



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE: DRAFT MINUTES

Date: 2 December 2022

Time: 10:00

Location: Pathfinder House, Huntingdon

Committee Members present:

Mr John Pye	Independent Chair
Cllr Graham Wilson	Cambridgeshire County Council
Cllr Ian Benney	Fenland District Council
Cllr Stephen Corney	Huntingdonshire District Council
Cllr Simon Smith	Cambridge City Council
Cllr David Brown	East Cambridgeshire District Council

Officers:

Gordon Mitchell*	Interim Chief Executive Officer
Angela Probert*	Interim Programme Director - Transformation
Jon Alsop	Head of Finance
Robert Emery	Deputy Chief Finance Officer
Jodie Townsend*	Interim Head of Governance
Edwina Adefehinti*	Monitoring Officer
Chris Bolton*	Head of Programme Management Office
Daniel Harris	Internal Auditor (RSM)
Anne Gardiner	Governance Manager
Joanna Morley	Interim Governance Officer

*denotes remote attendance

1. Apologies for Absence and Declarations of Interest

- 1.1 Apologies were received from Cllr Harvey and Cllr Ali.
- 1.2 No disclosable interests were declared.

2. Chair's Announcements

- 2.1 An additional meeting would be held on 13 January. This meeting would have two agenda items only; *Revisions to the Constitution* and the *Procurement Policy*, both of which needed to be reviewed by the Committee before they went to the Board meeting on 25 January.

- 2.2 Officers had been asked to bring to the March meeting a report reviewing the skills audit and the surveys that had gone out to Members and to suggest how the Committee could be developed moving forwards.

3. Minutes of the previous meeting and Action Log

RESOLVED:

- i. That the minutes of the meeting of 30 September 2022 be approved.
- ii. That the current Action Log be noted.

4. Work Programme

- 4.1 Jodie Townsend, Governance Improvement Lead introduced this agenda item which provided the Audit & Governance Committee with an opportunity to discuss and adopt a work programme for the remainder of the 2022/23 year that inputted to the improvement journey and responded to the endorsed review of governance.

The following points were raised in discussion:

- a. The work programme proposal reflected the previously discussed new improvement role for the Committee and was broken down into key sections.
- b. Items previously agreed were also incorporated into the Programme.
- c. The Programme was a live document that could be amended throughout the year.
- d. The Internal Audit Annual Report for 2021/22 would be brought to the meeting on 27 January and the Internal Audit Strategy for 2023/24 would be brought to the March meeting
- e. Concern was expressed about the use of 'will satisfy' as stated in paragraph 3.6 of the report.

RESOLVED:

1. That the Audit & Governance Committee adopt the proposed work programme (attached at Appendix A) for the remainder of the 2022/23 municipal year
2. That the wording at paragraph 3.6 of the report be amended to read that:
"The role of the Committee in relation to the improvement journey is to assure itself (and the Board) that the improvement framework would *be likely to* satisfy DLUHC and the External Auditors' concerns."

ACTIONS:

1. That the Internal Annual Report for 2021/22 be added to the agenda for the meeting on 27 January.
2. That the Internal Audit Strategy for 2023/24 be added to the agenda for the meeting on 31 March
3. Officers to canvass the Committee for dates for the Hearing Panels training.
4. That development sessions be booked in advance and if possible at the same time as the meeting dates.

5. Improvement Plan

- 5.1 Angela Probert, Interim Programme Director – Transformation introduced the report which provided the Committee with an opportunity to review the Improvement Framework report that had gone to the Combined Authority Board meeting on 30 November.

The following points were raised in discussion:

- a. The Independent Improvement Board (IIB) had been established but because of diary commitments its induction day would not take place until mid-January. However, the Chair, Lord Kerslake, was in regular contact with the Chief Executive and had organised a meeting with DHLUC representatives
- b. The IIB would provide information to the Committee and give their opinion on whether the improvement work being undertaken was likely to assure the external auditors.
- c. Members' opinions on the highlight report and whether it provided the detail that was required to review and understand the progress being made would be welcomed.
- d. The focus had been on workstream A and the development of a clear strategic plan for the CA, as this would drive other workstreams.
- e. Work had been done to improve officer processes as well as those of members and the Board as the CA would be most effective when its work intertwined with that of its constituent councils.
- f. Each of the six strands of work had a sponsoring Chief Executive from one of the constituent councils.
- g. There seemed to be a lack of clarity about timelines and specifically about when the organisation could get back to business as normal. Having the timing for the end game would be critical to focusing the improvement journey.
- h. Credit was given to the Chief Executive and his team for the progress made to date.

RESOLVED:

That the Committee:

1. Having considered and reviewed the Improvement Framework report that went to the CPCA Board meeting on 30 November 2022 welcomed the proposals set out in the paper.

ACTIONS:

1. That the membership of the Independent Improvement Board (IIB) be circulated to Members

6. Review of Corporate Risk Register and Risk Register Improvements

- 6.1 Chris Bolton, Head of Programme Management, introduced the report which provided a progress update on the provision of risk management and risk appetite training sessions for members of the Audit and Governance Committee.

The following points were raised in discussion:

- a. The planned risk appetite training would concentrate on how the risk information was reported to the Committee.
- b. The Chair welcomed the progress made in the level of information provided and the report's format.

RESOLVED:

That the Committee:

1. Note the Risk Management training already undertaken and the planned Risk Appetite training.
2. Note the full Risk Register and accompanying narrative.

7. Financial Strategies

- 7.1** Robert Emery, Deputy Chief Finance Officer, introduced the report the purpose of which was for the Committee to review the proposed Capital, Investment and Treasury Management Strategies and MRP Statement for 2023/24.

The following points were raised in discussion

- a. The strategies set out, at a fairly high level, the Authority's approach to investing its spare cash balances and how capital funds were invested in projects to contribute to the Authority's goals in the long term.
- b. There had been a problem with the publication of the reports and the versions of the documents with track changes could not be viewed.
- c. Officers reassured the Committee however that there had been no fundamental changes to the Strategies, relative to the ones that were already in place, and that changes were mainly narrative and updated the figures for the new budget year.
- d. The one change that had been driven by external factors was around the Liability Benchmark which there was now an absolute, rather than optional, requirement to include. This gave an early warning if the organisation was taking on an unsustainable level of debt but given that the CPCA currently had no debt and no plans to take on debt, then it was of relatively little interest.
- e. The Liquidity Risk Indicator showed a threshold for the amount of cash that the CA had to have available to keep the organisation's cashflow running over a three-month period. This had been reduced from £25m to £15million as the large capital programmes around the Energy Hub had already finished or were coming to an end, and without these there was a significantly smaller forecast spend. By reducing this amount, it allowed for £10m to be invested in longer term treasury management investments that had a higher yield.
- f. There was not a specific audit of these strategies however if the internal auditor was to conduct a treasury management review it would assess the frequency of review and whether the documents and the amendments being made were consistent with the sector.
- g. The loans of £41m to local businesses were dominated by the outstanding housing loans. These loans were now coming to an end which would reduce this figure significantly over the next couple of years.

RESOLVED:

That the Committee:

1. Review and comment upon the Capital, Investment and Treasury Management Strategies for 2023-24 and the 2023-24 Minimum Revenue Provision (MRP) statement.

ACTIONS:

1. The Governance officer to circulate to Members the draft Financial Strategy documents with track changes showing.
2. A short note confirming the CA's outstanding loans and when they were due to be paid back to be sent to Members

9. Subsidiary Companies

- 9.1** Edwina Adefehinti, Monitoring Officer, introduced the report which updated the Committee on the progress made against agreed actions, and provided information about CPCA's subsidiary companies.

The following points were raised in discussion:

- a. At paragraph 3.iv the wording should read *fourth* agreed action rather than second.

- b. The Board had approved the establishment of a Shareholder Board.
- c. A review was scheduled for Quarter 4 when a deep dive into the individual companies would be carried out.
- d. There were two different classes of companies; the paper referred to the six companies where the CA had a significant role in their operation but there were also three others of a lower value, where the CA acted as silent partner. It was noted however that these companies also had reporting requirements up to the CPCA and therefore the Shareholder Board should oversee them.

RESOLVED

- 1. That the Committee note the progress made against the proposed management actions and timescales to address the identified weaknesses as set out in the RSM report.
- 2. That an update on the Shareholder Board be brought to the Committee's March meeting.
- 3. That the three other companies in which the CPCA owned shares in but held a silent partner role (Smart Manufacturing, Medtec Accelerator Ltd and Ascendal Accelerator Ltd) be included in the Terms of Reference for the Shareholder Board.

9. Draft Accounts and Annual Governance Statement

- 9.1** Jon Alsop, Head of Finance, introduced the report which provided the Committee with an opportunity to comment on the draft Statement of Accounts 2021/22 and the draft Annual Governance Statement 2021/22, to inform the drafting of the final versions of these documents.

The following points were raised in discussion:

- a. Since the publication of the papers there had been a change to the comprehensive income and expenditure statement. The Business and Skills, and the Election figures were shown the wrong way round in the agenda papers and should have read £965k for Elections and £40,634k for Business and Skills.
- b. The Mayoral Allowance was determined by the Employment Committee's remuneration committee. When the current Mayor came into office the mayoral allowance was adjusted to take account of inflation.
- c. The compulsory redundancy figures included in the statement related to four settlement agreements that were considered and approved by the Board in exempt session.
- d. The entire staffing budget for the CPCA was reported in the Chief Executive line.
- e. The review of performance of the organisation on a project-by-project basis, and by directorate, was taken to Board on a regular basis and at the end of the financial year an outturn position was taken. In the last financial year there had been some slippage in the capital programme but this was not unusual, and the CA's slippage rates were consistent with other authorities' rates. Members' concerns about the extent of the slippage had led to an internal review which was due to report back in January.
- f. Changes to pension fund asset values, which were totally outside the control of the CPCA, had meant an increase in service costs of £700k.
- g. The Annual Governance Statement would be signed off by the Chief Executive and the Mayor.
- h. Once the opinion had been received from the External Auditor the AGS would be brought back to the Committee.

RESOLVED:

That the Committee:

- 1. Note the draft Statement of Accounts 2021/22
- 2. Note the draft Annual Governance Statement 2021/22

ACTIONS:

1. Officers to bring back to the Committee a breakdown of costs relating to staffing figures and why they had gone up from 2020-21 to 2021-22.

10. Internal Audit Progress Report

- 10.1 Dan Harris, Internal Auditor, introduced the report the purpose of which was for the Committee to note progress against the internal audit plans for 2021/22 and 2022/23, and to note the internal audit annual report for 2021/22

The following points were raised in discussion:

- a. The Plan was somewhat back ended (a concern raised by members at the previous meeting) so when the 2023-24 Audit Plan came to the Committee in March the Auditor would be looking to have reviews much more evenly spaced.
- b. Although the Procurement Card review had been issued in draft it could not be finalised because there were responses required by the Mayor. The powers delegated to the Deputy Mayor could not be exercised in this instance as the investigation needed an individual response from the Mayor.
- c. The Internal Auditors had conducted a risk management review in their first year of being appointed and given a negative opinion. The Auditors' coverage was driven by risk which may have added to the number of audits being done. Enhancements to the risk management framework should drill through to future years' work.
- d. Regular audits were needed to highlight areas of concern.
- e. An update report on Data Protection would be heard by the Committee at their meeting on 27 January.
- f. It had been agreed with the Chair, that for completeness, the Annual Report for 2021-2022 would come before the Committee again at its meeting on 27 January. There had been an action from the July meeting where the Committee had requested that there be some further commentary included in the report on the incidence and significance of a negative opinion. The report had been reissued with this extra paragraph included, but this had not been in time to be included with the published agenda papers.
- g. The Auditor commented on what was included in this paragraph highlighting that within the public sector negative opinions were not completely unheard of but they were rare. There were a number of key factors which made a negative opinion more prevalent, and these included; when there was a significant amount of change, where there were undeveloped frameworks and where there was significant staff turnover or a number of vacant posts.
- h. The Audit & Governance Committee needed to see that there was an effective action tracker in place and that progress was being reported positively by officers. Internal Audit would then include a follow up review in their programme which would take a sample of the actions and look at the evidence to show that it had been implemented. It also would allow the Committee to see how many actions were outstanding beyond their due date. The Auditor felt that it might be useful in this instance to also have a half yearly follow up review.
- i. An internal audit action tracker was held by the Programme Management Office (PMO) and was regularly taken to the Performance and Risk Committee (PARC). This would be brought to a future meeting of the Committee.
- j. Members felt that it would be more factually correct to comment on post year developments. The Internal Auditor agreed that it would be helpful and agreed to update the report with this.

RESOLVED

1. That the Internal Audit progress report be noted.

ACTIONS:

1. A list and summary of any actions that were overdue to be included with Internal Audit's follow up review
2. Officers to be encouraged to give realistic timelines for completing audit review actions, which could be met.
3. A post year commentary to be included in the final version of the Internal Audit Annual Report which would be represented to the Committee at its meeting on 27 January 2023.

11. Date and Time of Next Meetings

11.1 Friday 13 January 2022 at 10am

11.2 Friday 27 January 2022 at 10am

The venue for both meetings would be Pathfinder House, Huntingdon

Meeting Closed: 12.48pm