CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Subsidiary Company Governance

Final Internal Audit Report: 11.21/22

8 September 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

An audit of Subsidiary Company Governance was undertaken as part of the Cambridgeshire and Peterborough Combined Authority's (CPCA's) approved Internal Audit Plan for 2021/22. The purpose of this review was to allow the Combined Authority to take assurance that appropriate governance arrangements are in place to monitor, manage and support its subsidiary companies, including the reporting and escalation of matters to the CPCA for oversight and scrutiny.

Over recent years, CPCA has set up several wholly or partly owned subsidiary companies with the purpose of providing greater flexibility in how CPCA can operate in their respective areas. The following four active operational subsidiary companies are currently in place:

- Cambridgeshire and Peterborough Business Growth Company Limited – established to manage the CPCA's growth service and delivery fund, including the business growth, inward investment and skills services.
- Peterborough HE Property Company Limited – responsible for managing projects to build the first and second teaching buildings for a new university in Peterborough, as well as an interactive science centre (Living Lab).
- Peterborough R&D Property Company Limited – overseeing the project to construct and then manage a Manufacturing and Materials Research & Development Centre as part of the new university site.
- Angle Developments (East) Limited – to engage in housing delivery programmes via direct market intervention when specific opportunities are identified.

In addition, Angle Holdings Limited has been established by the CPCA to act as a holding company and shareholder for Angle Developments (East) Limited. However, both these companies are expected to become dormant during 2022, due the government withdrawing funding for the CPCA housing programme, which both of these companies were established to support the delivery of. The CPCA also has another subsidiary company, One CAM Limited, however, this is in the process of being made dormant, and as such has not been considered as part of this audit.

Each company has a Board of Directors in place to oversee its operations and monitor its financial performance, with the governance arrangements for each company defined within their respective Shareholder Agreement, including protected matters requiring shareholder approval.

Conclusion

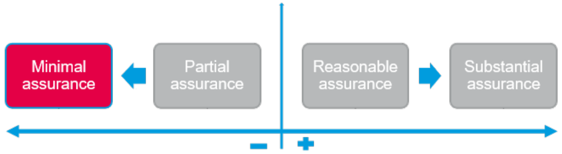
Our review identified significant issues requiring management attention, including a lack of operational and financial performance reporting from the subsidiary companies to the CPCA, and a lack of oversight from the CPCA regarding the operations of its subsidiaries. In addition, evidence was not provided during the audit to confirm that the business plans of subsidiary companies were being subject to regular review by the CPCA in line with Shareholder Agreements, whilst for one subsidiary, evidence of an initial business plan was not provided.. Furthermore, we identified issues with the risk registers for the CPCA's operational subsidiary companies, including a lack of separation between planned actions and implemented controls, and a lack of specific and measurable actions. We were also unable to confirm that a Programme Management Committee had been established for the Business Growth Company, as required by its Shareholders Agreement.

We did, however, confirm that the Boards of each subsidiary company were meeting at the frequencies required per their Shareholder Agreements, and were reviewing progress and financial performance reports. We also confirmed that Shareholder Agreements were in place for each company, detailing their main governance arrangements including schedules of protected matters requiring shareholder approval, and we were provided with examples demonstrating compliance with these schedules, although signed copies of these Agreements could not be provided during the audit to confirm their existence. We also confirmed that the CPCA had arranged for company secretarial support to be provided to its subsidiary companies during 2022/23 by an external provider, with this support including governance and regulatory support, as well as training for the Directors of the companies.

Internal audit opinion:

Taking account of the issues identified, the Combined Authority can take minimal assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified area(s).



Key findings

We identified the following weaknesses which resulted in the agreement of two high and three medium priority management actions:

Committee Oversight and Company Reporting

We noted that the Overview and Scrutiny Committee and the Audit and Governance Committee had been identified as key committees with responsibility for monitoring and scrutinising the CPCA's management of its subsidiary companies, with these responsibilities agreed and documented within Terms of Reference. However, we noted that neither Committee had fully established the nature and frequency of reporting which they would need to receive to fulfil these responsibilities, whilst both Committees were yet to receive reports regarding the subsidiary committees and the CPCA's management of these. It should be noted however that this report is one form of assurance that the Audit and Governance Committee were expecting to receive in relation to subsidiary companies, and that the Committee is aware of the need to identify how they would discharge their responsibilities in relation to subsidiary companies.

Furthermore, we noted that the CPCA had not received any performance or finance related reports from four of its five subsidiaries during 2021/22, and the expected reporting from these companies had not been properly established within their Shareholder Agreements.

We also noted that the Business Growth Company had not provided the CPCA with financial performance information since June 2021, despite the Shareholder Agreement stating that this should be provided quarterly, and we also found that the company was not providing monthly highlight reports to the CPCA, as required by its Shareholder Agreement.

Without appropriate processes in place for the CPCA to scrutinise the management and performance of its subsidiary companies, as well as its own governance arrangements in relation to the companies, there is a greater risk that the CPCA will fail to achieve the desired goals from its investments in these companies. **(High)**

Company Business Plans

Whilst Angle Developments (East) Limited had not actively traded since its incorporation, no evidence was provided to demonstrate that an initial business plan had been developed for the company when it was established. As such, there is a risk that consideration was not given to the purpose, strategy and financial viability of this company during its formation..

Of the remaining three companies, we confirmed that business plans were in place for Peterborough R & D Property Company Ltd and the Business Growth Company, and for Peterborough HE Property Company Limited, two project business cases were in place instead of a company business plan, due to the company being created to specifically deliver these projects.

However, no evidence was provided during the audit to confirm that the business plans and business cases (acting as business plans) were being reviewed by the CPCA each quarter, as required by the respective Shareholder Agreements. If business plans are not subject to regular review, there is a risk that companies may fail to identify changing objectives, new market conditions, and emerging opportunities. **(High)**

Shareholder Agreements

We confirmed that shareholder agreements were in place for all five of the CPCA's current subsidiary companies, including Angle Holdings Limited, which defined the main governance arrangements for each company, such as the process for appointing and removing of directors, and shareholder protected matters requiring approval from the CPCA before being carried out by each company. However, we were not provided with signed versions of the agreements.

If shareholder agreements are not signed, with signed copies retained, there is a risk that the CPCA will be unable to enforce these agreements and hold the company or other shareholders to account where these are not complied with. **(Medium)**

Company risk management

Angle Developments (East) Limited had not actively traded since its incorporation, and as such did not require an up-to-date risk register. With regards to the CPCA’s three other operational subsidiary companies, we confirmed that each had a risk register in place, however, we noted that none separated implemented controls from planned actions, and included actions which were not specific or measurable, whilst we also noted that one of the registers included risks where key information such as risk and action owners had not been documented.

If comprehensive and fully complete risk registers are not in place, which include clear and measurable actions distinct from implemented controls, there is a greater likelihood of risks being managed and mitigated ineffectively, increasing their potential impact on the relevant company. **(Medium)**

Business Growth Company – Programme Management Committee

Evidence was not provided during the audit to confirm that a Programme Management Committee was in place for the Business Growth Company, as required by its Shareholders Agreement, or that such a committee was meeting periodically to support the Business Growth Company Board in delivering its strategic objectives.

As such, there is a risk that the company may fail to achieve its purpose and objectives, due to a lack of management oversight of and support for the company Board. **(Medium)**

We noted the following controls to be adequately designed and operating effectively:

Company Board Meetings

We were advised by the Interim Governance Officer that the Boards of Angle Developments (East) Limited and Angle Holdings had not held ordinary meetings during 2021/22, as both companies had undertaken minimal business activity during 2021/22, due to the withdrawal of government funding for the CPCA's housing programme, which both companies had been established to help deliver. They advised us that these companies were expected to become dormant later in 2022, and as such we did not undertake testing regarding their Board meetings.

For the remaining three subsidiary companies of the CPCA, we reviewed the minutes and papers of the last three Board meetings and confirmed that each meeting had been quorate, and that the Board of each company was meeting at the frequency required per its Shareholder Agreement. In addition, we noted that the Board for each company had reviewed financial and operational or project performance reports at each meeting, with consideration also given to any potential conflicts of interest or matters requiring shareholder approval.

Support Arrangements

We confirmed that a signed contract was in place between the CPCA and Trowers & Hamlins LLP for the provision of company secretarial support to the CPCA’s five subsidiary companies during the 2022/23 financial year. We noted that this contract included the provision of a range of governance and regulatory support to each company, including preparation and distribution of meeting minutes and papers, preparing and making Companies House and statutory filings, and monitoring of compliance with Shareholder Agreements.

Directors Training

Through review of the contract between the CPCA and Trowers & Hamlins LLP for the provision of company secretarial support to the CPCA’s five subsidiaries during 2022/23, we noted that this support included the provision of two training sessions to Directors of these companies by Trowers & Hamlins LLP, covering conflicts of interest, assessment of strategic risks and the key duties of company directors.

Protected Matters

We confirmed through review of the Shareholder Agreements for the CPCA’s five subsidiary companies that in each case, the Agreement included a schedule of protection matters, detailing actions which each company could only undertake after receiving approval from its shareholders, such as issuing shares or changing company name. We were provided with examples demonstrating that the CPCA's subsidiaries were complying with these schedules and obtaining CPCA Board approval prior to taking actions considered to be protected matters, such as when Angle Holdings and the Business Growth Company changed their directors in July and November 2021 respectively.

2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

<table>
<tr><th colspan="5">Shareholder Agreements</th></tr>
<tr><td>Control</td><td colspan="2">Shareholder agreements are in place for each of the CPCA's subsidiary companies, detailing each company's key governance arrangements including the process by which directors are to be appointed and removed and protected matters for which CPCA approval is required.

However, signed copies of these agreements have not been retained by the CPCA or its subsidiaries.</td><td colspan="2">Assessment:
Design ×
Compliance N/A</td></tr>
<tr><td>Findings / Implications</td><td colspan="4">Through review of the shareholder agreements for all five of the CPCA's currently active subsidiary companies, we confirmed that they detailed the main governance arrangements for each company including process for appointing and removing of directors, the need for a company Board to be established, the required meeting frequency and quoracy requirements of this Board, and processes for managing conflicts of interest.

However, we noted that the copies of each company's shareholder agreement provided during the audit were unsigned, with no evidence provided to demonstrate that signed versions of these agreements were in place for each company.

If shareholder agreements are not signed, with signed copies retained, there is a risk that the CPCA will be unable to hold subsidiary companies and their Boards, or other shareholders, to account in instances where they have not complied with these agreements, and this may also affect the ability of the CPCA to enforce the agreements via legal action.</td></tr>
<tr><td>Management Action 1</td><td>The CPCA will ensure that shareholder agreements for all of its current and future subsidiary companies are signed by the company's directors, all shareholders, and any other required parties, with signed copies of the agreements retained by the CPCA, and stored digitally within a readily accessible central location.</td><td>Responsible Owner:
Interim Deputy Monitoring Officer</td><td>Date:
1) Agreements to be reviewed by 30 September 2022

2) Agreements to be updated and signed by 31 October 2022</td><td>Priority:
Medium</td></tr>
</table>

Business Growth Company – Programme Management Committee				
Control	The Business Growth Company's Shareholders Agreement states that the Company is required to establish a Programme Management Committee, which is required to meet monthly to support the Growth Company's Board in delivering the business rebound and growth services. The membership and quoracy of the Committee are described within the Shareholder Agreement, which also states that an approved Terms of Reference must be established for the Committee.		**Assessment:** **Design** ✓ **Compliance** ×	
Findings / Implications	Despite multiple requests, no evidence was provided during the audit to confirm that a Programme Management Committee was in place for the Business Growth Company, or that the purpose, reporting requirements and decision-making authority of this Committee had been documented within an approved TOR. In addition, no evidence was provided to confirm that such a committee was meeting monthly to support the Business Growth Company Board in delivering its strategic objectives. Without these controls in place, there is a risk that the company may fail to achieve its key objectives, due to a lack of management oversight.			
Management Action 2	A Programme Management Committee will be established for the Business Growth Company, with a terms of reference documented and approved for the Committee, covering key information such as the Committee's purpose, standing agenda items, reporting requirements and decision-making authority. Following this, the Committee will meet monthly to support the work of the company Board, as required by the Shareholder Agreement, with meeting minutes maintained to evidence the discussion held at these meetings.	**Responsible Owner:** Senior Responsible Owner for the Business Growth Company	**Date:** 30 November 2022	**Priority:** Medium

Company Business Plans		
Control	Each subsidiary company of the CPCA is required to have a business plan, as stated in their Shareholder Agreements, to outline the strategy, objectives and financial projections for the company. The exception to this is Angle Holdings, which acts as a holding company for Angle Developments (East) Limited and does not carry out its own operations. Three of the CPCA's operational subsidiaries have a business plan in place, or equivalent business cases where the company's sole focus is on delivery of projects. However, these business plans/business cases are not being reviewed and updated by the CPCA or shared with other shareholders in line the requirements of each company's Shareholder Agreement. The remaining subsidiary is not actively trading, although no initial business plan was developed at incorporation.	**Assessment:** **Design** × **Compliance** N/A
Findings / Implications	Angle Developments (East) Limited had not actively traded since its incorporation, and so did not require an up-to-date business plan. However, no evidence was provided to confirm that an initial business plan had been developed for this company when it was established. As such, there is a risk that appropriate consideration was not given to the purpose, strategy and financial viability of this company. Of the remaining three companies, we confirmed that business plans were in place for Peterborough R & D Property Company Ltd and the Business Growth Company, last updated in April 2021 and June 202 respectively. Through review of these, we confirmed that the plans included key information such as the vision and purpose of the company, its goals and objectives and financial projections, and that the objectives and goals within the business plans were aligned to the objectives of the CPCA business plan, such as the building of human capital and innovation. In the final case, we noted that Peterborough HE Property Company Limited had two project business cases in place instead of a company business plan. We noted that this was due to the nature of the company, with this company solely focused on the delivery of these two projects. Whilst these did not constitute a business plan, we noted that the business cases covered key information expected within a business plan such as the purpose of the company and its projects, the planned output from the company, the need for the project and company, and financial projections. We did also note that the goals stated within the business cases were aligned to those of CPCA business plan, including the building of human capital and reducing inequality. However, no evidence was provided during the audit to confirm that the business plans and business cases (acting as business plans) were being reviewed by the CPCA each quarter, with updates shared with other shareholders for acceptance, as required per the Shareholder Agreement for both companies. We did, however, confirm that the business plan for Peterborough R & D Property Company Ltd had been presented to the CPCA for review and approval in May 2021 following revisions to the planned operating model, with this approved via Mayoral Decision Notice, and that an updated version of the Business Growth Company's business plan was due to be presented to the CPCA Board in September 2022.	

	If business plans are not subject to regular review, there is a risk that companies may fail to identify changing objectives, new market conditions, and emerging opportunities.			
Management Action 3	The CPCA will ensure that business plans are in place for each of its current and future subsidiary companies, including key information such as the company's purpose, output, the need which the company serves, financial projections, and the company's management structure. Where companies are project focused, the CPCA will consider whether business cases fulfil the role of a business plan, or whether a separate plan is required. Furthermore, the CPCA will ensure that these business plans (and business cases where relevant) are being reviewed and updated periodically, in line with each company's Shareholder Agreement.	**Responsible Owner:** Board/Senior Responsible Owner for each subsidiary company	**Date:** 28 February 2023	**Priority:** High

Company Risk Management				
Control	The CPCA has not established a standard approach to risk management for its subsidiary companies, included the expected content of registers and minimum review periods. In addition, whilst the registers for the subsidiary companies are subject to regular review and include key content such as the effect of risks, current risk ratings and risk owners, they do not include elements of best practice such as a separation of current and planned controls, or specific and measurable actions.		**Assessment:** **Design** **Compliance**	× N/A
Findings / Implications	We confirmed through review that a risk register was in place for three of the CPCA's four operational subsidiary companies, with these registers either maintained by the company itself, or maintained by the project management company overseeing the project which the company had been established to deliver, with the risks affecting the company covered as part of the register. For the remaining subsidiary, Angle Developments (East) Limited, an up to date risk register was not maintained as the company had not actively traded since its incorporation, although no evidence was provided to demonstrate the consideration of strategic risks during the establishment of the company. For the three companies with risk registers in place, we confirmed that the risk register for each company was being regularly reviewed and updated, with these reviewed at company board meetings, as well as quarterly risk workshops organised by the project management company for two of the three companies. We also noted that the risk registers for all three companies used a similar format to that of the CPCA Corporate Risk Register, and that each incorporated a risk scoring methodology which was the same as or more advanced than the methodology detailed within the CPCA Risk Management Strategy. However, whilst the risk registers included key information such as the current risk score, the cause and effect of risks and risk owners, as well as action owners and target completion dates for mitigating actions, we noted that none of the three risk registers included a clear separation between the mitigating controls in place, and the further actions required to mitigate each risk. We also identified several instances across all three risk registers where the mitigating action detailed on the register did not clearly specify the planned control and was not easily measurable. If clear and measurable actions are not identified, which are clearly distinct from implemented controls, there is a greater likelihood of risks not being mitigated to an acceptable level, increasing the potential effect of the risks if they materialise. Furthermore, whilst we noted that all required information had been documented for each risk on two of the three risk registers, in the final case, we identified risks where key information such as the risk owners, actions owners, and target completion dates had not been documented. Where this information is not consistently documented for each risk, this could lead to ineffective risk management.			
Management Action 4	The CPCA will ensure that risk registers are in place for all current and future operational subsidiary companies and will establish a standard approach to risk management for these companies including the expected content to be	**Responsible Owner:** Head of the Project Management Office	**Date:** 30 November 2022	**Priority:** Medium

	included in the risk registers and a minimum frequency for reviewing and updating risk registers. Where risk registers are maintained by external project management companies, the CPCA and its subsidiaries will liaise with the management companies to ensure that this approach is followed at a minimum where possible. As part of this, the CPCA will ensure that its subsidiary companies are documenting all required information for each risk, and that the risk registers include a clear distinction between implemented controls and planned actions, as well as specific and measurable actions.

Committee Oversight and Company Reporting		
Control	The CPCA has identified two Board sub-committees with responsibility for overseeing and scrutinising its investments in its subsidiary companies. Firstly, the Overview and Scrutiny Committee is expected to review the appointments and management structures of the companies and hold the Board to account in relation to them, to uphold the CPCA's best interests. In addition, the Audit and Governance Committee is required to assist the CPCA in monitoring the activity of its companies, including challenging financial information provided by the companies and challenging the CPCA's governance arrangement regarding its subsidiary companies. However, whilst these responsibilities have been documented and formally agreed by the two Committees, a clear method to fulfil these responsibilities has not yet been established, with the Committee not yet receiving reports on the CPCA's subsidiary companies. Furthermore, the CPCA has not established clear reporting requirements with each of its subsidiary companies as part of their shareholder agreements, except for its Business Growth Company, and the Business Growth Company is the only current subsidiary company which provides regular performance reports to the CPCA.	**Assessment:** **Design** × **Compliance** N/A
Findings / Implications	**Committee Oversight** We confirmed through review that Terms of Reference had been documented for both the Audit and Governance Committee (AGC) and the Overview and Scrutiny Committee, detailing their responsibilities for monitoring and scrutinising the CPCA's management of its subsidiary companies, as well as the structure and finances of these companies. Through review of meeting minutes, we confirmed that the Terms of Reference (ToR) had been reviewed and approved by each respective Committee during 2021/22, indeed the AGC had resolved not to accept the initial revised ToR and requested further revisions by Officers. However, we noted that neither of the Committees had yet received reports regarding the management or performance of the CPCA's subsidiary companies or had fully identified how they would monitor the management of these companies, including the frequency and required content of reporting to the Committees. The AGC were, however, aware of the need to identify how they would discharge their responsibilities in relation to subsidiary companies, incorporating best practice from other combined authorities and councils, and indeed were aware that this internal audit review would provide an element of coverage and assurance to the Committee. There is a risk that the management of the companies by the CPCA and their financial performance may not be subject to appropriate scrutiny, which could result in key issues not being identified, such as the issues identified in relation to reporting from the subsidiary companies detailed below. **Company Reporting** We reviewed the Shareholder Agreements for the CPCA's five existing subsidiary companies and noted that the Agreements for the Peterborough HE Property Company and Peterborough R&D Property Company did not include any requirements for these companies to	

provide financial or operational reports to the CPCA, although it was stated that the CPCA was entitled to receive monthly management accounts and operating information. In addition, we noted that the Shareholder Agreements for Angle Developments (East) and Angle Holdings only detailed the financial reports which each company was required to provide to the CPCA, with no reference made to the provision of operational information or KPI data. If reporting requirements are not clearly defined for each company, there is a greater risk of these companies failing to provide the CPCA with appropriate financial and operational performance information needed to monitor their investment in each company.

We noted that this was currently the case for all four companies where reporting requirements were not fully defined, as the CPCA Board and its sub-committees had not received any financial or operational performance reports from the four companies during 2021/22, although in two of these four cases we noted that the company had been engaged in minimal business activity due to withdrawal of government funding for the CPCA's housing programme.

With regards to the final company, the Business Growth Company we noted that its shareholder agreement clearly defined the reports which the company was required to provide to the CPCA, including monthly highlight reports, bi-monthly progress updates to the Business Board and Skills Committee, quarterly financial reports, and half yearly performance updates to the CPCA Board. However, whilst we confirmed that the Growth Company was providing operational performance reports to the CPCA Board every six months, detailing the company's performance against KPI's, we noted that these reports were being provided to the Business Board and Skills Committee quarterly, rather than bi-monthly as required. We also noted that no financial performance information for the company had been reported to the CPCA since June 2021, and the CPCA was also not receiving monthly highlight reports from the company.

If appropriate financial and operational performance reports are not regularly received from the CPCA's subsidiary companies, with these reports reviewed by an appropriate sub-committee of the Board, there is a risk that the CPCA will be unable to identify any significant operational or financial issues regarding its investment in these companies.

Management Action 5	The CPCA will establish a clear governance, reporting and oversight structure for its existing subsidiary companies. This will include the operational and financial performance reports which each company is required to submit to the CPCA, the required reporting frequency, and the forums responsible for scrutinising these reports. As part of this structure, the methods by which the Overview and Scrutiny Committee and the Audit and Governance Committee will fulfil their responsibilities in relation to these subsidiary companies will be established and implemented. Following this, the CPCA will ensure that reporting occurs in line with the structure and the required reporting frequencies for all companies and committees, with similar reporting requirements and governance processes established for all future subsidiary companies.	**Responsible Owner:** Interim Deputy Monitoring Officer and Interim Head of Governance	**Date:** 28 February 2023	**Priority:** High

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings	
Priority	**Definition**
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Area	Control design not effective*		Non-Compliance with controls*		Agreed actions		
					Low	Medium	High
Subsidiary Company Governance	4	(8)	1	(8)	0	3	2

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area

APPENDIX B: SCOPE

The scope below is a copy of the original document issued.

1.1 Objectives and risks relevant to the scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

The internal audit assignment has been scoped to provide assurance on how the CPCA manages the following areas(s):

Objective of the area under review	Risk under review	Source
To ensure appropriate governance arrangements are in place to monitor, manage and support the subsidiary companies of the Combined Authority.	Risk ID 6: Lack of structural resilience / insufficient internal resources	Strategic Risk Register

1.2 Scope of the review

Over recent years, the Combined Authority has set up a number of wholly owned subsidiary companies with the purpose of providing greater flexibility in how CPCA can operate in their respective areas.

The objective of the review, is to assess the governance arrangements in place to monitor, manage and support the subsidiary companies of the Combined Authority. This will include consideration over governance approaches adopted within the subsidiaries, formation and formalisation of roles and responsibilities and how matters are escalated / reported through to the CA for due oversight, challenge and scrutiny.

Areas for consideration:

- We will consider how the responsibilities of the respective Boards and sub-committees with respect to the Subsidiary Companies have been documented and whether these are being met and whether they provide consistent oversight of the Subsidiary Companies.
- We will consider whether the Subsidiary Companies have formal governance arrangements in place including Boards and whether these are supported by clear Terms of References which outline key areas including their purpose and reporting requirements/structures.
- We will consider whether any core training has been provided to members and key officers of the Subsidiary Companies.
- We will assess the compliance with the governance arrangements outlined within the Terms of References in place for Boards and sub-committees with respect to the Subsidiary Companies (such as coverage of the standing agenda items, declarations of interest, quoracy and escalation).
- We will review the subsidiary company business plans and assess whether the plans/ objectives are congruent with those of the Combined Authority.
- We will complete a high level of review of the risk management protocols in place within each subsidiary and assess whether these align with the approach taken by the Combined Authority. We will also consider compliance against these risk management protocols.
- The relationship between the Subsidiary Companies and the CA and the level of reporting between the two to ensure that matters are escalated/reporting (including financial and performance information) through to the CA for due oversight challenge and scrutiny.

- We will consider the service and support arrangements provided to the companies and consider whether they are adequate to maintain compliance with regulatory requirements specifically in relation to governance and management.

The following limitations apply to the scope of our work:

- The review does not constitute any analysis of the forecasts provided by the companies and therefore we are not providing assurance on the accuracy of the year to date and year end position presented within financial reports
- No substantive testing was undertaken to confirm the presence of conflicts in meetings unless these had been declared in the minutes of subsidiary board meetings.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- We will not confirm the appropriateness of the structures in place within the Subsidiary Companies or the CA to support the Subsidiary Companies.
- We do not confirm whether each Board had the appropriate number of directors in line with requirements of Company Law or Companies House.
- We will not comment on the suitability of agreed budgets, nor provide assurance that the Companies will deliver against budgets.
- We will also not consider the level of reserves, financial sustainability or value for money as part of this review.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Debrief held	1 June 2022	**Internal audit Contacts**	**Daniel Harris, Head of Internal Audit** daniel.harris@rsmuk.com 07792 948767
Draft report issued	6 July 2022 and 21 July 2022		
Responses received	21 July 2022 8 September 2022		**Anna O'Keeffe, Senior Manager** Anna.O'Keeffe@rsmuk.com 07917 462007
Final report issued	8 September 2022		
		Client sponsors	Robert Parkin, Chief Monitoring Officer
		Distribution	Robert Parkin, Chief Monitoring Officer