



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

ANNUAL REPORT FROM THE CHAIRMAN OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2019/2020

**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 2019/2020

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1. FOREWORD AND INTRODUCTION

1.2 Foreword by the Chair of the Audit and Governance Committee.

This Annual Report of the Audit and Governance Committee (A&G) for the municipal year 2019/2020, sets out against its terms of reference the work done to scrutinise the governance arrangements across the Combined Authority. The Committee found no need during the year to make recommendations to the Combined Authority Board - other than comments on routine papers and reports.

The Combined Authority's continued action to develop and improve its governance and internal controls in a transparent way is positive and welcome. The Committee took a careful look at the Authority's new governance arrangements, including those for the Business Board, and it continued to monitor Treasury Management developments. The response to a potential fraud incident was effective (see 5.1).

Establishing the elements of good governance in a new organisation is a challenge and takes time to mature. This remains work in progress and is helped by the open approach taken by officers and their responsiveness to the A&G Committee's questions and comments.

The year saw the delays experienced across local government to the external audit of the Accounts (see 3.2), and the need to cancel the March 2020 A&G meeting owing to COVID 19. There was some inevitable discontinuity due to the turnover of interim monitoring and scrutiny officers during the year. There was limited progress in the development of the Committee's effectiveness, whilst quoracy remains a challenge (see 4)

Looking ahead, the Committee will continue to look at new areas as they emerge as well as the standard cycle of reports and reviews (See 6).

The Committee would welcome any feedback from the Combined Authority Board.

John Pye
Audit and Governance Chair

1. INTRODUCTION

This is the A&G Committee's third annual report. The Committee was established by the Combined Authority in May 2017. The membership comprises seven elected members representing each of the Combined Authority's constituent councils, together with an Independent Person. The Combined Authority Board decided that the Independent Person should act as the A&G Committee's Chair.

The purpose of the A&G Committee is to provide: independent assurance of the adequacy of the risk management framework and the associated control environment; independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risks and weaknesses; and to oversee the financial reporting process.

The key benefits of an A&G Committee can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both 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.

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

This Report sets out the work undertaken by the A&G Committee for 2019/20. The Committee has seen good progress in all areas under its remit, as the Combined Authority continues to develop and embed its governance arrangements and internal controls.

It is reassuring that the Committee found no need during the year to make recommendations to the Combined Authority Board - other than comments on routine papers and reports.

2. MEMBERSHIP AND MEETINGS

During 2019/20, the A&G Committee met on the following dates:

- 31 May 2019
- 19 July 2019
- 27 September 2019
- 16 December 2019

The meeting scheduled for 27 March 2020 was cancelled because of COVID 19. Business was rolled forward into 2020/21.

The cross representation of all parties accords with the make-up of the constituent councils across the Combined Authority area. The Committee decided not to co-opt an independent member from a constituent council

The members for 2019/2020 were:

Table 1: Councillor Audit Committee Membership 2019/2020 as at 8 May 2020:

Independent Person	Conservative	Liberal Democrats	Labour
John Pye (Chair)	Cllr Ian Benney Cllr David Brown Cllr Mark Goldsack Cllr Mac McGuire (Vice-Chair)	Cllr Tony Mason Cllr Nick Sandford	Cllr Mike Davey

Senior officers from the Combined Authority are also present at the A&G Committee meetings, including the Chief Finance Officer, Chief Legal and Monitoring Officer, Chief Executive Officer and Chief Internal Auditor.

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

The A&G Committee was well supported by the Combined Authority's senior officers, in an open and transparent manner.

3. KEY ACTIVITIES DURING THE MUNICIPAL YEAR

3.1 Background

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

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

The work of the A&G Committee to fulfil its terms of reference is summarised below.

3.2 Annual Accounts and External Audit

Terms of Reference

- 3.1 Approve the annual statement of accounts.
- 3.11 Review the annual accounts;
- 3.12 Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter and assessing the implications and monitoring managers' response to concerns;

Audit & Governance Committee Actions:

31 May 2019

Draft Statement of Accounts: The A&G Committee considered and commented on the draft accounts for the Combined Authority 2018/19

19 July 2019

Final Statement of Accounts (unaudited): At this meeting, the A&G Committee would have expected to receive and approve the audited Statement of Accounts 2018/19, together with

the Annual Governance Statement. However the external audit was incomplete. The Committee:

- Approved the Annual Governance Statement.
- Approved the Statement of Accounts in principle.
- Noted that if should it not be possible to publish the audited Statement of Accounts by the end of July 2019, then the law required the Combined Authority issue a notice explaining the reasons and publish them as soon as reasonably practicable thereafter.

27 September 2019

Final Statement of Accounts

- The External Auditor advised the Committee that they expected to issue an unqualified audit opinion on the financial statements.
- The number of delayed audit opinions in local government had risen from 13% in 2017/28 to over 40% in 2018/19.
- The Chair had approached External Auditor's lead partner and been told that: "We are confident that our ongoing focus on recruitment alongside our actions on staff retention, will enable us to deliver your 2019/20 audit in line with your expectations."

3.3 Corporate Governance

Terms of Reference

- 3.2 Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework;
- 3.3 Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances;
- 3.4 Annually review the assurance framework to ensure it adequately addresses risks and priorities including governance arrangements of significant partnerships;
- 3.5 Monitor the Authority's risk and performance management arrangements including reviewing the risk register, progress with mitigating actions and assurances;
- 3.6 Monitor the anti-fraud and whistleblowing policies and the complaint process;

Audit & Governance Committee Actions:

31 May 2019

- *Business Board Governance Review:* The Committee received an update on the governance arrangements for the Business Board, which was subject to both internal and external reviews.
- *Corporate Risk Register:* The Committee reviewed the revised Corporate Risk Register
- *Assurance Framework Report:* The Committee received and noted a report on the revised single Assurance Framework for both the Business Board and the Combined Authority. A Local Assurance Framework for the LEP had been created to document practices and standards to provide Government and local partners with assurance that decisions over funding were robust, transparent and able to deliver value for money. The single Assurance Framework for both the Business Board and the Combined Authority was developed in line with the revised Government guidance, ensuring clarity, transparency and openness to the

decision-making process of both Boards

- *Staffing Structure:* The Committee received a report and noted the staffing structure approved by the Employment Committee for consultation on 13 February 2019

19 July 2019

- *Human Resources Update Report:* The Committee welcomed a positive report on progress, in response the Internal Auditors having giving Human Resources a 'no assurance' rating.

27 September 2019

- *Corporate Risk Register Review and Performance Update:* The Committee reviewed the Combined Authority Corporate Risk Register and suggested changes they would like to put forward as a recommendation to the Board
- *Governance Review Report:* The Committee considered a report setting out the key priorities in the governance review which reflected the final part of the re-design of the Combined Authority including the delegation of powers to the Executive Committees
- *Report on Freedom on Information, Whistleblowing and Fraud:* Following receipt of the report the Committee asked that it be advised how the Combined Authority communicated the Whistleblowing Policy and encouraged its use
- *Transport Acceleration and Risk Report:* The Committee received and noted assessment of the impact of the accelerated delivery strategy on project risk and the wider measures put in place by the Authority to manage project risk
- *Business Board Update:* The Committee received an update following the review at the meeting of 31 May

16 December 2019

- *Review of the Corporate Management Strategy and Risk Register:* The Committee recommended the revised Strategy and Corporate Risk Register that was presented to them: it included a more effective approach to the management and mitigation of risk across the Combined Authority's activities
- *Assurance Framework Report:* The Committee received and noted the updates Assurance Framework previously agreed in May 2019 by the Business Board and the Combined Authority Board, which was then renegotiated with central government
- *Review of the Data Protection Policy:* As the law requires a review and update of the Data Protection policy the Committee received a report which outlined the Combined Authority had taken an approach of looking at how other combined authorities deal with data protection policies

3.4 Internal Audit

Terms of Reference

- 3.7 Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
- 3.8 Review internal audit requirements undertaken by the Combined Authority;

- 3.9 Approve the internal audit plan;
- 3.10 Consider reports and assurances from the Chief Finance Officer in relation to:
 - (a) Internal Audit performance;
 - (b) Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
 - (c) Risk management and assurance mapping arrangement;
 - (d) Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable

Audit & Governance Committee Actions:

31 May 2019

- *Internal Audit Governance:* The Committee received a report on the Combined Authority's effectiveness in managing risk management, governance and control environment

19 July 2019

- *Internal Audit Annual Report and Opinion:* The Committee received the report which provided notice of the Annual Audit Report and Opinion. This was seen as reasonable assurance, but Internal Audit emphasised that this could only be judged on the work undertaken and not the whole organisation.

27 September 2019

- *Internal Audit – Progress Report:* The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2019/20

16 December 2019

- *Internal Audit – Progress Report:* The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2019/20

3.4 Financial Reporting

Terms of Reference

- 3.13 Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board;
- 3.14 Consider any issues arising from External Auditor's audit of the account;
- 3.15 Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice;
- 3.16 Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and standards of conduct and make recommendations to the Chief Finance Officer and Monitoring Officer where necessary;

Audit & Governance Committee Actions:-

19 July 2019

- *Treasury Management Report:* The Committee received a progress report.

27 September 2019

- *Medium-Term Financial Plan and Business Plan Report:* The Committee received a report and noted the proposed mid-year update to the 2019/20 budget and the 2019-2023 Medium-term Financial Plan; and the mid-year update on the 2019-20 Business Plan

16 December 2019

- *Treasury Management Strategy Update:* The Committee received the report which provided the Audit and Governance Committee with an update on the Combined Authority's Treasury Management
- *Adult Education Budget Audit and Assurance Programme:* The Committee received a report following the proposal that the Combined Authority support the devolution of the Adult Education Budget in 2019/20 with Audit and Assurance, Fraud and Investigations and Financial Health with the Combined Authority responsible for the delivery of Adult Education since 1st August 2019

3.5 Code of Conduct

Terms of Reference

- 3.17 Ensure the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members;
- 3.18 Assisting the Members and Co-opted Members to observe the Code of Conduct;
- 3.19 Advising the Combined Authority on the adoption or revision of the Code of Conduct and monitor its operation;
- 3.20 Advising on training and overseeing the effectiveness of any training for Members and Co-opted Members on matters relating to the Code of Conduct;

4. MEMBER DEVELOPMENT AND ATTENDANCE

- 4.1 Regular member' development sessions were held during the year to help improve the skills of the Committee. Officers provided presentations on:
- Business Board and its Governance Arrangements
 - Combined Authority Budget
 - Combined Authority Board updates
- 4.2 Unfortunately it was not possible to take a more structured approach to Committee development and improvement. There was insufficient response from members to both a skills audit and a self-assessment questionnaire that would have helped focus a development programme.
- 4.3 Development was also hindered by the discontinuity in the support to the Committee because of the turnover of interim monitoring and scrutiny officers during the year.

Table 2: Councillor Audit & Governance Committee Attendance by meeting:

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
31 May 2019	6	2	Yes

19 July 2019	8	1	Yes
27 September 2019	6	0	Yes
16 December 2019	6	1	Yes

Following the final meeting of municipal year 2018/19, the Chair circulated a letter to Council Leaders, Monitoring Officers and Chief Executives of constituent Councils reminding them of the high threshold of two-thirds attendance needed for quoracy (6 out of 8).. Three of the 4 meetings were only just quorate, and the start of one meeting had to be delayed due to lack of numbers.

5. GOVERNANCE MONITORING

5.1 Fraud

5.1.1 On 6th Sept 2019, the Combined Authority implemented its fraud prevention policy after it was made aware by its bankers of a potential attempted fraud. The Chair of A&G was briefed at a meeting 16th Sept 2019. A paper on the 'anti-fraud, bribery and corruption policy' was presented to the A&G Committee on 27th September, at which the incident and the Authority's response were reviewed.

5.1.2 Management notified staff of the potential risk and provided guidance materials on identifying potential frauds, minimising the risk of being the victim of fraud, and on the specific phishing attack on the Combined Authority. The bank also provided a training session on anti-fraud protection to an 'all staff' team meeting.

5.1.3 The money was eventually recovered.

5.2 Freedom of Information (Fol)

5.2.1 The Combined Authority for Cambridgeshire and Peterborough 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.

5.2.2 There have been 17 requests from 27 September 2019 and 30 April 2020. All responses are published on the Cambridgeshire and Peterborough Combined Authority website. Of these one is still in process at the time of publication.

5.2.3 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 Combined Authority received no requests for internal reviews the results of these were that no of the review requests were denied and the original response was upheld; on receipt of further clarification by the requester none were sent the information requested.

5.2.4 The table below shows how many Freedom of Information request were received this year and details whether they were responded to within the statutory deadline required of 20 working days.

Table 3: Freedom of Information Requests Received 27 September 2019 – 30 April 2020

Number of FOI received between 27 September 2019 – 30 April 2020	Responded within deadline	Late responses	Internal review undertaken	Outcome of internal review
17	9	7	0	0

- 5.2.5 The categories the requests have been made are: transport funding, procurement awards, financial, staffing costs/issues/resources, copies of correspondence, grants, and antisemitism.
- 5.2.6 Late responses have been due to waiting for information from a third party; requests received on the same day which asked for copies of correspondence sent/received; and the start of the Coronavirus pandemic which resulted in staff working at home.

5.3 Complaints

- 5.3.1 The Combined Authority has a two stage complaints process which is published on the website.
- Stage One follows an informal complaints process where the relevant officer will do their best to settle the complaint without further action being taken
 - 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
- 5.3.2 The Combined Authority has received no informal or formal complaints this year and, consequently no referrals to the local ombudsman.

5.4 Whistleblowing

- 5.4.1 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.
- 5.4.2 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 Cambridgeshire and Peterborough Combined Authority Members and staff. The Standards in Public Life include the principles of; integrity, honesty, objectivity, accountability, openness, honesty, leadership and impartiality.
- 5.4.3 The procedure that must be followed was approved by the A&G Committee and is published on the Combined Authority website.
- 5.4.4 There have been no instances of whistleblowing received by the Combined Authority this year.

6. FUTURE DEVELOPMENTS AND PLANS FOR 2020/21

- 6.1 The Committee has a clearly define work plan for the year. This covers regular reviews, such as treasury management and the risk register, together with commissioned work. For example, during 2020/21 the Committee will be:
- Seeking more assurance that environmental measures are in place and how they are being incorporated into the work of the Combined Authority
 - Improving their understanding of governance relationship between the Combined Authority and subsidiary in holding companies, including whether or not it is good practice for members of a combined authority to be on the board of a holding company

- Reviewing any issues the Combined Authority experienced following the introduction of its new governance arrangements
- Look at the timeline and implementation of a significant major project
- Continue to look for ways to develop the A&G's effectiveness

- end -