Agenda Item: 3

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY –

DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 27th September 2019

Time: 10am

Location: Cambridgeshire County Council

Present:

Mr J Pye	Chairman
Cllr Ian Benney	Cambridge City Council
Cllr Mike Davey	Cambridge City Council
Cllr David Brown	East Cambs District Council
Cllr Goldsack	Cambridgeshire County Council
Cllr Sandford	Peterborough City Council

Officers:

Kim Sawyer	Chief Executive
Dermot Pearson	Interim Monitoring Officer
Emma Powley	Interim Scrutiny Officer
Jon Alsop	Chief Finance Officer (S73 Officer)
Rob Emery	Deputy S73 Officer
John T Hill	Director of Business and Skills
Rowland Potter	Head of Transport
Roberta Fulton	Programme Manager
Steve Crabtree	Group Internal Auditor (Peterborough City Council)
Suresh Patel	Associate Partner (External Auditors) – Ernst & Young

1. APOLOGIES AND DECLARATIONS OF INTERESTS

1.1 Apologies were received from Councillor McGuire and Councillor Mason.

2. DECLARATION OF INTEREST

2.1 Councillor Davey declared a non-pecuniary interest as his wife is an Assistant Director at Peterborough City Council and Cambridgeshire County Council in Housing matters.

3. MINUTES OF THE MEETING HELD ON THE 19th JULY 2019.

3.1 The minutes of the meeting held on the 19th July 2019 were agreed and signed by the Chair.

4. CHAIR'S ANNOUNCEMENTS

4.1 The Chair noted that there had been a change to the membership of the Audit and Governance Committee and welcomed Councillor Sandford as the Committee Member and Councillor Barkham as the substitute Member for Peterborough City Council.

4.2 The Chair reported that he had recently met with the Chair of the Overview and Scrutiny Committee and they discussed their respective roles and the Committee responsibilities.

4.3 The Chair noted that he intended to set up 1:1 meetings with Members of the Audit and Governance Committee and further urged Members who had not completed the skills set, to do so to ensure that the appropriate training and development could be arranged for Members.

5. AUDIT RESULTS REPORTS & STATEMENT OF ACCOUNTS 2018/19

5.1 The Head of Finance elaborated on a report that recommended the Committee receive the audit results report for the year ended 31st March 2019.

5.2 It was noted that at the previous Committee held on the 31st July 2019, it had been explained that Ernst & Young had not been able to complete their audit work. Consequentially, the Combined Authority had been unable to publish final audited accounts by the 31st July deadline. The law requires that the authority publish, as soon as is practicable, on or after the deadline, a notice that would state that they had not been able to publish the statement of accounts and the reasons for this.

5.3 The External Auditor explained that the audit of the Authority's financial statements for the year ended 31 March 2019 had been completed and performed the procedures outlined in their Audit Plan. The final procedures required to complete the audit were noted as follows:

- Review of the Authority's contracts register
- Review of the final version of the financial statements;
- Complete a subsequent events review;
- Review the signed management letter of representation; and
- Present this final version of the Audit Results Report.

5.4 The audit report confirmed that Ernst & Young expected to issue an unqualified audit opinion on the financial statements and have no matters to report on the Combined Authority's arrangements to secure economy, efficient and effectiveness in the use of resources.

5.5 In response to questions raised, the Head of Finance explained that a letter had been written to the PSAA (Public Sector Audit Appointments Limited) and the response had explained that the number of delayed audit opinions in local government had risen from 13% in 2017/28 to over 40% in 2018/19.

5.6 The Chief Executive explained that a joint meeting was to be arranged with the PSAA and affected constituent Councils imminently and any updates would be provided to the Committee at a future date.

5.7 The Chair commented that auditor's opinion on Value for Money (VFM) was not an assurance that the Combined Authority were achieving VFM but that processes were in place to achieve it.

5.8 The Chair had received a letter from the lead partner for EY saying that: "We are confident that our ongoing focus on recruitment alongside our actions on staff retention, will enable us to deliver your 2019/20 audit in line with your expectations.''

RESOLVED:

5.8 That the Committee received the audit results report for the year ended 31st March 2019.

6. Governance Review Report (Agenda Item 10)

6.1 The Chief Executive explained that the Combined Authority had set its key priorities, used its budgets to create recyclable funds, created a new staffing structure and put in place performance measures; the proposals set out in the governance review reflected the final part of the re-design of the Authority which would include the delegation of powers to the proposed Executive Committees.

6.2 It was noted that one of the key advantages of transitioning to the new governance arrangements would be the additional involvement of Members of constituent Councils bringing together their areas of expertise and knowledge. The Chief executive explained that the Board would retain oversight of the Forward Plan and would have the power to call-in decisions of Executive Committees in exceptional circumstances.

6.3 The Chief Executive explained the workings of the Transport and Infrastructure Committee and the passporting of funds from the Combined Authority and noted that discretion in the spending of those funds lay with the constituent councils. It was noted that Lead Members would be working with Lead Officers and would not have delegated authority to make decisions individually but would offer a steer and advice to each Committee.

6.4 In response to a question raised by the Chair about the potential impact of the changes on the work of the Audit and Governance Committee, Members agreed that it would be 'business as usual' and there was no need for the Committee to make any adjustments.

6.5 The Interim Monitoring Officer reported that he would bring a report to the Committee in March 2020 which would explain and highlight any issues the Combined Authority experienced following the introduction of the new governance arrangements and would allow the Committee to recommend any improvements required.

.6 Additional information was also requested on political balance and it was noted by the Chair that this would be included in the update report from the Interim Monitoring Officer.

RESOLVED:

6.7 (a) that the proposed new governance arrangements for the Combined Authority had been considered

6.8 (b) that the Committee's Work Programme be amended to include a report to the meeting of the Committee on 27 March 2020 reviewing the effectiveness of the proposed new governance arrangements.

7. CA BOARD SUMMARY REPORT (Agenda Item 6)

7.1 The Interim Monitoring Officer elaborated on his report and explained that it provided Members with an update on the activities of the Combined Authority Board and provided the Committee with an opportunity to identify matters for further consideration.

RESOLVED:

7.2 That the report be noted.

8. TRANSPORT ACCELERATION & RISK REPORT (Agenda Item 7)

8.1 The Head of Transport elaborated on the report and noted that Members of the Committee had requested an assessment of the impact on the Combined Authority's risk management of the accelerated delivery approach set out in the July 2018 Board paper.

8.2 It was explained that the report contained a table of risks and projects which noted the officer assessments of the impact on individual risk profiles of work to date to accelerate delivery.

87.3 Members were informed that the governance arrangements had been significantly improved and additional steps introduced to improve the way risk was being managed. It was noted that there was mandatory risk reporting on each individual project and the creation of a risk register for the overall transport portfolio. Transport projects were being examined on a weekly basis and the arrangements for project reports and the guidance on project management were being kept under review and updated.

8.4 In response to questions asked, the Transport Manager explained that risk assessments could include environmental challenges and there was a need for

consideration about reducing congestion and air pollution in the initial stages of any transport project.

RESOLVED:

8.5 That the Committee noted the officers' assessment of the impact of the accelerated delivery strategy on project risk and the wider measures put in place by the Authority to manage project risk.

9. BUSINESS BOARD UPDATE (Agenda Item 8)

9.1 The Director of Business and Skills elaborated on his report which provided an update on the priorities and objectives of the Business Board. It was reported that the Business Board supported the Combined Authority's vision to double the size of the local economy with specific goals. This would create inclusive growth across the economy and deliver a shared growth ambition across the OxCam Arc.

9.2 The Director of Business and Skills outlined the key interventions and strategic approach to the achieving the growth to compete globally.

9.3 In response to questions asked, it was explained that the proposed growth had considered environmental sustainability and included joined up working with housing colleagues to recommend environmental designs to assist with sustainability. Members queried whether a measure of growth which included environmental factors should also be tracked alongside GVA.

RESOLVED:

9.4 That the Audit & Governance Committee noted the priorities and objectives of the Business Board.

10. RISK REGISTER & PERFORMANCE UPDATE (Agenda Item 9)

10.1 The Interim Monitoring Officer elaborated on the report which provided the Committee with an update on the performance reporting processes that were in place for the Combined Authority. It was noted that Members could request additional information on the performance or risk relating to a specific project.

10.2 It was reported that a number of risks with a risk rating of 'very high' had reduced from four to two since May 2019. Three additional risks had been added to the Risk Register:

a) Failure of CPCA grant-funded organisations to deliver
b) Potential impact of Brexit
c) Achievement of First Gateway Review.

10.3 The Committee discussed the Risk Register and queried whether there should be a risk specifically relating to climate change and environmental issues. As part of good governance, the Committee requested to review the Corporate Risk Register at its next meeting.

RESOLVED:

10.4 That the Performance Reporting processes that are in place for the Combined Authority be noted;

10.5 That the Performance Reporting Dashboard that is presented to the Board on a quarterly basis and recommend any proposed changes be noted;

9109.6 That the Combined Authority's Corporate Risk register be reviewed

10.7 That the proposed changes to the Corporate Risk Register to be reported to the next Board meeting for approval be approved.

11. INTERNAL AUDIT: PROGRESS REPORT 2019 / 2020

11.1 The Internal Auditor submitted his report and noted that since the last report, additional advice and support had been provided to the CPCA in relation to payment processes. The Audit Plan would need to be flexed to accommodate this or additional days considered. Protocols for agreeing changes to the Audit Plan and developing future plans would be included as part of the next report to Committee in December 2019.

11.2 It was reported that the Audit Plan included a review of the loan of £6.5m to East Cambridge Trading Company, approved at the March 2018 board meeting. This was later extended to include the loan of £24.4m, which was approved in November 2018, at the request of the Audit and Governance Committee. It was explained that the audit rating provided was reasonable assurance and noted that five recommendations have been established and agreed as a result.

11.3 Relating to the Human Resources (HR) functions discussions had been had earlier in the month with the HR section to understand what progress had been achieved and which procedures had been implemented. From the initial fact-finding meeting which included a walk-through of the approaches adopted, it was suggested that there had been significant progress made in putting appropriate processes in place for recruitment and selection.

11.4 Members of the Committee discussed the increase in the number of days of work required of the internal auditors and noted that officers would work with the auditors to address priorities and any changes to those would be done in consultation with the Chair of the Audit and Governance Committee.

11.5 The Chair asked that future reports indicate the timelines, progress and target date for each strand of Internal Audit work.

11.6 The Chair asked that any changes to the work programme be brought to the Committee for agreement. Internal Audit and Officers were also asked to consider the allocation of more resources, in preference to dropping items when new issues emerged.

RESOLVED:

11.7 That the progress report from Internal Audit had been considered.

11.8 Internal Audit would provide timelines and progress indicators in future reports and seek The Committee's approval to any programme changes.

12. UPDATE ON FREEDOM OF INFORMATION REQUESTS, FRAUD, WHISTLEBLOWING & COMPLAINTS

12.1 The interim Monitoring Officer elaborated on the report and commented that the Committee had responsibility for monitoring the Combined Authority's anti-fraud, whistleblowing policy and the complaints process and for reviewing the Authority's corporate Governance arrangements,

12.2 The Internal Auditor noted that they had given the governance arrangements a fair assurance. The Interim Monitoring Officer explained that there had been a very recent case of attempted fraud which were under current investigation by Internal Audit and the Chief Finance Officer. It was noted that a discussion would be had with the HR department to ensure that all new people joining the Authority would be informed of the whistleblowing and anti-fraud policy.

12.3 The Chair asked that the Committee be advised how the Combined Authority communicated the Whistleblowing Policy to staff and encouraged its use.

RESOLVED:

12.4 That the report be noted.

12.5 That the Committee would advise how the Combined Authority communicated the Whistleblowing Policy and encouraged its use.

13. MEDIUM TERM FINANCIAL PLAN & BUSINESS PLAN MID-YEAR UPDATE

13.1 The Chief Finance Officer explained that the proposed mid-year update to the 2019/20 Budget and the 2019-2023 Medium Term Financial Plan had been approved by Board on the 25th September 2019. It was explained that the original 2019/20 Budget and MTFP for the Adult Education Budget (AEB) funding assumed that a full years grant of £12.1 million would be received but the annual actual grant due was £589.9K lower than expected due to fluctuations in education activity between the years.

13.2 Members were informed that there had been a staffing restructure and there had been a 24% reduction in costs from the structure report of June 2018, and that the total staffing costs were planned to be reduced further.

RESOLVED:

13.3 That the following be noted:

(a) The proposed mid-year update to the 2019/20 Budget and the 2019-2023 Medium Term Financial Plan (MTFP)

(b) The mid-year update on the 2019-20 Business Plan

14. NATIONAL AUDIT OFFICE CONSULTATION ON CHANGES TO THE CODE OF AUDIT PRACTICE

14.1 The Deputy S73 Officer and Chief Accountant elaborated on his report which reported that the Code of Practice was a key document setting out the principles

governing how local auditors in England meet their responsibilities when auditing local authorities. Members were informed that the National Audit Officer (NAO) had completed phase one of the Consultation on changes to the code.

14.2 The External Auditor (Ernst & Young) explained that they welcomed the approach and the summary of the proposed changes were discussed by the Committee. It was further explained that the revised Code would represent a fundamental change in the approach the Authority's auditors would take, the annual reporting to the Audit and Governance Committee would now take the form of two separate reports – with a greater emphasis on Value for Money.

RESOLVED:

14.3 That the proposed changes to the Code of Audit practice and the potential impact on reporting to the Committee for local audit work be noted.

15 WORK PROGRAMME

15.1 The Committee received a report and the draft Work Programme and calendar of working programme items for the year.

15.2 The Committee agreed to the following additions to the Work Programme:

The Committee to receive a report on 27 March 2020 reviewing the effectiveness of the proposed new governance arrangements.

The meeting concluded at: 12.24pm