



ANNUAL REPORT FROM THE CHAIRMAN OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2020/2021

To review and scrutinize the authority's financial affairs

To make reports and recommendations to the CA on these reviews

To review and assess the economy, efficiency and effectiveness of the authority's use of resources

To review and assess the authority's risk management, internal control and corporate governance arrangements

To ensure high standards of conduct amongst Members

AUDIT AND GOVERNANCE COMMITTEE: ANNUAL REPORT 2019/2020

INTRODUCTION	Page 4
MEMBERSHIP AND MEETINGS	Page 5
KEY ACTIVITIES DURING THE MUNICIPAL YEAR	Page 6
MEMBER DEVELOPMENT AND ATTENDANCE	Page 11
GOVERNANCE MONITORING	Page 12
PLANS FOR 2020/2021	Page 14

FOREWORD FROM THE CHAIRMAN OF THE AUDIT & GOVERNANCE COMMITTEE

I am pleased to provide the Audit and Governance Committee's (A&G) Annual Report for the municipal year 2020/21. The Combined Authority Board is asked to:

- Note the work carried out by the Committee in scrutinizing the governance arrangements across the Combined Authority.
- Provide any feedback to the Committee.

The report describes the A&G Committee's routine programme of work throughout the year, together with the issues referred to the Combined Authority Board. Members have supported and challenged officers to help in the further development of effective and transparent risk management, internal control and governance processes.

Points to bear in mind, as you read the report, are:

- All meetings were virtual, and there were no quoracy concerns.
- Workload increased, with eight meetings held instead of the five planned.
- The Committee benefited from a stable membership.
- New Internal Auditors were appointed.
- The Committee is supported by Officers in an open and responsive manner.
- The Mayor attends the Committee when requested.
- All the Committee's recommendations to the Combined Authority Board were accepted.
- There are no material governance concerns to report.

I would like to thank Committee Members and Officers for their support of the A&G Committee work during the year.

John Pye
Audit and Governance Chair

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INTRODUCTION

This is the A&G Committee's fourth annual report and is prepared in line with best practice¹.

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

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

The key benefits of an Audit and Governance Committee can be seen as:

- Raising awareness of the need for internal control, and the implementation of internal and external audit recommendations;
- Increasing public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes; and
- Providing additional assurance through a process of independent and objective review.

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

This report sets out the work undertaken by the A&G Committee for 2020/21. The A&G Committee has seen good progress in all areas under its remit, with rigorous of scrutiny of the Corporate Risk Register, Value for Money and the Assurance Framework.

The A&G Committee's specific actions and recommendations during the year included:

- 1) That Climate Change be included on the Corporate Risk Register
- 2) The approval and consideration of an Independent Review into Lancaster Way.
- 3) A review of the Constitution, which was put to Combined Authority Board for approval with supporting suggestions.
- 4) A review of the Assurance Framework, which was put to Combined Authority Board for approval, with the recommendation that Business Board meetings should be open to the public unless the Chair decided otherwise.
- 5) Obtaining updates on the liaison between the Combined Authority and civil servants in London, after the Ministry Housing Communities and Local Government raised concerns about the governance arrangements.
- 6) Obtaining updates on the working relationship between the Combined Authority and Greater Cambridge Partnership
- 7) Recommending that the Combined Authority Board adopt of defined relationship between the Risk and Change Control documents.
- 8) Obtaining updates on the Adult Education Budget.

¹ Best practice as contained in the Chartered Institute of Public Finance and Accountancy (CIPFA) document "A Toolkit for Local Authority Audit Committees"

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MEMBERSHIP AND MEETINGS

All meetings were virtual using Zoom.

During 2020/21, the Audit and Governance Committee met on the following dates:

- 26 May 2020
- 31 July 2020
- 24 September 2020 (Extra Meeting to consider review outcomes of constitution)
- 2 October 2020
- 27 November 2020
- 29 January 2021
- 5 March 2021 (Extra meeting to consider the Assurance Framework)
- 6 April 2021

The Committee met eight times instead of the planned five. The additional meetings were:

- In September, to review the Constitution prior to it being taken to the Combined Authority Board.
- In November, to align with the revised timescales for the approval of the statement of account after the delay due to the Covid 19 Pandemic.
- In March 2021, to review the Assurance Framework prior to it being taken to the Combined Authority Board.

There is a cross representation of parties in accordance with the make-up of the constituent councils across the Combined Authority area. The members for 2020/21 were:

Table 1: Councillor Audit Committee Membership 2020/21 as at 6 April 2020:

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

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

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

The Mayor for the Combined Authority attended one meeting.

The Committee was well supported by the Combined Authority's senior officers throughout the year.

KEY ACTIVITIES DURING THE MUNICIPAL YEAR

Background

The Audit and Governance Committee's terms of reference cover six main areas:

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

The work to fulfil these terms of reference is summarised below.

Annual Accounts

Remit Approve the annual statement of accounts.

Audit & Governance Committee Actions:

26 May 2020

- *Workshop: Draft Statement of Accounts:* The A&G Committee considered and commented on the draft accounts for the Combined Authority 2019/20

31 July 2020

- *Draft Statement of Accounts:* Some sections of the 26 May version of the draft accounts were incomplete because of the late receipt of the actuarial report containing information necessary for the proper accounting treatment and accompanying notes of the Combined Authority's pension fund.

2 October 2020

- *Statement of Accounts Update:* Due to the impact of COVID-19 on local authorities, MHCLG made amendments to the required timing of the publication of local authority accounts and of the public inspection requirement, the Committee noted progress towards the preparation and audit of the 2019/20 Statement of Accounts.

27 November 2020

- *Audited Statement of Accounts 2019/20:* Due to the impact of COVID-19 on local authorities, MHCLG amended the publication date for final, audited, accounts from 31 July (for Category 1 authorities) to 30 November 2020 for all local authority bodies. The Committee received and approved the final Statement of Accounts 2019/20.

Governance

Remits

Review corporate governance arrangements against the Code of Corporate Governance and the good governance framework;

Review the Annual Governance Statement prior to approval to ensure it properly reflects the risk environment and supporting assurances;

Annually review the assurance framework to ensure it adequately addresses risks and priorities including governance arrangements of significant partnerships;

Monitor the Authority's risk and performance management arrangements including

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reviewing the risk register, progress with mitigating actions and assurances;
Monitor the anti-fraud and whistleblowing policies and the complaint process;

Audit & Governance Committee Actions:

26 May 2020

- *Corporate Risk Register:* The Committee received and commented on the Corporate Risk Register
- *Complaints Procedure:* The Committee noted the revised procedures and recommended them to the CA Board.
- *Trading Companies – Scrutiny Arrangements:* The Committee received the report in order that it understood the dynamic of the Overview & Scrutiny functions in terms of the traded companies. Additionally, the Committee needed to be satisfied with the governance and expenditure of the trading companies.
- *Revised Guide for Project Management:* The Committee received and noted the revised guide.

31 July 2020

- *Corporate Risk Register:* The Committee received and commented on the Corporate Risk Register.
- *Annual Governance Statement:* The Committee received and reviewed the Annual Governance Statement.
- *Independent Commission on Climate Change:* The Committee received and commented on the report.

24 September 2020

- *Constitution Review:* The Committee received and commented on the review of the constitution carried out by officers. It recommended the adoption of the Constitution to the CA Board, and provided some suggestions for further improvements..

2 October 2020

- *Corporate Risk Register:* The Committee received and commented on the Corporate Risk Register

27 November 2020

- *Corporate Risk Register:* The Committee received and commented on the Corporate Risk Register
- *Relationship Risk and Change Document:* The Committee received the report which provided the Committee with a proposed Relationship between Risk and Change Control document and recommend to the Combined Authority Board the adoption of the proposed Relationship between Risk and Change Control document

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- *Lancaster Way*: The Committee received the report which provided the Committee with an update on the independent value for money review of the Lancaster Way project, as jointly commissioned by the Combined Authority (CPCA) and Cambridgeshire County Council (CCC).

29 January 2021

- *Corporate Risk Register*: The Committee received and commented on the Corporate Risk Register

5 March 2021

- *Assurance Framework*: The Committee received the report which requested that the Committee recommend the revised draft of the Assurance Framework to the Combined Authority Board .
- *Constitution Update*: The Committee received the report which requested that the Audit and Governance Committee, as the custodians of the Combined Authority Constitution, consider and comment on a recommendation from the Housing and Communities Committee.
- *Information Governance Update*: The Committee received the report which advised the Audit and Governance Committee of the Information Governance report including findings and recommendations for implementation.
- *Standing Enquiries*: The Committee received the report on how it scrutinises assurance, and agreed how it should monitor the incidence of whistleblowing, fraud and complaints.

Internal Audit

Remits

Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;

Review internal audit requirements undertaken by the Combined Authority;

Approve the internal audit plan;

Consider reports and assurances from the Chief Finance Officer in relation to:

(a) Internal Audit performance;

(b) Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;

(c) Risk management and assurance mapping arrangement;

(d) Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable

Audit & Governance Committee Actions:

26 May 2020

- *Internal Audit Update*: The Committee received a progress report from the Internal Auditor

31 July 2020

DRAFT

- *Internal Audit 2020/21:* The Committee were informed of the expressions of interest in assuming the Internal Audit function, following the end of the Service Level agreement with Peterborough City Council. The Internal Audit Plan 2020/21 would be presented at the 2 October 2020 meeting of the Committee

2 October 2020

- *Internal Audit – Progress Report:* 1. A final update on Internal Audit for 2019/20 was provided, and the new Internal Auditors, RSM presented the initial draft audit plan for 2020/21

27 November 2020

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

29 January 2021

- *Internal Audit Update Report:* The Committee received the report which provided an update to the work that RSM have conducted against the internal audit plan for 2020/21. The paper also provided the conclusions and recommendations of RSM's review of Risk Management: management had accepted all the recommendations of the partial assurance.

External Audit

Remits

Review the annual accounts;

Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter and assessing the implications and monitoring managers' response to concerns;

Audit & Governance Committee Actions:

26 May 2020

- *External Audit Update:* The external auditors presented an update and reiterated the change in deadlines for the publication of accounts.

31 July 2020

- *External Audit Update:* The Committee received the report which advised that, owing to complexities related to the Cambridgeshire Pension Fund, the audit would not be complete until the end of September and would be presented to the 2 October meeting of the Committee.

2 October 2020

- *CPCA Statement of Accounts and External Audit 2019/20:* The Committee received the report that provided an update on the Ernst and Young (EY) audit, with an expectation that procedures would be completed by 9 October.

27 November 2020

DRAFT

- *External Audit Report and Opinion:* The Committee received and noted the unqualified opinion.

29 January 2021

- *External Audit – Annual Audit Letter:* The Committee noted the report and annual audit letter 2019/20

5 March 2021

- *External Audit – Outline Audit Plan:* The Committee received and noted the report which provided the Committee with EY's outline audit plan for the 2020/21 financial statements.

Financial Reporting

Remits

Consider whether accounting policies were appropriately followed and any need to report concerns to the Combined Authority Board;

Consider any issues arising from External Auditor's audit of the account;

Ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice;

Maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and standards of conduct and make recommendations to the Chief Finance Officer and Monitoring Officer where necessary;

Audit & Governance Committee Actions:-

26 May 2020

- *Treasury Management Strategy Summary:* The Committee received and noted the strategy.

2 October 2020

- *Treasury Management Strategy Review:* The Committee received and noted a report reviewing the current performance against the prudential indicators included within the Treasury Management Strategy.

27 November 2021

- *Adult Education Budget:* The Committee received and noted the report that provided an update for the Committee on the Adult Education Budget arrangements

29 January 2021

- *Treasury Management Strategy Update:* The Committee received and noted the report which outlined the Treasury Management and Capital Strategies for 2021-22 and requested that the committee note the in-year performance against the adopted 2020-21 prudential and treasury indicators.

Code of Conduct

DRAFT

Remits

Ensure the Combined Authority has effective policies and processes in place to ensure high standards of conduct by its Members and Co-opted Members;

Assisting the Members and Co-opted Members to observe the Code of Conduct;

Advising the Combined Authority on the adoption or revision of the Code of Conduct and monitor its operation;

Advising on training and overseeing the effectiveness of any training for Members and Co-opted Members on matters relating to the Code of Conduct;

24 September 2020

- *Constitution Review*: Part of the constitution review introduced a new Code of Conduct, which the committee reviewed and recommend for adoption to the CA Board.

MEMBER DEVELOPMENT AND ATTENDANCE

Throughout the year, the provision of ongoing Members' development has been the cornerstone of collective skills of the Committee. During the year, officers provided presentations on:

- Constitution review workshop
- Value for Money Workshop – National Audit Office
- Combined Authority Board Updates

Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
26 May 2020	8	0	Yes
31 July 2020	6	1	Yes
24 September 2020	8	0	Yes
2 October 2020	8	0	Yes
27 November 2020	8	0	Yes
29 January 2021	7	0	Yes
5 March 2021	8	0	Yes

Whilst quoracy has been a challenge in previous years, this municipal year of virtual meetings has been quorate.

Nevertheless, the Committee, in conjunction with the Overview and Scrutiny Committee, for the Combined Authority requested that the Mayor for the Combined Authority write to the MHCLG to raise our concern about the high quorum requirement for Combined Authority Committees. The response received from the Minister said that these concerns would be taken into consideration as the government developed their English Devolution and Local Recovery White Paper.

GOVERNANCE MONITORING

FREEDOM OF INFORMATION REQUESTS (DATA AWAITED)

The Combined Authority for Cambridgeshire and Peterborough is a public body for the purpose of the Freedom of Information Act 2000. (Schedule 1 Part 2 S19B); and as such must respond to requests for information held by the authority.

There have been 32 requests from 1st March 2020 and 1st March 2021, 4 of these requests were

DRAFT

Environmental Information Regulation (EIR) requests. All responses are published on the Cambridgeshire and Peterborough Combined Authority website.

A member of the public has the right to ask for an internal review if they are dissatisfied with the handling of a Freedom of Information request. Over the last year the Combined Authority received 1 request for internal reviews.

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

Freedom of Information Requests Received March 2020 – March 2021

Number of FOI & EIR received between 1 st March 2020 – 1 st March 2021	Responded within deadline	Late responses	Internal review undertaken	Outcome of internal review
32	27	8	1	No finding of the CPCA failing to comply with the EIR or of information being wrongly withheld.

COMPLAINTS

The Combined Authority has a two stage complaints process which is published on the website.

- Stage One follows an informal complaints process where the relevant officer will do their best to settle the complaint without further action being taken.
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- Stage Two follows a more formal process which allows for a complainant to make a formal complaint in writing to the Monitoring Officer, which will then be thoroughly investigated.

The Combined Authority has received and responded to 5 complaints.

WHISTLEBLOWING

Whistleblowing is where an individual who has concerns about a danger, risk, and contravention of rules or illegality provides useful information to address this. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds.

The concerns can include something they believe goes against the core values of Standards in Public Life (the Nolan Principles) and the Code of Conduct for Cambridgeshire and Peterborough Combined Authority Members and staff. The Standards in Public Life include the principles of; integrity, honesty, objectivity, accountability, openness, honesty, leadership and impartiality.

The procedure that must be followed was approved by the Audit and Governance Committee last year and is published on the Combined Authority website.

At the time this report is published a complaint is being assessed to examine whether it is a whistleblowing matter, in which case it will be processed in accordance with the policy.

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FUTURE DEVELOPMENTS AND PLANS FOR 2020/21

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2021/22 this will involve:

- Governance of Trading Companies
- Governance of the Business Board
- Corporate Risk Register
- Role of the committee in the governance of projects.

John Pye

Chair

Audit and Governance Committee