sessions at each meeting. It was agreed that where possible the development sessions should be held immediately after the public meeting to help with attendance levels. Development sessions before a meeting would only usually occur when the development topic informed an item on the agenda. Diary planning would assume a 3-hour period, from 10am until 1pm – 2 hrs for the meeting and 1 hr for development.

7. Constitution Review – Audit and Governance Committee

- 7.1 The Committee received the report which requested the committee to review its terms of reference within the Combined Authority constitution and suggest any changes they would like to put forward as a recommendation to the Board.
- 7.2 The Committee discussed how its role was to ensure processes were put in place and were working effectively.

The Committee needed to develop a better understanding of the business being undertaken and requested that a workshop be arranged for committee members to meet with the directors once all posts had been recruited to.

- 7.3 The Committee requested that officers provide a glossary of the terms used within the Terms of References and a register of when policies would be reviewed over the municipal year.
- 7.4 The Committee requested that a development session be arranged to explore and clarify the committee's role and procedures.
- 7.5 The Committee requested that Combined Authority agree that the Committee's role in relation to the new Business Board be added to the Terms of Reference.

8. Annual Financial Report 2017/18

- 8.1 The Committee received the report from the Interim Chief Finance Officer which requested that the committee approve the audited Statement of Accounts 2017/18 and approve the Annual Governance Statement 2017/18.
- 8.2 The following points were discussed:
- The accounts had been reviewed by the external auditors and they had no concerns.
 - Some members advised that the layout of the accounts were quite confusing; there were two tables which showed movement of reserves, but they displayed different numbers.
 - Officers explained that one of the tables was included within the narrative which was meant to help provide some clarity.
 - The money that had been allocated for housing was earmarked and therefore could not be spent on other projects.
 - The amount of £92,517 referenced within the accounts were grant payments that had been received.
 - The grants that had been received were given on the provision of certain conditions being met by the Combined Authority, if these were not spent appropriately they would be returned.

- 8.3 The Internal Auditor advised that the Governance statement should be signed by the Chief Executive and the Mayor not the Audit Chairman.

The Audit Chair would still need to sign the statement of accounts.

- 8.4 The Committee approved the audited Statement of Accounts 2017/18 and the Annual Governance Statement 2017/18 as included within the Statement of Accounts.

9. External Audit – Audit Results Report

- 9.1 The Committee received the report which introduced the audit results report prepared for the Audit and Governance Committee by Ernst & Young LLP (EY).
- 9.2 The External Auditors congratulated the team for producing the accounts within

the new time-frame.

- 9.3 The External Auditors felt that the audit had been smooth and, although the accounts were a bit more complicated than originally expected, they were happy with the presentation provided of the grant funding.

Arrangements had been put in place in regard to governance. They had had some areas of concern around governance initially, but they had noted that that arrangements were due to be put in place and that the activity was being dealt with appropriately in the interim.

- 9.4 The External Auditors advised that the initial fee charged had been based on a national tender process and had been estimated at £35k, however the work carried out had been far more significant especially around the analysis of value for money. The new fee represented the amount of extra work that had been provided.

With the widening scope of the Combined Authority by taking on the LEP, the risk that represented and the wider value for money(VFM) implications would mean a reconsideration of the fee.

The role of external auditors was to check that VFM processes were in place and that they were soundly based ; external audit did not currently have a mandate to advise whether or not those arrangements would lead to VFM.

The Chair advised that it was for the Audit and Governance Committee to take a view on the effectiveness of both the Treasury Management Strategy and the Combined Authority's overall VFM approach and arrangements.

- 9.5 The Committee noted the Annual results report for the year ended 31 March 2018 and endorsed the external auditors remarks that the finance team had done incredibly well to prepare the accounts in the new, foreshortened timeframe.

10. Review of Investment Strategy & Risk Appetite

- 10.1 The Committee received an oral update from the Interim Chief Finance Officer which provided information on the status of the investment strategy and the risk appetite for the Combined Authority.

- 10.2 The Combined Authority had engaged CBRE and would be working with them over the summer to develop an investment strategy and develop the organisational risk appetite with the view that a report would be brought to the Board in October.

This was a key piece of work to help identify how the organisation would fund projects over the foreseeable future.

There was currently enough money in the bank to fund projects that were already in hand but in the fourth year the larger projects, such as the University of Peterborough and the Mass Rapid Transport would mean that the Combined Authority would need to consider what funding options might be available and what strategic investment partners may look like.

There could be opportunities for external investment as well as government investment.

Following the piece of work being done by CBRE there would be a much clearer picture and there would be a model that could be built upon – the work would be ongoing and dynamic over the years.

- 10.3 The Committee requested that the report to be taken to the Board in October be brought to the November Audit and Governance Committee meeting.

- 10.4 The Committee noted the update.

11. Internal Audit Annual Report

- 11.1 The Committee received the report from the Internal Auditor, Steve Crabtree which provided assurance to the Audit and Governance Committee that activities undertaken across the Combined Authority were managed, monitored and delivered in accordance with set governance, controls and risk management frameworks. The report provided notice of the Annual Audit Report and Opinion.

- 11.2 The report had provided reasonable assurance as many policies were still being put in place, but they needed to be embedded and the internal auditor would be following these up.

- 11.3 The Committee noted the report.

12. Internal Audit – Progress Report

- 12.1 The Committee received the report which provided detail of the progress made in delivering the approved Audit Plan for 2018 / 2019.

- 12.2 The Internal Auditor would be reviewing the Business Board in the next quarter.

The East Cambridgeshire Trading Company Loan Facility would also be reviewed.

- 12.3 The Internal Auditor wanted to make the Committee aware that there were a lot of changes coming up, including the addition of the Adult Education budget which would need to be looked at going forward.

- 12.4 A quick risk assessment had been carried out in relation to contracts and projects, but further work would be done later in the year as they were new projects and contracts upcoming.

The Internal Auditor reassured the committee that they had examined the processes for appointing consultants and they were found to be appropriate.

- 12.5 The Committee noted the report.

13. Work Programme

- 13.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2018/19 municipal year.

- 13.2 The Committee agreed to add the following to the work programme:

A new paper for the September meeting. This would set out the governance

arrangements for the LEP functions within the Combined Authority, and the composition and role of the Business Board; the report would also describe the role of the Audit & Governance Committee in relation to these new arrangements.

The report taken to the Board in October regarding the Investment Strategy would come to the November meeting.

14. Date and Location of the Next Meeting

- 14.1 The Committee agreed the next meeting shall be held on September 28th at Cambridgeshire County Council. It would start with a development session at 10 am on the LEP arrangements to help inform the discussion of the agenda item in the meeting starting at 11 am.

Meeting Closed: 12.21pm.

Audit and Governance Committee Action Sheet – 20th July 2018

| Date | Action | Officer | Delegated officer | Completed |
|----------------------------|--|---------------|-------------------|-----------|
| 20 th July 2018 | Change start time of public meeting to 11am with a development session to be held at 10am for the September meeting. | Anne Gardiner | | |
| | September development session: LEP and the Combined Authority arrangements and role of A&G – workshop. Include: Business Board plus Code of Conduct of LEP members | Kim Sawyer | | |
| | Paper on LEP governance and relationships between the Business Board, the CA Board and the A&G Committee. | Kim Sawyer | | |
| | Treasury Management Update to be brought to the September meeting | Rachel Musson | | |
| | Circulate action sheet to members. | Anne Gardiner | | |
| | Update on the proposed committee structure to be included in the CA Board Update at Septembers meeting. | | | |

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| | Officers to look into the feasibility of holding the May meeting in public to consider the draft statement of accounts. | Anne Gardiner/Jon Alsop | | |
| | Self-assessment form to be turned into an action list for the committee to review on a quarterly basis. Add to work programme | Anne Gardiner/Jon Alsop | | |
| | Workshop to be arranged for committee members and Directors of CA once all Directors have been appointed. | Anne Gardiner | | |
| | Rearrange meeting times so that development sessions can be held after public meeting rather than before unless otherwise specified. | Anne Gardiner | | |
| | Governance arrangements for the Audit & Governance Committee in relation to the Business Board be added to the terms of reference and submitted to the Board for approval. | Debbie Forde/Kim Sawyer | | |
| | Glossary of terms used in the Terms of reference for the A&G Committee to be circulated to members along with a schedule that outlines when the committee looks at certain topics each year. | Debbie Forde | | |
| | Development Session to be arranged to on the procedural role of the A&G Committee | Kim Sawyer/ Anne Gardiner | | |

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|--|--|---------------|--|--|
| | Board report on Risk going to the October CA Board meeting to come to Audit in November. | Rachel Musson | | |
| | Register of policies that have been agreed and the review dates for these policies to be sent to Cllr Mason. | Debbie Forde | | |