



CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

CAM Project – Governance and Decision-Making

Internal audit report 4.21/22

Final Report

5 February 2022

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1. EXECUTIVE SUMMARY

Why we completed this audit

Two members of the Cambridgeshire and Peterborough Combined Authority (CPCA) Board wrote to officers seeking to invite the Audit and Governance Committee to conduct an audit of the decisions leading to the suspension of activity on the Cambridgeshire Autonomous Metro (CAM) project. The two Members of the Board requested clarity on the governance surrounding the cessation of work on the CAM project, who took the decision and how the decision was taken, and what part(s) of the Constitution were being relied upon to ensure the proper governance of actions taken. These questions relate to both the actions of CPCA officers as well as the Mayor.

We have undertaken an advisory review to consider those questions and to provide clarity on the governance surrounding the decision. However, please note that this review does not substitute for legal advice on the decision making.

A new Mayor was elected to CPCA on 6 May 2021. One of the Mayor's pre-election statements was that he would not support the continuation of the CAM project, and this was re-stated following his election. This intention had implications for the future of One CAM Limited, the wholly-owned subsidiary of the CPCA through which the project was planned to be delivered.

The Combined Authority had two interim Chief Executive Officers, who we were advised divided their duties between themselves (ie there was no formal documentation of the split of duties/decisions). All references in this report to the CPCA Chief Executive refer to Kim Sawyer. A decision was taken by the Chief Executive of the CPCA, who was also a director of One CAM Limited, to terminate the existing task orders which had been issued to Mace, PA Consulting and Jacobs. The framework contracts with the contractors remained in place. This decision was formalised in an Officer Decision Notice (ODN) on 7 June 2021 and noted by the CPCA Board at its meeting on 28 July 2021. Subsequently at its meeting on 27 October 2021 the CPCA Board agreed that One CAM Limited should be placed into dormancy followed by strike-off from the register of companies.

Conclusion

The Mayor had made pre-election statements that he would discontinue the CAM project, and this intention was re-stated post-election, which meant that the Directors of One CAM Limited considered that decisions needed to be taken to protect the solvency of the company, leading to the decision by the CPCA Chief Executive to terminate the task orders in place at that point. We identified a timeliness issue in that the decision to terminate the task orders had been agreed by the CPCA Chief Executive, One CAM Limited Chief Executive and other non-executive Directors of One CAM Limited, and had been communicated to the contractors and CPCA staff by 28 May 2021, but Members were not briefed until 2 June 2021 and the CPCA Chief Executive's ODN was not signed until 7 June 2021. Furthermore the next CPCA Board meeting after the date of the ODN was 30 June 2021, but the ODN was not reported to the Board until 28 July 2021. We have agreed an action to ensure that ODNs are promptly signed and communicated to Board.

However we have found no evidence that the decision taken to terminate the task orders with the CAM project contractors was not in line with the governance arrangements as laid out in the Constitution of the Combined Authority, and the One CAM Limited Shareholder Agreement, although we did note that the CPCA may wish to make some amendments to the Constitution for clarity.

We also do not consider that there was a conflict of interest or that the CPCA Chief Executive acted without consultation or without transparency. The dual roles of Chief Executive of CPCA and Director of One CAM Limited allowed the decision to terminate the task orders to be taken quickly for the benefit of both the CPCA and One CAM Limited.

Key findings

We identified the following issue for which we have agreed one medium priority management action:



The date of the ODN terminating the task orders was 7 June 2021 but the decision had actually been made, and communicated, by 28 May 2021. The next CPCA Board meeting after the ODN was 30 June 2021, but the ODN was not reported to the Board until 28 July 2021. If decisions are not formalised promptly in an ODN and prior to action being taken there is a risk that inappropriate decisions could be taken. In addition if ODNs are not reported to the next Board meeting there is a risk that decisions are not following the Constitution. **(Medium)**

We found no issues with the following areas:

Whether the Mayor's actions were covered constitutionally



Chapter 3, section 1.5.2 of the Constitution states *that the Mayor may individually exercise a general power of competence to do anything that the Combined Authority may do subject to the restrictions which apply to the exercise of that power and after having due regard to advice from the Monitoring Officer and Chief Finance Officers*. As the Mayor's statements had been made prior to his election on 6 May 2021, there was no consultation on his pre-election statements, which continued to be stated after his election. However the decision to terminate the task orders was taken by the CPCA Chief Executive, and not by the Mayor.

Basis of use of delegated authority by the Chief Executive



Chapter 17 paragraph 4.7a states that that Chief Executive can *"discharge any function of the Combined Authority which has not been specifically delegated to another Officer, Committee or reserved to the Mayor or the Combined Authority Board"*. We reviewed Chapter 3, section 1 of the Constitution, Role and Functions reserved to the Mayor, and did not note any paragraph which would have prevented the CEO from making her decision.

Whether there should have been a Combined Authority decision



We reviewed the copy of the Shareholder Agreement provided to us, in particular Schedule 2 Shareholder Consent Matters, to establish whether the decision taken by the CPCA Chief Executive to terminate the task orders was a decision for which the CPCA Board should have been called.

We found that Schedule 2, 2.1.1 stated that "any action or omission which would result in a breach of a Project Agreement" required Shareholder Consent. We were advised by the Monitoring Officer that this would only occur without the consent of the CPCA, and that this consent was achieved at the Combined Authority Board meeting of 28 July 2021, and we confirmed through review that the minutes of that meeting recorded that the CPCA Board noted the decision of the CEO to terminate the task orders and "authorise a material reduction in the activity of One CAM Limited pending a final decision in relation to the CAM Programme".

Transparency of the decision



We reviewed the substantial email correspondence pack provided to us and noted extensive correspondence between the Chair of One CAM Limited, the other One CAM Limited non-executive directors, and the CPCA CEO, Monitoring Officer and Interim Governance Officer prior to the decision to terminate the task orders being taken. A meeting was also held with the Mayor on 27 May 2021, and email correspondence indicates that the Mayor agreed to the decision.



On 14 June an email from the lawyers Pinsent Mason to the CPCA Monitoring Officer suggests *"any decisions to be made are run against the Schedule 2 consent matters and again, where there may be a degree of "greyness", then take a cautious approach and ensure they are approved by CPCA."* Although the CEO's ODN had already been signed at this point, this is in line with the approach already being taken by officers, which we confirmed through review of email correspondence.

The alternative course of action would have been to wait for a decision of the CPCA Board, thus incurring additional costs with no guarantee of further income to cover them (as the Mayor had indicated there would be no future funding), thus risking insolvency, and for executives to take up roles in One CAM Limited which the Mayor's statements indicated would then be redundant shortly afterwards.

We also agreed two low priority actions which are detailed in section 2 below.

2. DETAILED FINDINGS AND ACTIONS

Whether the Mayor's actions were covered constitutionally		
Control 1	<p>The Cambridgeshire and Peterborough Devolution Deal states that <i>the Mayor or any Cabinet Member may put forward proposals for decision by the Combined Authority. The Mayor will have one vote, as will other voting members. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, subject to the majority including the vote of the Mayor, unless otherwise set out in legislation, or specifically delegated through the Authority's Constitution.</i></p> <p>This is echoed in Chapter 5, section 16.2 of the Constitution which states that <i>Except decisions to which special voting arrangements apply, all decisions of the Board shall be decided by a majority of voting Members, subject to that majority including the vote of the Mayor, or the Deputy Mayor acting in place of the Mayor.</i></p> <p>The Devolution Deal also states that the Mayor <i>is required to consult the CPCA on his/her strategies, which it may reject if a 2/3 majority of the members present and voting, vote to do so.</i></p> <p>Chapter 5, section 16.10 of the Constitution states that <i>A decision to reject the Mayoral budget, Mayoral strategy, or Mayoral spending plan requires a vote in favour by at least two-thirds of all Members appointed by Constituent Councils.</i></p> <p>In addition Chapter 5, section 16.8 states that <i>A decision on a question relating to:</i></p> <p><i>(a) the Transport Plan;</i></p> <p><i>(b) any spending plans or plans for the allocation of transport-related funding;</i></p> <p><i>requires a vote in favour, by at least two-thirds of all Members (or their Substitute Members) appointed by the Constituent Councils to include the Members appointed by Cambridgeshire County Council and Peterborough City Council, or their Substitute Members.</i></p> <p>The Devolution Deal also states that <i>the CPCA Mayor will be required to consult the CPCA Board on his/her transport plan which it may reject if a 2/3 majority vote to do so, subject to that majority including the votes of Cambridgeshire County Council and Peterborough City Council.</i></p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p><u>Policy of not supporting the CAM project</u></p> <p>Through review of the South East Cambridgeshire Labour Party website, South East Cambridgeshire Newsletter and Varsity.co.uk news website we identified that prior to and after his election, the Mayor made a number of public statements indicating that he would not support the previous Mayor's CAM project, and would not be continuing with it. However whilst the Mayor indicated this intention, no formal decision was made by the Mayor - the decision to pause work on the CAM project was taken by the CPCA Chief Executive (see below and also Control 2).</p>	

Whether the Mayor's actions were covered constitutionally

The Cambridgeshire and Peterborough Devolution Deal requires the Mayor to consult the CPCA on his strategies. As the Mayor's statements had been made prior to his election on 6 May 2021, there was no consultation on what could be seen after his election as a 'strategy' (although we acknowledge it was not a formal written strategy). We were advised by the Monitoring Officer that the CA Board is required to consider certain plans and strategies, and the process of bringing and considering such things to the board, including the preparatory work (in this instance, the Leader's Strategy Meeting, and the decision itself at the CPCA Board meeting of 28 July 2021) would be 'readable as consultation'. In addition, the minutes of the 28 July 2021 CPCA Board meeting record that the mayor had realised after his election that this was not a decision for the Mayor alone but one for the Board. Nevertheless, as the Mayor had publicly stated his intention post-election, this meant that the Directors of One CAM Limited felt that decisions needed to be taken to protect the solvency of the company.

Through review of the minutes of the CPCA Board meeting of 28 July 2021 we noted that *it was resolved by a majority of those present and voting to: a) Note the decision of the Chief Executive to stop task orders in relation to the delivery of the work of One CAM Limited. b) Note the recommendation of the Board of One CAM Limited that the work of the company be suspended until a comprehensive review of the One CAM programme and the Local Transport Plan be completed, and authorise a material reduction in the activity of One CAM Limited pending a final decision in relation to the CAM Programme.*

It was not possible to ascertain whether a two-thirds majority had been obtained as records were not retained, but we were advised by the Monitoring Officer that the decision made on 28 July 2021 was not a Mayoral strategy decision and required a simple majority only. This is supported by the fact the decision summary of the CPCA Board meeting of October 2021 records that *the Transport and Infrastructure Committee had invited officers to review the relevance of the LTP CAM Sub-Strategy following a decision on the ONECAM SPV, and to report back to a future Transport and Infrastructure Committee.* We were advised by the Monitoring Officer that the strategy was therefore under review at that point and had not been discontinued and the decisions were confined to the CAM project as a programme of implementation and not the underlying strategy.

On 27 May 2021 a meeting was held between the Mayor, the Chief Executive of One CAM Limited, the Chief Executive of the CPCA and the Chair of One CAM Limited at which a brief was presented to the Mayor with recommendations to allow him to make a decision on the way forward. This included the recommendation "to stop work on the CAM Programme as soon as practically and commercially possible, thereby reducing spend as quickly and to the greatest extent possible." Following the meeting, the One CAM Limited CEO sent an email advising that the Mayor had agreed the steps outlined in the brief, which included ceasing work on One CAM Limited.

Decision to terminate the task orders

Other than the two exceptions above from chapter 3, section 1.5.1 which do not apply in this case, chapter 3, section 1.5.2 of the Constitution states that *the Mayor may individually exercise a general power of competence to do anything that the Combined Authority may do subject to the restrictions which apply to the exercise of that power and after having due regard to advice from the Monitoring Officer and Chief Finance Officers.*

Chapter 3, paragraph 3.1 of the constitution states that *any mayoral decisions will be made in accordance with the constitution, including the transparency rules, forward plan and key decisions*, however no formal decision was actually made by the Mayor, and the decision was not made until the CPCA Board Meeting of 28 July 2021. The decision to pause work was made by the former CPCA CEO (see Control 2 below).

Whether the Mayor's actions were covered constitutionally

The minutes of the 28 July 2021 meeting state that this key decision had been added to the Forward Plan on 15 July 2021 (in line chapter 6 of the Constitution regarding decision-making). The minutes of the 28 July 2021 CPCA Board meeting record that the Mayor had realised after his election that this was not a decision for the Mayor alone but one for the Board.

At the 28 July 2021 meeting the Board noted the decision of the CEO to stop the task orders, the recommendation of the board of One CAM Limited that the work of the company be suspended, and authorised a material reduction in the activity of One CAM Limited pending a final decision in relation to the CAM programme. We confirmed through review of a decision summary dated 1 November 2021 that the CPCA Board had agreed at its meeting on 27 October 2021 that One CAM Limited should be placed into dormancy followed by strike-off from the register of companies.

In considering whether there had been an earlier opportunity for a decision to be made by the CPCA Board, we noted that there had been an Annual Meeting of the Board on 2 June 2021 which was too soon (and not the purpose of the meeting) to bring a decision to. There was also a further meeting of the Board on 30 June 2021. A meeting of the leaders of the constituent councils was held on 9 July 2021 at which they were briefed on the situation and the decisions to be made. Emails from 9 July following the Leaders' meeting indicate that the Leaders considered that such a major decision required several weeks' notice and a decision would therefore be made at the CPCA Board meeting on 28 July 2021 (not 30 June 2021 - however see also findings in Control 2 below).

No issues noted.

Basis of use of delegated authority

Control 2	The former Chief Executive used Chapter 17 paragraph 4.13 as the basis for her ODN. This paragraph states that the Chief Executive can "take decisions up to £500k, subject to any decisions being reported to the next Board meeting of the Combined Authority".	Assessment:	
		Design	✓
		Compliance	×
Findings / Implications	<p>The former Chief Executive used Chapter 17 paragraph 4.13 of the Constitution as the basis for her ODN. This paragraph states that the Chief Executive can "take decisions up to £500k, subject to any decisions being reported to the next Board meeting of the Combined Authority". We were also advised by the former CEO that she had been given additional delegated authority in relation to these contracts, and confirmed through the review of a decision summary from the meeting of the CPCA Board on 25 November 2021 that the Board had resolved to delegate authority to the CPCA Chief Executive to enter into contracts following compliant procurement processes on behalf of the Combined Authority and later novate to One CAM Limited. There were no financial implications of the decision in terms of committing the Combined Authority to expenditure as the impact of the decision was to pause expenditure. The Constitution does not make clear whether "decisions up to £500k" is committing to expenditure or also applies where expenditure is reduced. See management action 3.</p> <p>Chapter 17 paragraph 4.7a states that that Chief Executive can "discharge any function of the Combined Authority which has not been specifically delegated to another Officer, Committee or reserved to the Mayor or the Combined Authority Board", and paragraph 4.8 states that the CEO can "take any action which is required as a matter of urgency in consultation (where practicable) with the Mayor, the Monitoring Officer and the Chief Finance Officer, and in accordance with the Transparency Rules, Forward Plan and Key Decisions".</p> <p>We were advised by the Monitoring Officer that 4.8 (urgency) was intended to apply where the value was above £500k, however as there was no expenditure, 4.8 was not required to be used and 4.13 could be used.</p> <p>In terms of 4.7a and whether this was a matter reserved to the Mayor or the Combined Authority Board, we reviewed Chapter 3, section 1 of the Constitution, Role and Functions reserved to the Mayor, and did not note any paragraph which would have prevented the CEO from making her decision.</p> <p>We also reviewed Chapter 4, section 1, Functions reserved to the Board. Paragraph 1.2 states that "the adoption of, and any amendment to or withdrawal of the following plans and strategies:.....c) Business cases for key priority projects identified in the Business Plan" is a function reserved to the Board. Whilst withdrawal from the CAM project would fit into this category, the CEO's decision as per the ODN was to "Sign the termination letters for the current Task Orders (TO) with Mace, Jacobs and PA Consulting)", and not to end the CAM project. Email correspondence, for example sent on 10 June 2021 at 8.55, is clear that this is the position. All email correspondence which we reviewed is in line with this position, and that a decision on the future of the project would be taken by the CPCA Board on 28 July 2021.</p> <p>Paragraph 4.13, used as the basis for the decision, does require such decisions to be reported to the next Board meeting of the CPCA. We confirmed that the date of the ODN was 7 June 2021. The next Board meeting after that was 30 June 2021, but the ODN was not reported to the Board until 28 July 2021 when the Board noted the decision of the Chief Executive to stop task orders in relation to the delivery of the work of One CAM Limited. If ODNs are not reported to the next Board meeting there is a risk that decisions are not following the Constitution (however we acknowledge as noted above that there may have been timing issues).</p> <p>In addition, we were advised that the decision to cancel the task orders was communicated by the Chief Executive of One CAM Limited to a wide distribution list including contractors (who were already aware through other communications) and CPCA staff, before the decision</p>		

Basis of use of delegated authority

had been reported to members. We confirmed through review that this email was sent on 28 May 2021 which was the day after the meeting with the Mayor and before the date of the ODN which was 7 June 2021, and also before the briefing for the 9 June 2021 Leaders' meeting was sent on 2 June 2021.

If the timing and communication of decisions is not appropriately managed, there is a risk that relevant parties (e.g. members) are not informed, and that communication to a wider audience (e.g. CPCA staff) takes place inappropriately.

If decisions are not formalised promptly in an ODN and prior to action being taken there is a risk that inappropriate decisions could be taken.

Management Action 1	For future significant decisions we will ensure that the communications outside of the decision-makers are appropriately timed and managed to ensure interested parties are informed at the correct time.	Responsible Owner: Chief Executive Officer/relevant Director	Date: Immediate	Priority: Low
Management Action 2	We will produce ODN's in a more timely manner and prior to action being taken. ODNs will be reported to the next CPCA Board meeting in line with the Constitution.	Responsible Owner: Monitoring Officer/Head of Governance and Democratic Services	Date: Immediate	Priority: Medium

Whether there should have been a Combined Authority decision

Control 3	<p>The CPCA is the sole shareholder of One CAM Limited.</p> <p>A Shareholder Agreement is in place to ensure that the Combined Authority has effective arrangements for controlling and monitoring the arrangements of the CAM SPV (One CAM Limited).</p>	<p>Assessment:</p> <p>Design ✓</p> <p>Compliance ×</p>
Findings / Implications	<p>We reviewed the copy of the Shareholder Agreement provided to us, which was an unsigned copy that we have for the purpose of this review assumed is the final Shareholder agreement, in particular Schedule 2 Shareholder Consent Matters, to establish whether the decision taken by the CPCA Chief Executive to terminate the task orders was a decision for which the CPCA Board should have been called.</p> <p>We also confirmed through review that the contracts with the contractors (Jacobs, PA Consulting, and Mace) were with the Combined Authority. We were advised that the planned novations to One CAM Limited had not taken place. Therefore the decision to terminate the task orders needed to come from the CPCA (either its Board or delegated officer), not from One CAM Limited.</p> <p>We examined whether the following shareholder consent matters, which would require the prior written consent of the Combined Authority applied:</p> <ul style="list-style-type: none"> Schedule 2, 2.1.1 - <i>"any action or omission which would result in a breach of a Project Agreement"</i> - the response from the Monitoring Officer was that this would only occur without the consent of the CPCA, and that this consent was achieved at the CPCA Board meeting of 28.07.21. Schedule 2, 2.1.11 - <i>"making any variation to the Business Plans"</i> - the Monitoring Officer advised that the business plan is aimed at delivering the overall objective. This action was to materially reduce activity (pause the work) then cancel the programme and terminate the One CAM Limited company. He advised that the Business Plan is a document which only engages when the activity of the programme is proceeding; it was not a variation to the business plan, but a more fundamental pause in the work Schedule 2, 2.3.6 - <i>"ceasing to carry on the business or the carrying on of the business on any materially reduced scale"</i> – the Monitoring Officer Advised that this did apply and that it was consented at the CPCA Board meeting of 28 July 2021. Schedule 2, 2.4.9 - <i>"giving notice of termination of any arrangements of a material nature to any Subsidiary"</i> – the Monitoring Officer advised that this was engaged, but is deemed to fall within the catch all of the consent referred to in relation to 2.3.6. <p>Therefore it is agreed the consent of the CPCA was required, but officers consider that this was obtained at the CPCA Board meeting on 28 July 2021. In practical terms it would have been difficult for the Board to have given such consent in advance, and for the termination of the task orders and therefore the termination of expenditure to have been undertaken as promptly as the CPCA Chief Executive was able to act by exercising delegated authority (see also control 4 below).</p> <p>The Constitution does not require the CEO to consult with Members on such decisions, however the former CEO advised us that she recognised that she could have consulted with Members, and that the following month, there was an unrelated issue (an employment issue) and that she did consult with members before taking that decision. The Leaders of the constituent councils were sent a briefing on 2 June 2021 ahead of their meeting on 9 June 2021, however this was after the One CAM Limited CEO had widely circulated on 28 May 2021 the fact that the task orders had been terminated.</p>	

Whether there should have been a Combined Authority decision

If the Constitution is not clear on the requirements that members expect of the Chief Executive and other officers in relation to decision-making, there is a risk that although decisions may be taken in line with the Constitution, members do not feel adequately consulted, particularly on decisions which must be taken urgently.

See also action 1 above.

Management Action 3	We will consider whether the Constitution should be amended to require consultation with Members on certain categories of decisions, or for a mechanism for the Board to take urgent decisions, and whether Chapter 17 paragraph 4.13 should be clarified as to whether the £500k limit also refers to a reduction in expenditure/investment.	Responsible Owner: Chief Financial Officer/Monitoring Officer/Head of Governance/Democratic Services	Date: Immediate	Priority: Low
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Conflicts of interest

Control 4	The Board of Directors of One CAM Limited in May and June 2021 consisted of six independent non-executive directors, and three non-executive directors who were also officers of the Combined Authority.	Assessment:
		Design ✓
		Compliance ×
Findings / Implications	<p>We obtained a report of current and previous directors of One CAM Limited and noted that the Directors in May to July 2021 included:</p> <ul style="list-style-type: none"> • Jon Alsop, Chief Financial Officer and s73 officer of the Combined Authority • Kim Sawyer, Joint Chief Executive of the Combined Authority • John Hill, Joint Chief Executive of the Combined Authority (now Director of Business and Skills) <p>As noted above, the decision to terminate the task orders was taken by Kim Sawyer in her capacity as Chief Executive Officer of the CA. Our review of the correspondence pack provided to us did not note any emails from either Jon Alsop or John Hill, and only limited emails which copied them in.</p> <p>The Joint CEO stated in her interview with us that following the Mayor's appointment, and his continued public statements that he would cease the CAM project, action needed to be taken to maintain the solvency of One CAM Limited. The company was solely funded by the CPCA and had made recent Director appointments, in addition to the £300k per month being spent on contractors. The CEO stated that following the Mayor's statements the company knew that its funding would not be continued and therefore to prevent it from becoming insolvent expenditure needed to be halted. The insolvency of the company would have had a negative effect on the reputation of the CPCA and also a significant impact on the reputations and ability of the high profile non-executive Directors of One CAM Limited to act as Directors of other companies.</p> <p>We confirmed through review of the financial detail at 24/06/21 that One CAM Limited had net assets of £455k.</p> <p>Through review of the financial position report dated 24/06/21 we identified that with the termination of the task orders and resignation of the non-executive Directors, the company was forecast to have £808k in cash at the start of August to meet ongoing running costs of £49k pcm (after the resignation of the One CAM Limited CEO after the 5 August Board meeting). This position would have been significantly impacted had the £300k per month contractor costs not been terminated, as we were advised there would not have been further investment in One CAM Limited by the Mayor given his statement that he would cease the project.</p> <p>We reviewed the email correspondence pack provided to us and noted extensive correspondence between the Chair of One CAM Limited, the other One CAM Limited non-executive Directors, and the CPCA CEO, Monitoring Officer and Interim Governance Officer. In addition on 14 June an email from Michelle Kershaw of the lawyers Pinsent Mason to the CPCA Monitoring Officer suggests "any decisions to be made are run against the Schedule 2 consent matters and again, where there may be a degree of "greyness", then take a cautious approach and ensure they are approved by CPCA." Although the CEO's ODN had already been signed at this point, this is in line with the approach already being taken by officers, which we confirmed through review of email correspondence.</p> <p>The CEO had stated in her interview with us that she had obtained legal advice before terminating the task orders, however we were not provided with evidence of this.</p>	

Conflicts of interest

As noted in Control 1 above, on 27 May 2021 a meeting was held between the Mayor, the Chief Executive of One CAM Limited, the Chief Executive of the CPCA and the Chair of One CAM Limited at which a brief was presented to the Mayor with recommendations to allow him to make a decision on the way forward. It was following this meeting that the Chief Executive of CPCA took steps to terminate the task orders (although the ODN was not produced until 7 June 2021). The Chief Executive's decision was therefore taken before the Mayor had fully consulted with the Leaders on 9 June 2021. However, One CAM Limited was an autonomous company whose directors had a duty to protect from insolvency, and as the Mayor had stated that he would be withdrawing support, the Directors of One CAM Limited, via the CPCA Chief Executive, took the steps they considered necessary.

We do not consider that the CPCA CEO acted without consultation or without transparency (apart from the potential wider consultation of Members which was not required by the Constitution to take place), and the dual role allowed the decision to be taken quickly for the benefit of both the CPCA and One CAM Limited. Had the contracts been novated (from CPCA to One CAM Limited) as planned the decision to terminate the task orders would have been taken by the Directors of One CAM Limited, although the considerations in Control 3 above in relation to Shareholder Consent would still have been relevant.

The alternative would have been to wait for a decision of the CPCA Board on 28 July 2021, thus incurring additional costs with no guarantee of further income to cover them, as the Mayor had indicated that he would not agree to any further funding of the project, thus risking insolvency, and for executives to take up roles in One CAM Limited which the Mayor's statements indicated would then be redundant shortly afterwards.

No issues noted.

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
One CAM – Governance and decision-making	0	(4)	0	(4)	2	1	0
Total					2	1	0

* 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.

Scope of the review

The scope was planned as an advisory review of how the Cambridgeshire and Peterborough Combined Authority manages the following area(s):

Objective of the area under review

Appropriateness of governance and decision making with reference to the CAM project.

Management Concerns

Two members of the Combined Authority Board wrote to officers seeking to invite the Audit and Governance Committee to conduct an audit of the decisions leading to the suspension of activity on the One CAM project. At the time of the referral, there was no formal process of reference however, the Chair of the Audit and Governance Committee has expressed support for the review.

The two Members of the Board have requested: clarity on the governance surrounding the cessation of work on the CAM project; who took the decision and how the decision was taken and what two part/s of the Constitution were being relied upon to ensure the proper governance of actions taken? These questions relate to both the actions of CPCA officers as well as the Mayor.

With the above in mind, the following scope of review has been proposed to support the questions asked by the Members of the Board

When planning the audit, the following areas for consideration and limitations were agreed:

The scope of this review was restricted to looking at:

- How the Mayor's actions are covered constitutionally in terms of governance (in relation to the decision to suspend the CAM project).
- What part of the Constitution is being relied upon for the Mayor and/or senior officer delegations to have ordered the ceasing of activity?
- Whether delegated powers were undertaken correctly in terms of Combined Authority policy.
- Should the Combined Authority Board have been called to take the decision to cease operations.
- Any conflict of interest in terms of the Company and the Combined Authority in decision-making

Limitations to the scope of the audit assignment:

- The scope of the work will be limited to those areas examined and reported upon in the areas for consideration in the context of the objectives set out for this review.
- We will not comment on the appropriateness of decisions made, only that they were in line with the delegated responsibilities outlined within the constitution.
- We will only confirm that officers acted in line with constitution, not that constitution represents best practice, is fit for purpose, or has been legally drafted in line with the Devolution Deal.
- We will not comment on the nature of the decisions made by the One CAM Limited Board and Executives of One CAM Limited
- We will not comment on the content of or approval of the CAM project business case.
- This review will not provide any legal opinions and we may conclude in some areas that the Combined Authority need to seek legal opinion / further legal advice from their preferred providers.
- This review will be advisory in nature and will not constitute a formal opinion.
- Any testing undertaken as part of this audit will be compliance based and sample testing only.
- The results of our work are reliant on the quality and completeness of the information provided to us.
- Our work will not provide an absolute assurance that material errors, loss or fraud do not exist.

Debrief held	15 December 2021 and 14 January 2022
Discussion draft issued	5 January 2022
Draft report issued	17 January 2022
Revised Draft report issued	10 February 2022
Responses received	14 February 2022
Final report issued	15 February 2022

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Robert Fox, Interim Governance Officer

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