

FINAL AUDIT REPORT	
CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY: GOVERNANCE REVIEW	
Date of Report:	March 2019



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

PETERBOROUGH
CITY COUNCIL

Audit Opinion: **Various** (each governance area evaluated separately)

CIRCULATED TO / FOR ACTION:

John Hill, Interim Chief Executive	
Kim Sawyer, Interim Chief Executive	
Noel O'Neill, Interim Chief Financial Officer	
Authorised by:	<u>Steve Crabtree, Chief Internal Auditor</u>

Actions:	
Category	No.
Critical	1
High	1
Medium	13
Low	12
Total Actions To Be Addressed	27

The matters raised in this report are only those that came to the attention of the auditor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or part to third parties without prior written consent of the appropriate Director, Head of Service or the Chief Internal Auditor. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

EXECUTIVE SUMMARY

Introduction

Governance is the combination of processes and structures implemented by the Board in order to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Since its creation in 2017, the CPCA has developed and changed as new areas have been devolved or amalgamated within its remit. This has resulted in changes being introduced such as the Business Board (picking up on the activities previously within the LEP) and the introduction of a new committee structure to pick up on the various portfolio business areas. Furthermore, the previous audit review identified a number of areas which were in the process of being developed and requiring embedding and these will be confirmed. However, in light of the new activities and the creation of a series of committees, it is considered appropriate to have a full audit overhaul of the governance activities to ensure that the new arrangements are fit for purpose.

As a separate exercise, following discussion and debate at Audit and Governance Committee the review will also review the HR processes adopted by the CPCA.

Objectives and Scope

The overall objective of the review is to provide assurance that the systems of control in respect of Corporate Governance are adequate and being consistently applied. The areas of focus will be:

- **Organisational Structure / Roles and Responsibilities:** To confirm that the Authority has an open and transparent organisational structure and that roles and responsibilities are clearly defined and communicated across the organisation.
- **Decision Making:** To confirm that there is a clear and transparent decision making process within the Authority and decisions taken adhere to these processes as set out in the assurance framework.
- **Strategy and Planning:** To confirm that the Authority's strategies are up to date and communicated across the organisation. To confirm that strategies complement and support each other and are linked to key aims and priorities.

Verification that HR processes are robust and follow best practice.

This audit was conducted in accordance with proper audit practices, which are set out in the Public Sector Internal Audit Standards (PSIAS). The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

Main Findings

Improvements have been made to the governance arrangements as the CPCA has evolved and previous actions have been progressed. Following extending the review to other areas of governance the part of the business requiring most attention is that of Human Resources. While the audit focus was primarily to look at the recruitment process – which we were unable to place any reliance on – the audit also touched upon the performance management framework and similarly there was nothing in place in relation to employees. A detailed action plan is required to take this key business activity forward.

Opinion

Due to the diversity of processes the audit opinion is provided separately for each system.

Activity Area	Assurance Rating	Recommendations			
		Critical	High	Medium	Low
Budget Setting	Reasonable	-	-	-	1
Budget Management	Reasonable	-	-	4	2
Financial Resilience	Reasonable ¹	-	-	5	3
Governance	Reasonable	-	-	1	-
Roles and Responsibilities	Reasonable	-	-	-	1
Code of Conduct	Substantial	-	-	-	-
Complaints	Substantial	-	-	-	-
Risk Management	Reasonable	-	-	1	1
Performance Management Framework	Reasonable	-	-	1	-
Project Management	Reasonable	-	-	-	1
Declarations of Interest	Reasonable	-	-	-	1
Gifts and Hospitality	Reasonable	-	-	-	1
Freedom of Information	Reasonable	-	-	1	-
Local Code of Governance	Reasonable	-	-	-	1
Human Resources: Recruitment and Selection	No	1	1	-	-

¹ A separate audit report has been issued in relation to Treasury Management as part of the Internal Audit Plan for 2018/2019. The table includes details as to the number of recommendations made only.

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Observations	Priority	Recommendations
<p>BUDGET SETTING</p> <p>2017/2018 Observation: Current budget setting arrangements only provide the Board with one year’s budget.</p> <p>2017/2018 Recommendation No.1: In developing the budget proposals for the CPCA, the reports provided to Members only sets out the spending plans for the following year. In order to provide greater transparency for the Members, partners, stakeholders and the public, with the lifespan of the various projects to be delivered covering more than one year, it is considered appropriate that as part of the budget process that financial projections for up to 5 years are provided (similar to a Medium Term Financial Strategy). In addition, this could link in with the 5 year gateway review funding mechanism. This will demonstrate how and when major schemes are scheduled to be delivered. It will also be able to be used to identify aspirations as to when additional government or partner funding is required to progress on a number of projects. (Implementation Date: 31 August 2018)</p> <p>2017/2018 Observation: Budget setting documentation should be reviewed to reflect the specific nature of the CPCA rather than a local authority</p> <p>2017/2018 Recommendation No.2: In establishing the CPCA in order to set out key processes and procedures prior to its inception, a number of key documents have been utilised from Peterborough City Council. Within the budget arrangements there is reference made to a two stage process for consultation on potential budget cuts. As the CPCA is a commissioning authority based on prescribed grants and funding, there is no need for reference to budget cuts nor the two stage process. (Implementation Date: 31 October 2018)</p>		
<p>As part of establishing its consolidated budget, the CPCA has now created a 4 year Medium Term Financial Plan (MTFP). The initial proposals were first discussed on 30 May 2018 at the Board. Further updates have been provided to the Board on 28 November 2018 contained in the Draft Budget and MTFP 2019/20–2022/23. The document is referenced / based upon the CPCA decisions to date and its future earmarked schemes and its funding streams.</p> <p>The initial budget proposals has been refreshed throughout the year and now reflects the increased areas under the remit of the CPCA which have been incorporated into the business since the previous year, such as the Adult Education Budget and the Local Enterprise Partnership.</p> <p>A consultation exercise was undertaken on the budget spend proposals prior to final budget discussion at Board on 30 January 2019 (Final Budget 2019/20 and MTFP 2019/23). The various comments have been anonymised and incorporated into the report.</p> <p>The CPCA recognises in the report that the current / future capital projects require appropriate funding to develop supporting business cases and will then require additional capacity funding from other sources to deliver the outputs. Capacity in terms of revenue funding to develop schemes has been arranged for the medium term. The</p>	<p>Low</p>	<p>BS1...It is proposed that as part of the Internal Audit Plan for 2019 / 2020 that IA review the outcomes of the review and that savings have been achieved. This will coincide with the Finance half year review of the budget (October 2019).</p>

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<p>budgets now provide a clear distinction in relation to grants receivable. Separately, a capital programme is also provided to highlight current commitments / future profiling.</p> <p>To further develop the relationship between the funding streams and the CPCA, a separate Business Plan has been established and closely links the overarching priorities with the budget.</p> <p>While it was noted that the as a commissioning authority based predominantly on grants and funding to deliver its services, the CPCA committee report refers to a need to review its own operating costs in line with its spending priorities and profiles. This is with a focus to driving out inefficiencies and keeping core costs to a minimum. At the time of the review it was also noted that Overview and Scrutiny Committee had called in the decision to reduce the costs and the planned changes proposed in relation to the staffing structure. It would be prudent for this to be reviewed once this exercise has been completed (BS1) to verify if value for money has been achieved.</p> <p><i>(Note, it was outside of the scope of this review to verify the soundness of the budget. This formed part of the overarching external review of the budget finances).</i></p>		
Management Comments		
<p>The Chief Executive reviewed the structure at the request of the Mayor to look at the level of resources required to deliver the focussed CPCA agenda. At the CPCA Board in November, Members sought a strong look at corporate costs. The structure approved by Employment Committee and subsequently CPCA Board reduced the number of Directors in line with other Combined Authority structures, re-focussed the staffing in Business & Skills on the priorities from the emerging Local Industrial Strategy (LIS) and reviewed the corporate services required to support that structure. Whilst Overview & Scrutiny Committee did call in the structure, no recommendations for change were passed to CPCA Board or Employment Committee.</p> <p>This structure was consulted on with the staff of the Combined Authority and received positive affirmation. Both the Interim Section 73 Officer and Monitoring Officer approved the level of resources are appropriate to deliver their functions and those of the CPCA effectively. We would be happy for Internal Audit to review the value for money in 2019/20 (S73 Officer)</p>		
Agreed Actions		
A review of overheads will be included within the mid-year review of the budget and MTFP		
Due Date:	October 2019	Action by: Jon Alsop

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Observations	Priority	Recommendations
<p>BUDGET MANAGEMENT</p> <p><i>2017/2018 Observation: Budget monitoring, while being managed, are only reported internally. In order to develop better engagement and transparency of the CPCA, there is a requirement for budget reports to be provided for scrutiny and challenge my members</i></p> <p><i>2017/2018 Recommendation No.3: The CPCA budget is in the region of £100m with approximately £5.5m committed to date. Monthly monitoring reports are produced, however these are currently only circulated to officers, with no overall reports for scrutiny or the Board. This creates a risk of a delayed decision making where corrective action is needed. It is recommended that reports are developed so that monthly reports can be scrutinised by (Informal) Cabinet and quarterly for the Board. (Implementation Date: 30 June 2018)</i></p> <p><i>2017/2018 Observation: Service level agreements are not signed</i></p> <p><i>2017/2018 Recommendation No.4: Agreements are held for a number of services which are provided by other authorities. These have not been signed off. While this has been seen as low risk by all bodies, in order to avoid any contractual disputes, these should be approved / signed as soon as practical. (Implementation Date: 31 August 2018)</i></p>		
<p>The Finance system is provided under licence through Peterborough City Councils third party provider. At the time of the audit, budgets were not uploaded into the Agresso financial system (BM1). Discussions with CPCA highlight commissioning issues which has delayed the process, such as licencing and installation. Nevertheless, discussions should have been escalated with the provider to reach an earlier resolution. Go Live dates are now established.</p> <p>All financial data is held within the feeder systems with the exception of the budgets (see above). There is the inherent risk that budget report data could be corrupted as linked to spreadsheets, however control mechanisms are in place to mitigate to a minimum. (BM2)</p> <p>With the majority of the spending linked in with project schemes – whether in initiation, feasibility or delivery stage – the onus is on project managers to review this information prior to submitted project highlight reports to the Directors Group. From a sample review of highlight reports, it was able to trace back expenditure to the invoice / payment run.</p>	<p>Medium</p> <p>Low</p>	<p>BM1...The CPCA should ensure that following appropriate testing and data population etc. that the installation of (Agresso) financial software is in accordance with Go Live Project Action Plan timetable.</p> <p>BM2...The CPCA, as part of the Action Plan identified in BM1, once Agresso has been fully tested for Business as Usual purposes and reporting capabilities, appropriate access and reports should be provided to managers.</p>
<p>Only Directors are identified as cost centre managers across the CPCA. There needs to be a clearer identification of accountability and responsibility in relation to spending and this should be including as part of the review of the scheme of delegation (BM3). Appropriate training should be provided to designated cost centre managers and</p>	<p>Medium</p>	<p>BM3...The CPCA should establish who all the cost centre managers are to deliver the business in order to</p>

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<p>monthly returns received. These can then be reported through to the Directors Group, identifying compliance / non-compliance together with monitoring the spend levels (BM4). It is proposed that as part of the Internal Audit plan for 2019 / 2020 that Internal Audit look into cost centre management arrangements.</p> <p>Service Level Agreements are in place with a number of organisations – LGSS (Democratic Services); Peterborough City Council (Finance); Cambridge City Council (Procurement) and 3C ICT (Information Technology). Signed copies were noted and there is a review mechanism in place to establish progress against service delivery and any gaps. In relation to Payroll Services, there are two separate arrangements – Peterborough City Council used at the initial set up of the CPCA when it was not an employing body and a contract with Rawlinsons for all employees originally engaged by the Local Enterprise Partnership. Steps should be taken to harmonise these as soon as practical (BM5). This should also include the novation of staff from Peterborough City Council contracts to the CPCA (BM6).</p>	<p>Medium</p> <p>Low</p> <p>Medium</p>	<p>agree accountability and responsibility for financial monitoring. It is accepted that at the time of the audit, the review of the structure had resulted in the Director level only being determined.</p> <p>BM4...Monthly budgetary returns must be completed. Any areas of non-compliance should be reported through to Director Group. A separate audit review is proposed for 2019/2020 once the finance system has been activated.</p> <p>BM5...The CPCA should consider establishing one supplier for the provision of Payroll as soon as practical.</p> <p>BM6...CPCA should look to novate staff away from PCC as a matter of urgency.</p>
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Management Comments

CPCA Board and Directors have received regular budget monitoring reports on both capital and revenue spending. Alongside this, CPCA has a robust project management system that report to Directors and CPCA Board. This is important with the nature of CPCA budget, funding and spending activity. Senior Managers and Members see detail and can perform appropriate challenge.

BM1: According to the agreed SLA with Peterborough City Council (PCC), PCC are responsible for the “provision of a finance system – access, licences and support, including the provision of support in the development of the finance ledger system.” This service has been provided and the data is used to produce monthly budget reports. This could continue with the nature of our spend. PCC commissioned one of its suppliers to upgrade the functionality of the CPCA finance ledger according to an agreed scope. PCC were kept informed of issues regarding the development and as soon as the timetable slipped, CPCA’s concerns were escalated to PCC’s Corporate Director of Resources, who confirmed that he would look in to the matter urgently. PCC’s third party support providers (Serco) have since been developing the system in accordance with an agreed action plan. ‘New’ functionality has been tested and is in the process of being ‘built’ in the live environment. It will be handed over on 1st June and live from 1st July 2019.

BM2: As is reported above CPCA have control checks in place to mitigate the risk of budget reporting errors. We do agree that the creation of ‘self-service’ and monthly budgetary control reports for Cost Centre managers is part of the Agresso development plan and will make life easier and smoother.

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BM3: In line with Board expectations, and reflected in our Constitution, spending decisions are taken by CPCA Board and there is limited delegation. Directors, under this system, is the right level for control. This is the control that CPCA want at this moment in time. This is likely to change as the organisation matures so functionality has been developed to enable different 'roles' to manage and monitor budgets within Agresso. These roles will be allocated to staff once the new establishment structure has been confirmed, and if and when appropriate amendments to the Organisation's scheme of delegation have been agreed.

BM4: The CPCA budget is focussed and tightly controlled. The size of the organisation makes this possible. Directors oversee all spending and this is collectively monitored at Directors meeting. The CPCA is both very transparent and very controlled in how it reports spending and decisions publicly. Budget monitoring is reported to directors.

BM5: This action is completed.

BM6: This action is completed.

Agreed Actions

Per above

Due Date:

June 2019

Action by:

Jon Alsop

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Observations	Priority	Recommendations
<p>FINANCIAL RESILIENCE</p> <p>2017/2018 Observation: Treasury management strategy does not allow for better investment of funds. A clear Treasury Management Strategy should be developed which embraces the unique nature of the Combined Authority whilst allowing for greater flexibility in its investment arrangements.</p> <p>2017/2018 Recommendation No.5: The CPCA has sizable surplus funds which currently are not best utilised for the full benefit of CPCA. In light of the CPCA receiving its Statutory Instrument for Borrowing (February 2018) and the planned training to be provided to the Audit Committee at its meeting in March 2018, consideration should be given to developing an appropriate strategy which manages the risks associated with investment and borrowing, including any limits to investments with different counterparties. Rather than being similar to a local authority treasury management approach, there should be potential to allow for greater returns and flexibility, allowing for and potentially developing a recycling fund concept. Once established this should then be approved by the Board. (Implementation Date: 31 May 2018)</p> <p>2017/2018 Observation: Greater alignment of Investment and Delivery arrangements. Investment and delivery workstreams need greater clarity and reflected through from into the Strategy and the Local Code of Governance</p> <p>2017/2018 Recommendation No.6: The current aspirations for delivery needs to be aligned with investments and should sit alongside the treasury management strategy. There needs to be clear links with the budget setting process referred to earlier. (Implementation Date: 18 May 2018 onwards)</p>		
<p>Various reports have been provided to Audit and Governance Committee throughout the last 12 months together with external assessors providing a training course. Formal approval was then made of the Treasury Management Strategy. This is reviewed annually.</p> <p>Investigation into approved investments other than local authorities is underway. This work is expected to be completed in March and form part of the updated Strategy and revised investment limits that will be presented to Audit & Governance Committee in March 2019.</p> <p>A separate report was undertaken as part of the agreed Internal Audit Plan in to the arrangements for Treasury Management. The report has been issued and concluded that “<i>The treasury management function at the CPCA is operating effectively and efficiently, however, we identified a few areas that could be improved such as updating the authorisation matrix, the introduction of process documentation and the documentation and approval of investment decisions which would serve to enhance the audit trail and ensure clarity of accountability</i>”. It was concluded that we could place reasonable assurance on the system and processes. (The recommendations have not been duplicated in this report).</p> <p>As part of agreeing the budget, delivery arrangements have been mapped out against known funds (see Budget Setting). It should be reiterated that it was out of scope to verify the resilience of the budget as this formed the review of the external assessment.</p>		<p>All recommendations contained in a separate audit report.</p>

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Management Comments			
Management comments relating to these recommendations were also contained in the separate report.			
Agreed Actions			
Agreed			
Due Date:	Separately reported	Action by:	Jon Alsop

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Observations	Priority	Recommendations	
<p>GOVERNANCE</p>			
<p>2017/2018 Observation: CPCA can demonstrate that it has objectives in place aligned to its vision</p>			
<p>2017/2018 Recommendation No.7: The overall direction of the CPCA is set by the Mayor and the Board. Initially this has been documented within the Annual Governance Statement produced in June 2017 and is subject to review by the Board. Where projects have been commissioned for feasibility studies, it has been clearly documented as to how each links back to the objectives and vision of the CPCA. The Annual Governance Statement is a review of the effectiveness of governance arrangements. From this a detailed action plan has been produced. It was identified that while a number of the actions have been referred through to Board / Committees there has not been a progress report produced for Audit and Governance.</p>			
<p>The CPCA has now been able to demonstrate a closer link between its 2030 Vision, the overall 4 Year MTFP and its Business Plan which also provides commentary on key deliverables at various times within throughout the year. The CPCA has a Forward Plan which maps out the actions required to meet the various committee agendas and their deadlines. This could be developed further by incorporating details of all projects within this. This can be linked in with the key priorities and deliverables within the Vision so as to provide greater transparency as to when key decisions are required and when outcomes are expected (G1). This could include details relating to strategies, gateway reviews etc.</p>	<p>Medium</p>	<p>G1...The CPCA should consider establishing an overarching Project Outcomes Plan which sets out the timelines for the delivery of critical projects.</p>	
<p>Management Comments</p>			
<p>The Assurance Framework sets out the project management arrangements in detail. The Business Plan and MTFP are used widely by the organisation as data sources and discussions have begun on updating these key documents during the mid-year review in September. This will involve input from the PMO, Finance and Delivery Teams and reflect further work on project prioritisation. The Business Plan clearly highlights better the key projects to the Combined Authority and the other capital projects for which provision is made in the Medium-Term Financial Plan. This is promoted around the office space.</p> <p>We are building into our guidance to project managers a requirement that all projects must include a timeline in the form of a Gantt chart, we will consider the best way of bringing this information together into a useful corporate format for key projects.</p>			
<p>Agreed Actions</p>			
<p>G1 Six-month review of the Business Plan and MTFP to commence September 2019</p>			
<p>Due Date:</p>	<p>September 2019</p>	<p>Action by:</p>	<p>Paul Raynes / Roberta Fulton</p>

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Observations	Priority	Recommendations	
<p>ROLES AND RESPONSIBILITIES</p>			
<p>2017/2018 Observation: CPCA can demonstrate that roles and responsibilities are defined</p>			
<p>2017/2018 Recommendation No.8: The CPCA centre is a lean organisation. For each post there are job descriptions which set out the respective roles and responsibilities. Where necessary, appointments have been made by Employment Committee. The Constitution sets out clear delegations and roles for the Mayor, the CPCA committees and any specific delegations to officers. Registers of interests are recorded for each Member (linked to the constituent authorities). The working relationship between members and officers is well defined. However there has been no recent feedback from members, by means of a survey for instance, to better demonstrate the effectiveness of these working relationships. (Implementation Date: 31 May 2018)</p>			
<p>The CPCA has adopted a Constitution which was last reviewed mid-year. This established alterations to the committees and portfolios in July 2018 to reflect changing needs of the organisation. As part of this fundamental review and update by the Monitoring Officer it also included amendments to the various committees' Terms of Reference, the overarching committee framework and the development of call in arrangements. The Constitution is available on the website.</p> <p>Membership was agreed and approved in September 2018 following nominations etc. from the constituent councils. No meetings took place during this time. (RR1)</p> <p>Member training and awareness is arranged through an induction process during May / June each year. Separate, more specific training is delivered throughout the year dependent on need e.g. risk management, Audit Committee and Scrutiny.</p>	<p>Low</p>	<p>RR1...The CPCA should ensure that all constitutional changes be formally agreed prior to implementation</p>	
<p>Management Comments</p>			
<p> </p>			
<p>Agreed Actions</p>			
<p>No action required</p>			
<p>Due Date:</p>	<p>date action will be complete</p>	<p>Action by:</p>	<p>name of person responsible for action</p>

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Observations	Priority	Recommendations
<p>CODE OF CONDUCT</p> <p><i>2017/2018 Observation: CPCA is bound by codes of conduct for members and officers</i></p> <p><i>2017/2018 Recommendation No.9: The Constitution sets out the Code of Conduct which is in line with best practice standards. All is available on the website. Member training covers the Code of Conduct. It is unclear whether they have signed a declaration stating that they conform to the Code. (Implementation Date: 31 May 2018)</i></p>		
<p>The Code of Conduct is in line with best practice standards and has been reviewed when the Constitution is considered. All is available on the website. Responsibility is with the Monitoring Officer to ensure compliance in line with Chapter 19 of the Constitution.</p> <p>For members, there have been no referrals in relation to standards.</p> <p>All staff have signed and returned a copy of the Code of Conduct.</p>		<p>No recommendations</p>

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Observations	Priority	Recommendations
<p>COMPLAINTS PROCEDURES</p> <p><i>2017/2018 Observation:</i> Procedures have been established for complaints but not whistleblowing</p> <p><i>2017/2018 Recommendation No.10:</i> CPCA complaints procedures were identified as an action in the Annual Governance Statement. Audit and Governance Committee in December 2017 approved a Complaints Policy. Similarly, a Whistleblowing Policy was identified as a requirement within the Annual Governance Statement. As at end February 2018, this was not available. (Implementation Date: 10 April 2018)</p>		
<p>The Complaints Policy is on the website. This is overseen by the Scrutiny Officer. Any complaints would be reported to Directors, together with any learning points / process changes necessary.</p> <p>There have been no corporate complaints received during the time of this audit.</p> <p>A yearly report is planned to be produced to Audit and Governance Committee as part of their annual report.</p>		<p>No recommendations</p>

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Observations	Priority	Recommendations
<p>RISK MANAGEMENT</p>		
<p>2017/2018 Observation: At the time of the audit, a risk management strategy had not been developed</p> <p>2017/2018 Recommendation No.11: CPCA has not set out a Risk Management Strategy for the organisation. Training has been provided to the CPCA Audit Committee on their role in assessing the Strategy and risks. Once established the Risk Management Strategy will need to be updated on an annual basis –with approval by the Board following consideration by the Audit Committee. (Implementation Date: 30 September 2018)</p>		
<p>2017/2018 Observation: At the time of the audit, a risk management strategy had not been developed</p> <p>2017/2018 Recommendation No.12: Once established, there will be a need to embed the concept and use of effective risk management tools across the CPCA. (Implementation Date: 30 September 2018)</p>		
<p>2017/2018 Observation: Corporate risks need to be approved by the CPCA. Once established, risk registers need to be approved and monitored through the Board and various committees.</p> <p>2017/2018 Recommendation No.13: A corporate risk register is being developed through senior officers which will then be referred to the Board, for appropriate focus and challenge. Every risk identified should be allocated a risk owner who will be responsible for monitoring and challenging performance of the risks they own. It is understood that this will be held through SharePoint on the CPCA intranet. Similarly, risk registers are being developed in silos relating to each individual project area and will need to be linked closely to the overarching vision and corporate values. (Implementation Date: 30 September 2018)</p>		
<p>2017/2018 Observation: It is unclear what appetite the Board has to risk. Until the RMS has been approved, it will be unclear as to the risk appetite for the CPCA and whether any corporate or operational risks are above tolerance, requiring effective mitigation.</p> <p>2017/2018 Recommendation No.14: Until the RMS has been approved, it will be unclear as to the risk appetite for the CPCA. Initial risk priority matrix should be in place to assess risk against likelihood and impact. This uses a RAG rating model and is used to define frequency of review and to determine when further escalation is required. The CPCA tolerance level will need to be set and agreed by the Board. The current matrix identifies scores 1 – 4 (Green); 5 – 10 (Amber) and 12 – 20 (Red). It is the intention that red scores are deemed to be out of tolerance and will be escalated as appropriate. As the corporate risks have not yet been agreed, it has not been possible to verify / assess the existence and effectiveness of mitigating actions in place. (Implementation Date: 10 April 2018)</p>		
<p>The Risk Strategy has been reviewed and there is engagement from the CPCA with change in place principally in relation to project risks. The Corporate Register is a standard item at monthly Directors Group. At the time of the</p>	<p>Medium</p>	<p>RM1...The Risk Register should be reviewed to ensure that it remains relevant and fit for purpose.</p>

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<p>review the risks on the register, while having widespread area cover of the CPCA activities, was seen to have limited structure in place (RM1). It is noted that work is in progress on this to capture differently i.e. thematic.</p> <p>Controls and actions on the registers have now been split to allow for better monitoring / challenge. There are no “business as usual” risk registers for operational activities established although a number of items are included on the main register e.g. insufficient internal resources (RM2).</p> <p>Project risks are identified within each highlight report. A sample of 4 projects were reviewed to monitor whether risks were changing etc., and whether mitigating actions taken. These covered 2 transport projects, the housing programme and Public Service Reform. Each highlight report had been completed to timescale and the risk levels changed month on month as actions were taken.</p>	<p>Low</p>	<p>RM2: Consideration should be given to establishing a risk register for operational services.</p>	
<p>Management Comments</p>			
<p>The original Corporate Risk Register reflected the key risks identified by directors for the organisation. It was open and transparent. Scores were applied and mitigation measure were identified. This was shared with Audit & Governance Committee and updates go to each Committee meeting.</p> <p>RM1. The Risks were reviewed by Directors in January following a thematic approach. The mitigation actions were also reviewed and the status rescored. This was reported to Audit & Governance in March 2019. The Risk register is a standing item on the Directors meeting an updated register will be reported to Audit & Governance Committee in May 2019 in line with our procedures.</p> <p>RM2. Given the size and nature of the organisation at this time, Management does not see the need for there to be operational risk registers, in addition to the project registers and the corporate risk register. The key risks are escalated effectively between the two. The position will be reviewed, and if the CPCA offers and operational services.</p>			
<p>Agreed Actions</p>			
<p>RM1: The risk register is subject to continual review</p> <p>RM2: The position will be reviewed, and if the CPCA offers and operational services.</p>			
<p>Due Date:</p>	<p>Ongoing</p>	<p>Action by:</p>	<p>Darren Edey</p>

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Observations	Priority	Recommendations
<p>PERFORMANCE MANAGEMENT FRAMEWORK</p> <p><i>2017/2018 Observation: An appropriate performance management framework is required</i></p> <p><i>2017/2018 Recommendation No.15: The CPCA has not established a performance management framework. As a minimum this should:</i></p> <ul style="list-style-type: none"> • Alignment with corporate objectives • Accountability and responsibility for achievement of measures • Performance measures and how these can be revised • Lessons learned <p><i>This is applicable for corporate performance e.g. in the delivery of projects (recorded in a dashboard) to officer performance e.g. in relation to appraisals etc. Further work will be undertaken in this area in the follow up review. (Implementation Date: 31 December 2018)</i></p>		
<p>Performance management has been developed and reported to the Board on a quarterly basis. These are six indicators which reflect the devolution deal commitments.</p> <p>Quarterly exception reports are provided to Board members on projects with red / amber status which are derived from the project highlight reports. From a sample review, the data flow is consistent.</p> <p>No performance measures have been developed to date for other committees or portfolios (PMF1).</p> <p>Similarly, while there has been a focus on project delivery, there has been no evidence established in relation to performance in relation to staff. Internal Audit have been unable to place any assurance on the HR function (see HR)</p>	<p>Medium</p>	<p>PMF1: The CPCA should consider establishing appropriate performance measures for other committees / portfolios in order to provide effective scrutiny and challenge.</p>
<p>Management Comments</p>		
<p>Majority of this recommendation is agreed, with the performance management processes continuing on a quarterly basis.</p> <p>Performance measures have been developed and are reported to committee meetings. The Transport Committee takes a performance reporting paper to their bi-monthly meetings, which is discussed in detail. The Skills Committee has yet to decide what performance reporting information they would like to see, but discussions have begun to take place with the Chair of the Committee. Further work on project-level management information has been undertaken and this will be integrated with project performance reporting at the six-month Medium-Term Financial Plan review stage.</p>		
<p>Agreed Actions</p>		

CORPORATE GOVERNANCE REVIEW

CPCA will continue to provide Board members with a quarterly Performance Report, which provides an update on the 6 key indicators and an exception report with projects of a red and amber status. The exception report is created from the monthly highlight reports, and the template for this is to be reviewed over the next few months.

Due Date:

September 2019

Action by:

Roberta Fulton

CORPORATE GOVERNANCE REVIEW

Observations	Priority	Recommendations
<p>PROJECT MANAGEMENT</p>		
<p>2017/2018 Observation: Standardised documentation has not been used for all projects</p>		
<p>2017/2018 Recommendation No.16: There is a reasonably strong governance structure which has been identified through the Assurance Framework. Project Initiation Documents and Business Cases have been developed for a number of feasibility reviews. In terms of compliance there is some evidence that standard proformas are not consistently used when projects / programmes are initiated. It is acknowledged that there may be specific reasons for this in individual programmes but without a standard methodology being employed oversight and corrective controls will be weakened. Initiation documentation does not confirm the full scope of estimated costs of projects / programmes. Further work will be undertaken in 2018 / 2019 when specific projects will be fully reviewed. (Implementation Date: 31 December 2018)</p>		
<p>There is now a standard template used for the production of monthly project highlight reports. Standardised documentation was approved by Directors in November 2018 and a 10-point guide is being created for assistance on managing projects. This will include a standard suite of project documentation and processes, including key templates Project Managers will require to deliver their projects. It is understood that Overview and Scrutiny Committee discussed and commented on these arrangements and going forward will receive the full list of projects (along with named Directors) on a quarterly basis.</p> <p>A Single Project Register has been created to track the full list of CPCA projects. Internal Audit reviewed a sample of projects and verified compliance. At the time of the audit, it was noted that two schemes had received monies in line with milestone agreements but subsequently were cancelled following determination that existing legislation prevented CA funding being used to deliver homes for affordable rent. Arrangements are in place to recover funds (PM1).</p> <p>Further work is scheduled in within the 2019 / 20 Audit Plan in relation to reviews of projects.</p>	<p>Low</p>	<p>PM1: The CPCA should ensure that appropriate arrangements should be in place to recover monies should schemes not meet the criteria. Similarly, consideration should be given to the potential recoupment of an entitlement to any loss of interest.</p>
<p>Management Comments</p>		
<p>PM1: As was observed, arrangements are in place in our contracts and grant agreements to ensure repayment where required. In commercial agreements we include the ability to charge interest due on late payments and consideration will be given to amending our agreement terms to allow for lost interest costs to be reclaimed where payments are made in error on the part of delivery partners.</p>		
<p>Agreed Actions</p>		

CORPORATE GOVERNANCE REVIEW

Due Date:	September 2019	Action by:	Roberta Fulton
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In addition to the follow up of previous recommendations made in the 2018 review (see above), the governance review was extended to cover the following additional corporate areas to provide further scrutiny of the governance dynamics:

- Declarations of Interest
- Gifts and Hospitality
- Freedom of Information
- Local Code of Governance and the Annual Governance Statement
- Human Resources

CORPORATE GOVERNANCE REVIEW

Observations	Priority	Recommendations
DECLARATIONS OF INTEREST		
<p>Declarations of Interests (DoI) were verified in relation to Members and Officers.</p> <p>Members are required to complete a DoI form which is then published on the website. This process is currently being performed by the Scrutiny Officer and LGSS who provide democratic services reports. It had previously adopted an approach where CPCA would ask members to declare only anything specific to the CPCA with a link to their declarations at their constituent authority. The Interim Monitoring Officer changed the process to a full declaration to the CPCA and, as members are not elected to the CPCA where they would sign a declaration upon being returned, the form now states that they have read, understood and agree to be bound by the CA Code of Conduct. The new form is scheduled to be completed by all members of the Board and Committees after the elections in May 2019 and the annual appointments at the AGM. This will be uploaded through the LGSS committee management system. It is members responsibility to identify whether they have an interest or not and make the appropriate declaration at meetings and they are reminded of this at the start of each meeting. Any declarations are recorded.</p> <p>For officers, the website has declarations from the Interim Chief Executives (DOI1). All staff, including interims / consultants are made aware of the Nolan principles, although nothing is in writing from any. Mandatory governance training for all staff was completed by the Interim Monitoring Officer during January 2019. Reminders were also issued to staff (e.g. staff newsletter before Christmas).</p>	Low	DOI1 ...CPCA should consider extended published declarations to all Directors.
Management Comments		
<p>There is no mandatory requirement through legislation to publish Director declarations. However the Authority regards the concept of Transparency as central to its operation and, on a consideration of a best practice approach. Directors will be requested to complete Declaration forms with a view to their publication on the Authority website. The Authority however would want to point out that, as this is not a strict obligation and is therefore a matter totally in the purview of the organisation.</p>		
Agreed Actions		
See above		
Due Date:	Ongoing review	Action by: Monitoring Officer

CORPORATE GOVERNANCE REVIEW

Observations	Priority	Recommendations	
GIFTS AND HOSPITALITY			
<p>Gifts and Hospitality declarations are at members discretion based on guidance set out in the Constitution. The Members gifts and hospitality register is published on the transparency page of the CPCA website.</p> <p>In relation to officers, CPCA has applied PCC policies in respect of staff. Code of Conduct and Gifts and Hospitality policy applies with the exception that the requirement at the CPCA is to declare gifts over £50. There is no requirement for either officers or members to record offers they have declined. Training has been provided with real examples being given to illustrate both the legal and moral basis for making declarations.</p> <p>The Interim Monitoring Officer also placed an article in the Christmas staff and member newsletter reminding staff of their obligation to declare gifts and hospitality and this will be repeated every six months. All declarations should be made to the Director who should advise whether acceptance is advisable / allowed and who should then sign off the declaration. These are then recorded on spreadsheet (maintained by the Governance Officer). There are no inward reporting it is recommended that should be done half yearly to ensure appropriate internal monitoring (GH1)</p>	Low	<p>GH1...Consideration should be given to Directors Group receiving details of Gifts and Hospitality on a ½ yearly basis.</p>	
Management Comments			
Agreed			
Agreed Actions			
A half yearly report will be submitted to Directors Group for information and review where necessary			
Due Date:	September 2019	Due Date:	Monitoring Officer

CORPORATE GOVERNANCE REVIEW

Observations	Priority	Recommendations	
FREEDOM OF INFORMATION			
<p>Fol requests are maintained through a spreadsheet due to low volume of requests. The approach and process appears reasonable. To assist in transparency, consideration should be given to publishing these on the website (requests can be pointed to responses) (FOI).</p> <p>It is noted that CPCA is constrained by the capability of current website.</p>	Medium	FOI ...CPCA, in line with good practice should consider recording Fol requests / responses on the website.	
Management Comments			
<p>FOI: This process has already been implemented, with FOI responses published at the below URL from 5 March 2019</p> <p>http://cambridgeshirepeterborough-ca.gov.uk/about-us/transparency/freedom-of-information/</p>			
Agreed Actions			
No action required			
Due Date:	Completed	Action By:	Not applicable

CORPORATE GOVERNANCE REVIEW

Observations	Priority	Recommendations	
LOCAL CODE OF GOVERNANCE / ANNUAL GOVERNANCE STATEMENT			
<p>The Annual Governance Statement was submitted to Audit Committee March 2018 (responsibility of Monitoring Officer). There are parallels with the separate Assurance Framework and the Code of Corporate Governance. Furthermore, the LEP has its own Assurance Framework in line with BEIS requirements.</p> <p>The LEP Assurance Framework passed a 'deep dive' review by BEIS and has also been subject to review by Internal Audit.</p> <p>The Local Code of Governance and the LEP Assurance Framework are essentially very similar and the decision has been taken to amalgamate into one overarching Assurance Framework (target date set at March 2019), although this overarching document for March 2019 does not need to be approved.</p> <p>The Annual Governance Statement is meant to incorporate issues which may have impacted on the governance during the year together with any future requirements to be addressed. It will need to reflect issues / actions raised by all separate governance reviews so that a formal (central) record of requirements to improve are reported on / maintained (AGS1)</p>	Low	AGS1: All governance reviews and actions should be reflected on within the Annual Governance Statement produced as part of the final accounts for 2018 / 2019.	
Management Comments			
All governance reviews and actions were reflected in the 2017/18 Annual Governance Statement. Indeed all of the actions have now been completed. The CPCA will do the same in the 2018/19 Annual Governance Statement when it is completed in line with good practice as it did last year.			
Agreed Actions			
All governance reviews will be included in the Annual Governance Statement as in 2017/18.			
Due Date:	July 2019	Action By:	Monitoring Officer

CORPORATE GOVERNANCE REVIEW

HR2: Due to changes in the policy around incremental pay and the move towards Performance Management, an Appraisal Process will be introduced in the later stages of 2019.

Agreed Actions

Development and implementation of a performance management and appraisal process and individual actions set out above.

Due Date:	October 2019 (see above detail for completion dates of individual actions)	Action by	Martin Jaynes, HR Manager
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CORPORATE GOVERNANCE REVIEW

INTERNAL AUDIT RECOMMENDATION GRADES

Critical	Extreme control weakness that jeopardises the complete operation of the service. TO BE IMPLEMENTED IMMEDIATELY.
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency. To be implemented as a matter of priority.
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority. To be implemented at the first opportunity.
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust. To be implemented as soon as reasonably practical.

INTERNAL AUDIT OPINIONS

OPINION	DESCRIPTION
Substantial	The internal control system is well designed to meet objectives and address relevant risks, and key controls are consistently applied. There may be some scope to improve the design of, or compliance with, the control framework in order to increase efficiency and effectiveness.
Reasonable	The internal control system is generally sound but there are some weaknesses in the design of controls and / or the inconsistent application of controls. Opportunities exist to strengthen the control framework and mitigate further against potential risks.
Limited	The internal control system is poorly designed and / or there is significant non-compliance with controls, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	There are significant weaknesses in the design of the internal control system, and there is consistent non-compliance with those controls that exist. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.