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30 October 2020

Ref: CPCA/19-20/M1

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Dear James

External Audit and Combined Authority Governance

We are writing in response to your email to EY dated 7 August 2020 where you requested our view, as your external auditor, of CPCA's governance arrangements in the context of the 13 July 2020 letter you received from the Minister for Regional Growth and Local Government (MRGLG).

We agreed to respond to your request on the basis of the auditor's responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code of Audit Practice. It is useful to clarify that these responsibilities require us to:

1. Form an opinion on CPCA's financial statements; and
2. Consider whether CPCA has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is more commonly known as the value for money (VFM) conclusion.

In respect of VFM, we are required to carry out a risk assessment against criteria specified by the NAO. These comprise arrangements that CPCA has for:

- Taking informed decisions;
- Deploying resources in a sustainable manner; and
- Working with partners and other third parties.

In considering your VFM arrangements and carrying out the risk assessment we consider items such as the annual governance statement. We are only required to determine whether there are any risks that we consider significant, which the Code defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

You can find further details about the Code and the auditor's responsibilities on the NAO's website - <https://www.nao.org.uk/code-audit-practice/> . The Code has changed for financial years 1 April 2020 onwards. We would be happy to explain more about the role of the external auditor if you wish.

Our response in this letter is a combination of repeating matters that we have previously reported to CPCA's Audit and Governance Committee and reporting our consideration of the matters we have determined to be relevant to our responsibilities as your external auditor and have come to our attention following the MRCLG July letter.

We include as Appendix 1 our consideration of the matters raised by the MRCLG in the July letter, as well as other matters that have come to our attention following enquiries we have made with one of CPCA's interim joint Chief Executives (Kim Sawyer), the Monitoring Officer and the Section 73 Officer.

We are happy for you to share this letter with the MRCLG and we are also happy to meet with the MRCLG or their representatives to provide any further information to this letter.

If you have any further queries or questions, then please let me know.

Yours sincerely



Suresh Patel
Associate Partner
For and on behalf of Ernst & Young LLP

cc. Kim Sawyer, Interim Joint Chief Executive
John Pye, Chair of the Audit & Governance Committee.

Appendix 1 – EY consideration of matters arising

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	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
1	Factual errors in the Constitution.	<p>We do not ‘audit’ the factual accuracy of the Constitution as part of a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG we have not identified a risk in relation to the Constitution.</p> <p>We note that in May 2020, the document was amended to reflect the Mayor’s appointment of political advisors. (which is pertinent to other MRCLG issues).</p> <p>As a result of the MRCLG letter, in August 2020 we made enquires with officers about how they have assurance that the Constitution is consistent with the statutory roles and responsibilities of the CPCA.</p> <p>Officers provided evidence about the single error identified in the Constitution in respect of the Protocol on Appointments within the Mayoral Office [which forms an Annex to the Officer Employment Procedure Rules] and which was adopted in September 2019. The error arose via advice from counsel and has since been corrected.</p> <p>The CPCA Board approved a revised Constitution in September 2020 following a review checking the statutory basis of the contents.</p>	We have no matters to report.

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
2	<p>Employment Committee not always part of senior executives' appointments process.</p>	<p>We do not review the role of the Employment Committee in senior executive appointments as part of a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in relation to the role of the Employment Committee.</p> <p>As a result of the MRCLG letter we made enquiries with officers about the role of the Employment Committee and senior executive appointments since April 2019.</p> <p>The roles of interim joint Chief Executives were extended by the Board in May 2019. The Section 73 Officer and the interim Monitoring Officer were appointed at the same meeting. None of these appointments were considered by the Employment Committee. The terms of reference of the Committee state that it should 'make recommendations to CPCA on the appointment and dismissal of the Monitoring Officer, S73 Officer and the Chief Executive.' Officers' view was that this does not include interim appointments.</p> <p>However, the Monitoring Officer appointment in March 2020 was approved directly by the Board rather than the Employment Committee. Officers state that this was because the interim Monitoring Officer was due to leave at the end of March. In addition, officers highlight that the Employment Committee was made up of 6 members of the 8 elected voting members of the Board.</p> <p>Officers have accepted MRCLG's point that the Employment Committee should have been involved in the appointment of the Monitoring Officer.</p> <p>The revisions to the Constitution referred to in 1 above now state in the Officer Employment Procedure Rules that the Employment Committee shall make interim appointments for senior posts.</p>	<p>We note that CPCA has accepted that the Employment Committee should have considered the appointment of the Monitoring Officer in March 2020.</p> <p>We also note that CPCA has revised its arrangements to require the Employment Committee to make interim senior executive appointments.</p>

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
3	<p>Failure to obtain all aspects of legal advice for the appointment of Chief of Staff.</p>	<p>We do not review the appointment of staff as part a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in respect the appointment of staff.</p> <p>As a result of the MRCLG letter we have now reviewed the information provided by CPCA to MRCLG including their legal advice and associated correspondence.</p> <p>The matters relate to the appointment of political assistants and the application of the rules on political restriction.</p> <p>CPCA obtained legal advice at the time but have subsequently accepted that the advice referred incorrectly to s.112 of Local Government Act 1972 when it should have referred to Part I of the Local Government and Housing Act 1989 and the Local Government Officers (Political Restrictions) Regulations 1990, which is applied to Combined Authorities by section 21(1)(b).</p> <p>The appointments to the Mayor's office had been made using the Mayor's General Power of Competence (GPC). MRCLG's view is that the exercise of the GPC is subject to pre-commencement limitations and so is subject to the 1989 Act in relation to the appointment of staff.</p> <p>MRCLG have stated that the CPCA, while not having the specific power to appoint a political assistant to the Mayor, is able to appoint an assistant to the Mayor, so long as that appointment is made on merit, and the post should be one that is politically restricted.</p> <p>CPCA have agreed to update their protocol on political appointments to reflect the position proposed by MRCLG.</p> <p>This has since been reported to the September 2020 Board. CPCA also agreed to incorporate the change into future employment procurement rules.</p>	<p>We note that CPCA obtained legal advice at the time of making the appointment.</p> <p>We also note the CPCA have accepted MRCLG's view in respect of politically restricted appointments and have since revised its protocol and employment procedures.</p>

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
4	Delivery capacity of the CPCA needs improvement.	<p>Under the Code, as part of our value for money conclusion (VFMC) responsibilities we consider at a high level the arrangements that CPCA has in place for the year of audit to deliver effective, efficient and economical use of its resources. The Code specifically states that the auditor does not question the merits of an entity's policy decisions but focuses on the arrangements relating to use of resources.</p> <p>For 2019/20 we identified a VFMC risk around the arrangements that CPCA had in place to manage the risks associated to its ambitious programme of capital developments. We will be reporting our detailed findings to the 30 November Audit & Governance Committee meeting. We have found that CPCA did have in place for 2019/20 the proper arrangements we would expect to see.</p>	We will have no matters to report in the VFMC part of the audit opinion for 2019/20.
5	The Lead Member for Finance and Investment abstained from a vote on reallocation of budgets in June '20.	<p>We do not review all the all decisions made by the Board as part a Code audit unless we identify a risk relevant to our responsibilities. Prior to the MRCLG letter we have not identified a risk in respect of decisions made by the Board on budgets.</p> <p>As a result of the MRCLG letter we made enquiries to officers to understand the matter.</p> <p>This relates to the 3 June 2020 Board meeting and as per the minutes stems from the fact that the Lead Member for Finance and Investment (LMF&I) indicated that he was not sufficiently consulted on the Budget Monitor Update report (item 2.1). The original version of the report had stated that the author was the LMF&I, but it was subsequently changed to the Mayor. The minutes record that the LMF&I had concerns over the lack of member involvement in re-prioritising budgets as a result of C-19 and in particular the significant increases to budgets</p>	We note that CPCA accepts that the Lead Member for Finance and Investment should have been consulted on the Budget Monitor Update reported to the June Board meeting.

		<p>associated with the Cambridge Autonomous Metro (CAM) budget.</p> <p>Officers have stated that the reason why the LMF&I was not consulted on changes to the budget, is that the review of priorities and budgets was a policy response to Covid-19 and as the Mayor is the policy lead for the CPCA he led the review and his name was included as the author of the paper (corrected after the initial error). However, given that the review of priorities and budgets had such a significant impact on the finances of the CPCA, the S73 officer accepts that he should have consulted the LMF&I. We have seen email exchanges between the S73 Officer and the LMF&I which also suggest that there was insufficient time allowed in drafting the Budget Monitor Update report to enable effective consultation. Officers have taken this as a lesson learned. The S73 Officer has confirmed that the LMF&I is being consulted on a further update to the Budget for the November Board.</p>	
6	In May '21, there needs to be a full, open and transparent recruitment process for the new CEO.	N/A to the auditor's Code responsibilities.	None
7	Disagreements between CPCA and the Greater Cambridgeshire Partnership are hindering delivery.	As part of the VFMC risk assessment for 2019/20 we did not identify any risks in relation to partnership working and as a result have not considered the working relationship between the C&PCA and the GCP.	None
8	Needs to be an improvement in local partnership working arrangements.	As part of the VFMC risk assessment for 2019/20 we did not identify any risks in relation to partnership working.	None
	MRCLG issues raised at the March '20 discussions with CPCA		
9	The appointment of CPCA senior officers and mayoral staff	See 2 and 3 above	n/a

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
10	The departure of the Chief Executive and the Interim Chief Finance Officer	<p>The Chief Executive left the employment of CPCA at the end of September 2018 by mutual agreement with a severance payment. We considered the lawfulness of CPCA's decision making and composition of the severance as part of the 2018/19 audit.</p> <p>We verbally updated the March 2019 Audit & Governance Committee that we had completed our procedures and found that CPCA had followed proper processes. We provided written details in the 17 September 2019 Audit Results Report.</p> <p>The Interim Chief Finance Officer was dismissed in December 2018 (he had been in post since August). We considered this matter as part of the 2018/19 audit. We obtained an understanding of the reasons for his departure. We also determined that as an interim appointment he was on a contract that allowed CPCA to terminate the appointment with no notice and no severance. CPCA sought legal advice to support the decision. As there was no severance (i.e. an item of account) in 2018/19, we did not report anything on this item to the Committee. Officers have since informed us that CPCA had reached financial settlement with the Interim Chief Finance Officer and this is included as an item of expenditure in the 2019/20 accounts.</p>	We have no matters to report other than the findings we reported to the 27 September 2019 Audit & Governance Committee.
11	The CPCA's relationship with the Greater Cambridge Partnership	See 7 above	None
12	An individual piece of legal advice on the declaration of interests	<p>We were not made aware of this issue at the time.</p> <p>It relates to the Monitoring Officer advice to a Member on declaration of interests at a Board meeting on 27 June 2018 regarding the report on Strategic Community Land Trust (CLT) Programme Development. The minutes show that the Member declared an interest and spoke on the item but did not vote.</p>	We have no matters to report.

	MRCLG Issue (as per 13/7/20 letter)	EY considerations	EY conclusion
13	The governance of the CPCA	<p>Whilst we have over the last 3 years identified risks relating to governance as part of the VFMC we have not identified any significant weaknesses.</p> <p>Similarly, in respect of governance as outlined in CPCA's Annual Governance Statement, we have found the disclosures to be consistent with our knowledge and understanding.</p> <p>VFMC - history</p> <p>CPCA was formed in early March 2017 and was required by MRCLG to prepare accounts to 31.3.17. We were then required to carry out a full Code audit but agreed with the NAO that our VFMC work could be proportionate to the fact that the entity was only in operation for 3 weeks of the year. Our 2016/17 VFMC focus was therefore relatively narrow.</p> <p>For 2017/18 we identified a significant VFMC risk across all three criteria on the basis that the entity was putting in place its arrangements. This included governance. We carried out a significant piece of work to consider those arrangements and reported in detail as part of the Audit Results Report. We gave an unqualified VFMC. We summarised this in the 2017/18 Annual Audit Letter.</p> <p>For 2018/19 we identified four significant VFMC risks:</p> <ol style="list-style-type: none"> 1. Follow up the 2017/18 'arrangements being put into place' 2. Focus on the governance of bringing the LEP into the entity 3. Risk associated with accelerating delivery of projects (we actually found no examples of accelerated delivery) 4. Focus on the robustness of the Medium-Term Financial Strategy (this involved reviewing the work carried out by a consultant engaged by CPCA. We agreed with their findings that there were no significant issues). 	<p>Our formal reporting to the Audit & Governance Committee in Audit Results Reports and Annual Audit Letters, includes unqualified value for money conclusions for 2016/17, 2017/18, 2018/19 and we anticipate the same for 2019/20.</p>

		<p>For risks 1 and 2 we were satisfied that there was sufficient evidence to demonstrate that arrangements were in place. This included reference to IA's work on governance.</p> <p>We reported our findings and conclusions in the 2018/19 Audit Results Report and 2018/19 Annual Audit Letter.</p> <p>For 2019/20, we identified the significant risk included in item 4 above.</p>	
14	The funding of a charity ball	We were made aware of this issue by the Interim CFO on 12 March 2019. The sums involved were less than £1,000 and the explanation given was reasonable, and we concluded that this was a matter that did not impact on auditor responsibilities.	None
15	A member of the mayoral staff being appointed as a prospective parliamentary candidate	See 3 above	See 3 above