



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

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AUDIT AND GOVERNANCE COMMITTEE: DRAFT MINUTES

Date: 29 July 2022

Time: 10:00

Location: Pathfinder House, Huntingdon

Committee:

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| Mr John Pye | Chair |
| Cllr Ian Benney | Fenland District Council |
| Cllr Simon Smith | Cambridge City Council |
| Cllr Piers Coutts | Cambridgeshire County Council |
| Cllr David Brown | East Cambridgeshire District Council |
| Cllr Geoff Harvey | South Cambridgeshire District Council |

Officers:

| | |
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| Gordon Mitchell* | Interim Chief Executive Officer |
| Rob Emery | Business Board S151 & Dept.S73 Officer |
| Jodie Townsend | Interim Head of Governance |
| Rob Fox* | Governance Officer |
| Chris Bolton* | Head of Programme Management Office |
| Anna O'Keeffe | Internal Auditor (RSM) |
| Mark Jones | Internal Auditor (RSM) |
| Joanna Morley | Interim Governance Officer |

*denotes remote attendance

1. Apologies for Absence and Declarations of Interest

- 1.1 Apologies were received from Cllr Ali, Cllr Corney and Cllr Wilson. Cllr Coutts attended as a substitute for Cllr Wilson.
- 1.2 No disclosable interests were declared.

2. Chair's Announcements

- 2.1 Following the debate and the recommendations arising from the Committee's last meeting, a formal letter had been sent to the Board. Feedback on that letter and the recommendations made would be discussed under item 4; The Improvement Framework.

- 2.2 The Committee had requested that a representative from DLUHC attend this meeting and a formal invite had been extended. The following response had been received:

Given where we are in our support of CPCA and given the changing circumstances and the nature of the Government until a new Prime Minister is in post, we think it best that we do not attend on this occasion. We will continue to observe meetings and review public papers and will be in touch as necessary.

3. Minutes of the last Meeting and Action Log

- 3.1 The minutes and the action log of the meeting held on 30 June 2022 were discussed.

RESOLVED:

- i. That the minutes of the meeting of 30 June 2022 be approved subject to the following addition:

Members asked for officers' feedback on how capacity shortfalls had affected delivery.

- ii. That the Action Log be noted.

4. Improvement Framework Including Review of Governance

- 4.1 Gordon Mitchell, Interim Chief Executive introduced the report which provided an update on the development of an Improvement Plan and associated next steps for the Combined Authority, following consideration of an Improvement Framework report by the Board on 27 July 2022.

During discussion the following points were noted:

- a. Both the Overview and Scrutiny Committee and the CA Board had recognised the scale and scope of the issue and agreed with the approach laid out in the report. At their respective meetings they had given their unanimous support for the requested delegations to the Interim Chief Executive.
- b. The Combined Authority's response to the External regulator's concerns was in the form of the reports presented and these would inform his end of year judgement.
- c. In addressing the Committee's recommendation that the CA should seek external advice in formulating an any action plan, the Interim Chief Executive had been liaising with both the Department of Levelling Up Housing and Communities (DLUHC) and the Department of Business, Energy and Industrial Strategy (BEIS) to get their perception of the issues. There had also been external independent input in the form of Jodie Townsend's Review of Governance, the recruitment of a BEIS approved independent consultant, Richard Hall, to look at the zero-carbon work, and the partial release of the Senior Programme Manager from the Oxford Growth Board to look at several strands of CPCA work.
- d. The Committee had also recommended that the terms of reference for the Improvement Panel be reconsidered. Mr Mitchell's view was that the work done on outlining the format of the Panel had been premature and that the self-assessment exercise should be conducted first, with a group brought together to question and oversee that. The improvement plan would then be designed around its findings. A revised Terms of Reference for the Improvement Board was due to go to the Board in September.
- e. The senior management capacity had been expanded with the appointment of Edwina Adefehinti as interim Deputy Monitoring Officer and extension of contracts for Steve Cox and Jodie Townsend.
- f. The Committee felt that it had been unsighted on the depth of the capacity problem, not just for improvement but for business as usual.

- g. The most significant capacity gap was at senior level where there were a number of employment issues to be resolved which included acting up arrangements, sickness and the difficulty of recruitment in certain fields.
- h. To tackle the issue of the organisation's culture there first had to be an acceptance of the issues and the ways of working. Mr Mitchell had met with every board member individually to get their views
- i. As part of the Improvement work there were 'structural' issues to be resolved; for example, currently there were elements of the Constitution that clogged up the business of the CA Board and therefore needed addressing.
- j. Members felt that the self-assessment exercise was quite an overwhelming body of work and that there needed to be some prioritisation of the fundamental issues.
- k. The timeline for the improvement framework would be assessed to see whether it was realistic, but manageability also had to be balanced with pace. Information that had already been pulled together, such as the Review of Governance and previous reports on the issues, would be used in conjunction with the results of the self-assessment exercise.
- l. The report going to the Board in September would set the priorities for the Improvement Plan.
- m. Cllr Edna Murphy had been appointed as the new Lead Board Member for Governance and conversations with her had already begun to start on the implementation of the Review of Governance's recommendations.
- n. Members felt that although the Committee was charged with overseeing behaviour and standards, they should have been alerted to potential problems rather than actively seeking out information. The Chair however asked that the role of the Committee in overseeing standards be an item for debate as part of the 'lessons learned' item that was to be part of the Committee's work programme.
- o. The internal control systems needed to be reviewed to make sure that the Committee was being provided with the right information at the right time.
- p. The Committee welcomed the report and endorsed its approach.

RESOLVED:

That the Improvement Framework Report, including the Review of Governance, and the CA Board's response to it, be noted.

ACTION:

The Committee to reflect on its role and seek improvements on how information is received and how the behaviour of members is overseen as part of a 'lessons learned' agenda item for the December meeting.

5. Corporate Risk Register

- 5.1 Chris Bolton, Head of Programme Management Office introduced the report the purpose of which was for the Committee to monitor the Combined Authority's risk management arrangements including reviewing the revised Risk Register.
- 5.2 During discussion the following points were noted:
 - a. The Greater South East Energy Hub had been rebranded in April and was now known as the Greater South East Net Zero Hub
 - b. There had been a specialist risk management team who had produced the Pathfinder Risk management report for the Internal Auditors, RSM, and the recommendations made were aligned with best practice and what was seen elsewhere in the not-for-profit sector, and the wider corporate sector.
 - c. The Chair of the Committee observed that the overarching risk ie. The future viability of the Combined Authority was missing from the register.
 - d. The next report to Committee would present the top four or five risks with a narrative attached. It would also show how the risks aligned with corporate objectives.

RESOLVED:

That the Review of Corporate Risk Register and Risk Management Strategy report be noted.

ACTION:

Before the next quarterly report on the risk register, the Head of Programme Management would circulate to the Committee a revised report format reflecting the comments made by Members. This would include:

- the future viability of the CA as an overarching risk
- the direction of travel for the risk,
- prioritisation of the top 4 or 5 risks
- a narrative to expand on the issues

6. Internal Audit Progress Report

- 6.1 Anna O'Keeffe, Senior Manager RSM, introduced the report which asked the Committee to note progress being made against the internal audit plan for 2021/22.
- 6.2 During discussion the following points were noted:
 - a. Since the last report, 5 draft reports had been issued and auditors had been asked to undertake 2 ad-hoc reviews.

RESOLVED:

That the Internal Audit progress report for 2020/21 be noted.

7. Internal Audit Annual Report

- 7.1 Mark Jones, Partner at RSM, introduced the Internal Audit Annual Report the purpose of which was to provide the Committee with an Internal Audit opinion for 2021/22 as required under the Public Sector Internal Audit Standards.
- 7.2 During discussion the following points were noted:
 - a. The Annual Internal Audit report was a draft report as audit reports for last year remained in draft and it was possible that as they were finalised, opinions might change.
 - b. Based on the position of reports currently, the head of internal audit's opinion for the CPCA was that there were "weaknesses in the framework of the governance, risk management and control such that it could become inadequate and ineffective."
 - c. The opinion was the third level of four possible opinions and was a negative opinion.
 - d. There had been an issue around the timing of the audits as much of the work had been done in the last quarter and there was still a large percentage of work that had not yet been finalised so it would have been difficult for Internal Audit to have alerted the Committee to this opinion any earlier that it had done so.
 - e. The finalised report would come through to the next meeting in September.
 - f. The internal auditors did a huge amount of work in the not-for-profit sector and less than 5% of the Head of Internal Audit annual opinions were negative.
 - g. Internal Audit had been asked to carry out audits late in 2021/22 because of management capacity and because they were agreed later. The advice for the forthcoming year would be to get the work done as soon as possible and get management reports finalised so that anything negative could be addressed, and then the actions taken could be taken into consideration for the Annual Opinion.

- h. Members commented that they were grateful for the candid insight into what was a disappointing message and found the advice offered by Auditors helpful. The Committee recognised that it would be an advantage to meet internal audit requirements early and given the current position the CPCA found itself in, the emphasis should be on management meeting these requirements.

RESOLVED:

That the draft Internal Audit Annual Report for 2021/22 be noted.

ACTION:

That a comment regarding the incidence and significance of a negative opinion in the sector be included in the auditors' final report.

8. Internal Audit Plan 2022-23

- 8.1 Anna O'Keeffe, Senior Manager RSM, introduced the report which asked the Committee to consider and approve the proposed CA Audit Plan for 2022/23.

- 8.2 During discussion the following points were noted:

- a. The deep dive review of data protection had already started.
- b. Internal audit needed to be working in tandem with Overview and Scrutiny on their recently proposed review of the Affordable Homes Programme to avoid duplication of work for officers.
- c. Officers welcomed the opportunity to work with Internal Audit on elements of the Improvement Plan and supporting Governance.
- d. Members asked whether there was a risk in accepting the programme laid out in the Plan and then not being able to deliver against it.
- e. It was proposed that there be a flexible approach to the Plan and that the process be set running. The Committee could take stock at the September meeting and there would be an onus on RSM to highlight any issues with the management and delivery of the reviews.

RESOLVED:

That the Committee:

- i. Approves the topics of the reviews proposed in the CA Audit Plan for 2022/23
- ii. Recommends that officers adopt a flexible approach and give priority to work that helps the improvement journey.

That RSM will:

- iii. Forewarn the Committee of any potential issues it has, or foresees, with delivery against the Plan.

ACTION

- i. That the Committee reviews progress against the Plan at their September meeting and encourages management to take a realistic view of what they can deliver.

9. Draft Narrative Report and Annual Governance Statement 2021/22

- 9.1 Rob Emery, Business Board S151 & Dept. S73 Officer introduced the report the purpose of which was for the Committee to receive an update to the preparation off the 2021/22

financial statements and to note the draft Annual Governance Statement 2021/22 and the draft narrative report.

9.2 During discussion the following points were noted:

- a. The numbers were not available because of the sudden illness of the lead officer.
- b. Officers were advised by External Auditors that the narrative should be reflective and focus on the delivery of the Authority in 21/22 and make reference to the Annual Governance Statement (AGS) where the governance issues highlighted by external auditors were explored in more detail.
- c. One positive of the report's delay was that it could be updated to reflect the Improvement Plan that was recently agreed by the CA Board.
- d. The full accounts would be presented to the Committee at their September meeting alongside an updated AGS.
- e. Most of the draft AGS was completed before the draft annual opinion from RSM had been received which is why the items they asked to be specifically addressed in the AGS had not been done. Officers assured the Committee that these would be included in the next draft.
- f. Ernst Young's audit had always been scheduled for November so the report being delayed until September had not affected this timeline.
- g. The Committee recognised that this was work in progress.
- h. The AGS was signed off by the lead politician of the Authority, the Mayor in the case of the CPCA, and the Chief Executive. However the Statement of Accounts that incorporated the AGS had to be approved by the Committee. Officers would make this distinction clear in the recommendations of their report in September.
- i. The timeline of the report should be highlighted and a post end of year comment included in order to demonstrate awareness of recent events at the CPCA.

RESOLVED:

That the Committee:

Note the draft narrative report 2021/22 and the draft Annual Governance Statement and recommend that a post end of year comment detailing latest developments be included in the final report.

10. CPCA Local Authority Trading Companies

10.1 Rob Fox, Interim Governance Officer introduced the report the purpose of which was to provide the Committee with information on the governance status and the organisation of the Combined Authority's Local Authority Trading Companies.

10.2 During discussion the following points were noted:

- a. RSM were undertaking an internal audit of the governance of the subsidiary companies which would be presented to the Committee soon.
- b. Although officers did not wish to anticipate the key findings of this audit, it was known that some of the functions outlined in the companies' shareholder agreements were not being adhered to in terms of the management and performance of the subsidiaries. This would be rectified by providing the CA Board with regular updates.
- c. There was some turnover of directors of the subsidiary companies which meant that up to date signatures on the shareholder agreements was an issue that was being addressed.
- d. Members felt that the report did not provide enough information for the Committee to review and challenge the CA's governance arrangements of its trading companies as defined in the new terms of reference.
- e. Whatever the report from RSM would show it was incumbent on the authority to put together all the information that the Committee had requested.

- f. The lack of oversight from the CPCA regarding the operation of its subsidiaries was one of the factors that had contributed to the auditor's negative opinion and was therefore an important issue for the Committee to consider.

RESOLVED

That the update on the Combined Authority Trading Companies be noted.

ACTIONS

- i. Governance officers to map out both current arrangements and best practice for the governance arrangements of trading companies and report back to the Committee at their next meeting.
- ii. The Internal Audit Report on the governance of the CA's subsidiary companies to be presented to the Committee at their next meeting on 30 September 2022.

11. Work Programme

- 11.1 27 January 2023 was confirmed as a meeting date rather than a reserve option as was mistakenly shown in the work programme document.
- 11.2 The Officer Code of Conduct would be reviewed at the January meeting.
- 11.3 Members discussed the possibility of a members' briefing session on the Lessons learnt from the External Audit before the item was added to a meeting agenda.

RESOLVED

That the work programme be noted.

ACTION

That the following items be added to the agenda for the meeting of the Committee on 30 September 2022:

- i. Management view of progress and expected delivery against the Internal Audit Plan
- ii. Internal Audit Report on the governance of the CA's subsidiary companies
- iii. Mapping exercise of current and best practice governance arrangements of the CA's subsidiary companies.

12. Date and Time of Next Meeting

- 12.1 The Committee would next meet on Friday, 30 September 2022 at 10:00 at Pathfinder House, Huntingdon

Meeting Closed: 13.13pm