CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

Date:Friday, 11 March 2022

Democratic Services

Robert Parkin Dip. LG.
Chief Legal Officer and Monitoring Officer

72 Market Street
Ely
Cambridgeshire
CB7 4LS

10:00 AM

South Cambridgeshire District Council, Cambourne [Venue Address]

AGENDA

Open to Public and Press

1 Apologies & Declarations of Interest

At this point Members must declare whether they have a disclosable pecuniary interest, or other interest, in any of the items on the agenda, unless it is already entered in the register of members' interests.

2 Chair Announcements

3 Minutes of the Previous Meeting

To approve the minutes of the meeting held on 28th January 2022

A&G Draft Minutes 280122 Final **5 - 12**

4	**CA Board Update** Committee to receive a verbal update from the Chief Executive Officer	
5	**Corporate Risk Update Report**	**13 - 14**
6	**Internal Audit Progress Report March 2022**	**15 - 34**
7	**Internal Audit Plan 2022_23 March 2022**	**35 - 46**
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10	**Governance & Ways of Working Review Update**	**83 - 86**
11	**Climate Change Working Group Terms of Reference Report**	**87 - 94**
12	**Financial Strategies**	**95 - 126**
13	**Information Governance Update**	**127 - 136**
14	**Draft Annual Report - Covering Report**	**137 - 160**
15	**Work Programming Report**	**161 - 170**
16	**Date of next meeting:** Friday 10th June at 10.00 a.m Venue TBC	

The Audit and Governance Committee comprises the following members:

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact

The Audit and Governance Committee Role.

- To review and scrutinize the authority's financial affairs
- To review and assess the authority's risk management, internal control and corporate governance arrangements
- To review and assess the economy, efficiency and effectiveness of the authority's use of resources
- To make reports and recommendations to the CA on these reviews
- To ensure high standards of conduct amongst Members

The Combined Authority is committed to open government and members of the public are welcome to attend Committee meetings. It supports the principle of transparency and encourages filming, recording and taking photographs at meetings that are open to the public. It also welcomes the use of social networking and micro-blogging websites (such as Twitter and Facebook) to communicate with people about what is happening, as it happens.

Councillor David Brown

John Pye

Councillor Ian Benney

Councillor Graham Bull

Councillor Tony Mason

Councillor Shaz Nawaz

Councillor Mike Sargeant

Councillor Graham Wilson

Clerk Name:	Anne Gardiner
Clerk Telephone:	
Clerk Email:	anne.gardiner@cambridgeshirepeterborough-ca.gov.uk

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY –

DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 28 January 2022

Time: 10:00

Location: Sand Martin House, Peterborough

Present:

Mr John Pye	Chairman
Cllr Jan French	Fenland District Council
Cllr Mike Sargeant	Cambridge City Council
Cllr Graham Wilson	Cambridgeshire County Council
Cllr Shaz Nawaz	Peterborough City Council
Cllr David Brown	East Cambridgeshire District Council
Cllr Graham Bull	Huntingdonshire District Council
Cllr Tony Mason	South Cambs District Council

Officers:

Robert Parkin	Monitoring Officer
Robert Emery	Deputy Chief Finance Officer
Anne Gardiner	Governance Manager
Dan Harris	RSM (Internal Audit) (remote attendance)
Jay Desai	RSM (Internal Audit) (remote attendance)
Eileen Milner	Chief Executive Officer (remote attendance)
Jodie Townsend	Interim Head of Governance (remote attendance)
Ian Pantling	Senior Technical Accountant (remote attendance)
Jon Alsop	Chief Finance Officer (remote attendance)
Robert Fox	Governance Officer (remote attendance)

1. Apologies for Absence and Declarations of Interest

1.1 Apologies were received from Cllr Ian Benney, substituted by Cllr Jan French

1.2 No disclosable interests were declared.

2. Chair's Announcements

2.1 The Chair made the following announcements:

2.2 The Committee had attended a Development Session on 27th January 2022 on the role of the committee in major projects at the Combined Authority; the Chair encouraged committee members to watch the recording which had been circulated.

The Committee had requested that they receive a further development session on project management which would report on value for money, provide hard numbers and qualitative aspects for the members to consider.

2.3 Agenda management - Although government restrictions had been lifted – the decision to shorten the agenda this month was taken prior to this and therefore certain items were removed to try to keep this meeting as short as possible. As a result, the agenda for next month would potentially be quite substantial.

2.4 The Risk register was not on this agenda as it was only last month when it came to the Committee, and nothing had substantially changed – the register would be brought to the March meeting and Directors would be in attendance to answer any questions.

3. Minutes of the last Meeting

3.1 The minutes from the meeting held on 17 December 2021 were agreed as a correct record.

3.2 Nick Sweeney, Residential Development Manager was in attendance (via zoom) to provide a verbal update on an outstanding action regarding the Housing risks on the Corporate Register.

Risk 21 referred specifically to the Affordable housing programme under the original devolution deal, which would come to end on 31st March 2022. This risk reported as being closed from 17.11.21 as the existential risk has been resolved and it was now back to being a project delivery risk until the end March 2022. This risk would be removed from the Corporate Risk Register.

Risk 32 referred to the potential ongoing role for the CPCA in Housing beyond expiration of the affordable housing programme in March 2022. This risk was higher, with greater uncertainty of what the future role of the CPCA in housing would look like without funding from central government. Clarification of the CPCA's role from Apr 22 onwards was pending papers to Housing Committee and the Board in March.

The commentary on risk 32 would be updated by the Director for Housing to better reflect this.

3.3 The Actions from the previous meeting were noted.

4. Combined Authority Board Update

4.1 The Committee received a verbal update from Eileen Milner, Chief Executive Officer (via zoom) with the following areas covered:

4.2 There were two important documents which the Combined Authority were waiting to be published by government, the Levelling Up White Paper and the LEP review; it was expected the two would be published in parallel. These reports would provide the CA with greater clarity and help to set the tone, context, and direction of travel for devolution in England.

4.3 The CA had created a Performance and Risk Committee to act as an internal peer challenge and to better understand the risks that faced the Combined Authority, the committee had met twice so far and would continue to meet monthly.

In response to a question about how the Audit and Governance Committee could get involved with this; the Chief Executive Officer advised that members of the Committee were welcome to attend to provide any advice to the new committee.

The Monitoring Officer advised that there was also work being undertaken by the internal auditors (RSM) to provide some guidance on risk management which would be reported to the Performance and Risk committee; and the governance around this would be reported to the A&G Committee.

Directors would also attend the A&G Committee in future to answer any queries the Committee had around risk.

The Chief Executive Officer advised that a workshop around risk and performance could be provided to members at a future date, once the work ongoing was more mature

4.4 The CA Board members and the Executive Team were working on developing the direction of the Combined Authority and this would tie into the current governance view being undertaken.

In response to how well the Combined Authority was working with its partner organisations, the Chief Executive Officer advised that the feedback received had been very encouraging – the tone was very proactive and visible and inviting others to sit alongside the Combined Authority helped ensure it became an asset for all those who created it to be a voice for Cambridgeshire & Peterborough.

4.5 The Local Transport and Connectivity Plan was a critical planning document for the Combined Authority. Following an extensive consultation, it appeared that there was an appetite for a re-write which would require a 12-week consultation period which would begin after the May elections.

4.6 In regard to housing, the team were having conversations with partners to understand what housing needed to look like for the geography of Cambridgeshire and Peterborough.

Work was being done with Homes England to provide a blueprint which could be shared collectively going forward.

4.7 The Business Board had appointed two new members who would join in March.

4.8 The University of Peterborough was looking ahead to the Autumn when the first intake of students would start.

4.9 Work was continuing in relation to the climate working group, which drew together representatives from local government organisations and utility companies.

4.10 The Committee thanked Eileen for the update.

5. Internal Audit Progress Report

5.1 The Committee received the report from the Internal Auditor, Dan Harris (RSM) which provided an update on the progress being made against the internal audit plan for 2021/22.

5.2 Committee members requested that in future the report would provide the dates for when the progress had been monitored. The Internal Auditor agreed that a comment would be added against each audit to note the date of when field work was carried out.

5.3 The Internal Auditor advised that there had been some slippage to the programme; this was partly due to additional audits that had been requested and partly due to requests for some reviews to be carried out in the fourth quarter.
There was the resource to be able to deliver these reviews and provide the Committee with an opinion just after the year end.

5.4 In response to a question about the IT arrangements the Monitoring Officer advised that there were currently interim arrangements with SOCITM, and that work was being

undertaken to build towards a more permanent solution with a procurement exercise being carried out.
The Combined Authority was in a strong position and was meeting its data management obligations.

5.5 In response to a question about the independence of the Internal Auditors if they were requested to become involved in providing ongoing advice / a critical friend review in relation to any projects; the Internal Auditor advised that any concerns around this would be reported to the Committee.

5.6 The Internal Auditor advised that if there was a positive opinion about any review then it was the practice to not provide full details.

5.7 In relation to the weaknesses mentioned under the Adult Education Budget review the Committee requested that an update on the Adult Education Budget come back to the Committee at a future meeting.

5.8 The Committee noted the progress report.

6. Review of Governance and Ways of Working

6.1 The Committee received the report from the Interim Head of Governance which provided the Committee with an overview of the purpose of the review of governance and ways of working at the Combined Authority and the evidence being gathered to inform the review.

6.2 The Committee queried whether any constitutional implications because of this review would come through this Committee and were advised that the A&G Chair would be engaged to discuss the key themes coming out of the review and any relevant areas would be brought to the Committee to discuss.

6.3 In response to a question around the review of the committee structure and the importance of ensuring that the Executive Committees were well informed about the views of external stakeholders, in particular central government departments on the performance of the Combined Authority, the officers advised that this was an important point and that decision makers should be well informed, and that the role of central government was a key theme that was emerging from the review.

6.4 The Interim Head of Governance advised that in addition to the review there was also ongoing governance improvements being undertaken to create a better understanding of governance across the CA.

6.5 The Committee noted the report and requested that a further update be brought to this Committee at the March meeting.

7. Financial Strategies

7.1 The Committee received the report from the Senior technical Accountant which requested that the Audit and Governance Committee to review the proposed Capital, Investment and Treasury Management Strategies and MRP Statement for 2022/23

7.2 In response to a question about the significant reduction in the budget from £105m to £58m between the 21/22 financial year and 22/23 financial year, the Committee were advised that this represented the number of programmes that would be due to finish in the 22/23.

Government had now moved towards inviting bids for grant funding for future projects.

7.3 In response to a question about the return funding from the CAM project, the Committee were advised that the company was still being wound up and the exact figure was not known yet but would be provided to the Committee.

7.4 The officers advised that they were looking into investment options to achieve a better rate of interest.

7.5 The Committee noted the report.

8. Combined Authority Trading Companies

8.1 The Committee received the report from the Monitoring Officer which provided the Committee with an update to the draft terms of reference in relation to the review and assessment of the Combined Authority's trading companies in line with the statutory powers invested in the Committee.

8.2 The Chair advised that there was still a way to go in regard to the nature of the governance for the companies at the CA. The next stage would be to try and understand how to apply these terms of reference. Officers advised that a report which would provide information on the governance status and the organisation of the companies would be brought to the June meeting.

8.3 The Committee requested that a further update be brought to the June meeting.

8.4 With six votes for and one abstention the Committee approved the terms of reference of the Committee in relation to the Combined Authority trading companies.

9. Work Programme

9.1 In response to a question raised earlier in the meeting the Committee were advised that the change to accounts deadlines would not impact the CPCA; the external auditors plan would be presented to the Committee in March and officers were hopeful that the audit results would be reported to the Committee in July.

9.2 The Committee requested that as part of the risk register report for the next meeting that further detail on the Covid impact be provided.

9.3 The Chair requested that the standard items that were due to come to the Committee at future meetings be added into the work programme.

9.4 The upcoming development session where the committee would undertake a self-assessment exercise would be held virtually with potential dates to be circulated to members.

9.5 The Annual report for the Committee would be brought to the March meeting for the members to review before being presented at the AGM for the CA Board in June.

9.6 With the additions above the work programme was noted.

10. Date and Time of Next Meeting

10.1 The Committee would next meet on Friday, 11 March 2022 at 10:00 at a venue TBC

Meeting Closed: 11:38am

Audit and Governance Committee Action Log

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Purpose: The action log records actions recorded in the minutes of Audit and Governance Committee meetings and provides an update on officer responses.

Minutes of the meeting 28th January 2022

Minute	Report title	Lead officer	Action	Response	Status
2.2	Chair's Announcements	Chris Bolton/Anne Gardiner	Committee requested that they receive a further development session on project management which would report on value for money, provide hard numbers and qualitative aspects for the members to consider.		Open
4.3	CA Board Update	Eileen Milner/Robert Parkin	Workshop around risk and performance committee be provided to members at a future date.		Open
5.2	Internal Audit – Progress Report	RSM	Comment would be added against each audit to note the date of when field work was carried out.	Internal Auditor would include in future reports.	Closed

5.7	Internal Audit – Progress Report	Anne Gardiner/Janet Warren	Update on the Adult Education review to come to future meeting	Item added to July meeting.	Closed
6.5	Governance Review	Jodie Townsend	Update to come to March meeting	Added to agenda	Closed
8.3	Trading Companies	Robert Fox/Robert Parkin	Update to come to June meeting	Item added to June meeting	Closed
9.2	Work Programme	Robert Parkin/Anne Gardiner	Committee requested that as part of the risk register report for the next meeting that further detail on the Covid impact be provided.		Open
9.3	Work Programme	Anne Gardiner	Standard items that were due to come to the Committee at future meetings be added into the work programme.	Work Programme Updated	Closed
9.4	Work Programme	Anne Gardiner	Upcoming development session where the committee would undertake a self assessment exercise would be held virtually with potential dates to be circulated to members.	Self Assessment checklist circulated to members for comment	Closed
9.5	Work Programme	Anne Gardiner	The Annual report for the Committee should be brought to the March meeting for the member to review before being presented at the AGM for the CA Board in June.		Closed

Minutes of the meeting 25th June 2021

Minute	Report title	Lead officer	Action	Response	Status
8.7	Treasury Outturn Report	Rob Emery	Breakdown summary of slippage requests to be provided to the committee.	Apologies to the committee, this will be provided ahead of the meeting.	Open

Item 5

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 5

Report title: Review of Corporate Risk Register & Risk Management Strategy

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
From:	Robert Parkin Monitoring Officer
Key decision:	No
Recommendations:	The Audit and Governance Committee is recommended to: a) Note the report. Voting arrangements: Item a) Note only, no vote

1. Purpose

1.1 The Audit and Governance Committee's terms of reference include monitoring the Combined Authority's risk management arrangements including the risk register.

2. Background

2.1 The Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks and is reviewed by the Executive Team of the Combined Authority and any risks which arise, or which become more significant between their meetings are escalated to the next Executive Team meeting.

2.3 Officers are currently working with internal auditors RSM (UK) to examine the current approach to the profiling, monitoring, and management of risk, the risk register, and the Risk Management Strategy, and to work with the Executive Team to ensure that it represents an effective and efficient approach which fits the needs of the Combined Authority. This work has concluded and a final "Pathfinder" report is awaited. Any revisions recommended in the report will be reported to this Committee, and (once adopted) the revised Risk Strategy will be the subject of training for officers across the organisation.

2.4 The Executive Team of the Combined Authority met on 1 March 2022 and it was considered at this meeting that the corporate risk register in its current form requires a comprehensive review to fully and accurately describe the corporate risks that the Authority faces. It was agreed that some urgent work be undertaken on the risk register, initially through the Performance and Risk Committee, an internal working committee, of the Authority.

2.5 The Executive Team agreed to seek the view of the Chairman of the Audit & Governance Committee and request that an updated version of the Risk Register be brought to the next meeting of the Committee. The Chairman agreed to this request.

2.6 The revised Corporate Risk Register will take account of the final report of the Risk Management Pathfinder which will also be brought for consideration to the next meeting of the Committee.

3. Financial Implications

3.1 There are no financial implications.

4. Legal Implications

4.1 There are no legal implications.

Agenda Item No: 6

Internal Audit Report

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Receive and note the internal audit progress report for 2021/22 as provided by the Combined Authority's internal auditors, RSM Risk Assurance Services LLP (RSM). Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and note progress being made against the internal audit plan for 2021/22.

2. Background

Internal Audit Plan 2021/22

2.1. RSM presented the internal audit plan for 2021/22 to the Audit and Governance Committee in April 2021.

2.2. The attached report provides an update to the Audit and Governance Committee against the internal audit plan for the year to date.

3. Financial Implications

3.1. Internal audit fees are within those agreed as part of the internal audit service contract.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. No other significant implications have been identified.

6. Appendices

Appendix 1 – Internal Audit update report 2021/22 (RSM)

Appendix 2 – RSM Conformance to IIA Standards and Codes of Practice

7. Background Papers

Internal Audit Plan – A&G Committee April 2021

Internal Audit Plan A&GC April 2021

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Internal Audit Progress Report

11 March 2022

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP
will accept no responsibility or liability in respect of this report to any other party.

RSM

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1 Key messages

The internal audit plan for 2021/22 was approved at the April 2021 meeting. This report provides an update on progress against that plan, the changes to the plan and summarises the results of our work to date.

As the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile, we will continue to work closely with management to deliver an internal audit programme which remains flexible and 'agile' to ensure it meets your needs in the current circumstances.

2021/22 Internal Audit Delivery – Completed

We have finalised three reports since our previous meeting on 28 January 2022. The review completed on **Key Financial Controls** which focussed on Financial Reporting and General Ledger resulted in a **reasonable assurance** opinion.

The conclusions of the two other finalised reviews; **Fraud and Bribery Risk Assessment** and **One CAM – Governance and Decision Making** have been summarised in section two of this report below.

[To note]

2021/22 Internal Audit Delivery – In Progress

Payroll (Additional review)

*W*e have commenced the fieldwork in relation to an additional request for a payroll audit, this was delayed due to CPCA staff sickness. We are currently liaising with the HR Business Partner and the Assistant HR Director in order to obtain relevant documents in order to carry out our review. **[To note]**

2022/23 Internal Audit Plan – Progress Update

We have prepared a separate paper on the internal audit planning for 2022/23 which outlines the progress with the development of the Internal Audit plan for the forthcoming year. **[To note]**

Other Matters

Changes to planned delivery 2021/22 – We have summarised the changes to delivery of the current internal audit plan that have been made since the committee in September 2021 in Appendix B of this report.

Sector Updates - We have also included some sector updates in Appendix B which highlights some of the current issues being faced in the sector and the areas that the Combined Authority may wish to consider. **[To note]**

2 Reports

Summary of final reports being presented to this committee

We have finalised three reports since the last meeting.

Assignment	Debrief Date	Opinion issued	Actions agreed		
			L	M	H
2021/22 Internal Audit Plan					
CAM Project – Governance and Decision-Making (4.21/22) The Mayor had made pre-election statements that he would discontinue the CAM project, and this intention was re-stated post-election, which meant that the Directors of One CAM Limited considered that decisions needed to be taken to protect the solvency of the company, leading to the decision by the CPCA Chief Executive to terminate the task orders in place at that point. We identified a timeliness issue in that the decision to terminate the task orders had been agreed by the CPCA Chief Executive, One CAM Limited Chief Executive and other non-executive Directors of One CAM Limited and had been communicated to the contractors and CPCA staff by 28 May 2021, but Members were not briefed until 2 June 2021 and the CPCA Chief Executive's ODN was not signed until 7 June 2021. Furthermore, the next CPCA Board meeting after the date of the ODN was 30 June 2021, but the ODN was not reported to the Board until 28 July 2021. We have agreed an action to ensure that ODNs are promptly signed and communicated to Board. However, we have found no evidence that the decision taken to terminate the task orders with the CAM project contractors was not in line with the governance arrangements as laid out in the Constitution of the Combined Authority, and the One CAM Limited Shareholder Agreement, although we did note that the CPCA may wish to make some amendments to the Constitution for clarity. We also do not consider that there was a conflict of interest or that the CPCA Chief Executive acted without consultation or without transparency. The dual roles of Chief Executive of CPCA and Director of One CAM Limited allowed the decision to terminate the task orders to be taken quickly for the benefit of both the CPCA and One CAM Limited.	10 February 2022	Final report issued Advisory	2	1	0

Fraud and Bribery Risk Assessment (5.21/22) Our review found that the Combined Authority has some processes in place in order to mitigate potential fraud and bribery risk. However, there is an enhanced need for sufficient assurances, either internal or external, to be received over the continued and successful operation of those processes and there would be a benefit from carrying out work in the key areas such as: • Training, • Fraud and Bribery Policy, • Pre-employment Checks, • Conflicts of Interest, • Gifts and Hospitality, • Cyber Risks; and • Financial Controls. This will not only further mitigate potential fraud and bribery risks, but also to provide reassurance that processes in place are mitigating against potential fraud and bribery risks.	23 February 2022	Final report issued Advisory	7 improvement areas suggested.		
Key Financial Controls – Financial Reporting and General Ledger (6.21/22) Our review confirmed that controls in place in relation to Financial Reporting and General Ledger were primarily well designed and complied with, for example reporting timeline, budget meetings, information presented to the Performance and Risk Committee and the Authority Board. In all instances we noted that the financial information reported to the Authority Board reconciled to source information from Agresso. As of 30th November 2021, the Authority's forecasted outturn was showing a favourable variance of forecast expenditure against approved budgets of £7million, mainly due to an increase in budgeted grant income from the successful Community Renewal Fund bids. However, whilst we noted that the current processes work for the centralised finance function, we noted weaknesses in the processes which may occur once the devolution of the finance responsibilities take place, which include budget holder training, review of bank reconciliations and suspense accounts and the lack of a formally signed IT service level agreement which covers: service management, service desk, end-user services, infrastructure, security, resilience, application, consulting and financial services.	28 February 2022	Final report issued 	5	2	0

Appendix A – Progress against the internal audit plan 2021/22

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
Additional follow up: IT Control Framework	Final report issued	1	1	1	N/A	November 2021
Adult Education Budget		3	2	0	January 2022	January 2022
Fraud Risk Assessment	**Final report issued**	**7 areas for improvement suggested**			**April 2022**	**April 2022**
Additional audit: One CAM - Governance and Decision Making	**Final report issued**	**2**	**1**	**0**	**April 2022**	**April 2022**
Key Financial Controls		**5**	**2**	**0**	**April 2022**	**April 2022**
Additional audit: Payroll	Fieldwork in progress				Was April 2022, now June 2022	
Capital Programme (replaced the Risk Management audit)	March 2022				June 2022	
Additional follow up: IT Control Framework Part 2	March 2022				June 2022	
Follow Up	March 2022				June 2022	
Subsidiary Governance	April 2022				June 2022	

Assignment	Timing / Status / Opinion issued	Actions agreed			Target Audit Committee (as per previous audit committee)	Actual Audit Committee
		L	M	H		
HR Policies	Deferred to 22/23 plan				N/A	N/A
Removed: Use of Data	N/A				N/A	N/A

Appendix B – Other matters

Changes to the audit plan

There have been the following changes to the Audit Plan since the previous meeting:

Audit/Area	Change Proposed
Replace: Risk Management with Capital Programme	Following discussions with senior management, we have been asked to defer a review of Risk Management to 22/23 as this is an area being further developed by the Combined Authority. This was replaced with an audit of the Capital Programme to support our 2021/22 opinion. **The Audit Committee are asked to note the replacement of this audit within the 2021/22 internal audit delivery plan.**

Changes reported to previous meetings

Audit/Area	Change Proposed
Addition: Payroll	Following discussions with senior management, we have been asked to undertake a review of Payroll following some recent concerns identified. This review will be undertaken in collaboration with subject matter experts, RSM Employer Services Limited. **The Audit Committee are asked to note the addition of this audit to 2021/22 internal audit delivery plan.**
Remove: Use of Data	Following discussions with senior management, we have been asked to remove a review Use of Data as this is no longer a priority area for the Combined Authority as the function has now been brought in house. **The Audit Committee are asked to note the amendment of the timing of this audit.**
Delay: HR Policies	Following discussions with senior management, we have been asked to delay a review of HR Policies due to the delay in planned externally commissioned work within this area and ensuring the scopes of these piece of work compliment work being completed by parties. **The Audit Committee are asked to note the amendment of the timing of this audit.**

Grant Funding work undertaken by RSM to date

Audit/Area	Work Undertaken by RSM
Grant Funding	We have completed seven reviews on grant funding received by the Combined Authority since the last audit committee, these specifically relate to the grant funding noted below, two of which is pass-through funding (Local Transport Capital Block Funding) whereby expenditure is incurred by constituent councils and therefore they provide their own assurance however we are required to confirm that the CPCA have paid the constituent councils in line with the decisions made by the Mayor and other grants where expenditure is incurred by the Combined Authority. We have summarised the grants below: • Peer Network Funding to Local Enterprise Partnerships (LEPS) in 2020- 2021 • 2020-2021 EU Transition Business Readiness Growth Hub Grant Funding to Local Enterprise Partnerships (LEPS) • Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021 • Supplemental Growth Hub Funding to Local Enterprise Partnerships (LEPS) in 2020-2021 • Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance) No.31/5036 • Local Transport Capital Block Funding (Pothole and Challenge Fund) No.31/5072 • Additional Dedicated Home to School and College Transport grant

Annual Opinion 2021/22

The Audit and Governance Committee should note that the assurances given in our audit assignments are included within our Annual Assurance report. In particular the Audit and Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion. We have finalised five reports to date none of which have resulted in negative assurance opinions. We therefore anticipate issued a position head of internal audit opinion at the year end, although this will be informed by the remaining audits ongoing / yet to be undertaken.

RSM External reviews of quality

One of the key measures of quality is an independent third-party assessment and, as a firm we are required to conform to the requirements of the International Professional Practices Framework (IPPF) published by the Global IIA. Under the Standards, internal audit services are required to have an external quality assessment (EQA) every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM ‘generally conforms to the requirements of the IIA Standards’ and that ‘RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards’.

The rating of ‘generally conforms’ is the highest rating that can be achieved, in line with the IIA’s EQA assessment model.

Information briefings and Sector updates

Local government finance system: overview and challenges

The Public Accounts Committee (PAC) has published a report following its review from the Department for Levelling Up, Housing and Communities (DLUHC) and HM Treasury about local government finance in England. Key findings include:

- the sector is facing a wide range of risks that have built up during the period of sustained financial pressure on local authorities;
- the PAC are 'concerned' that the DLUHC is 'worryingly complacent in its view that the spending review will put local services on a sustainable footing'; and
- it is still not clear how the government will take a strategic, cross-government approach to rationalising local authority funding, which is particularly important for 'cross-cutting priorities like net zero and levelling up.'

The ICAEW published its response to the report, stating 'the government must publish detailed plans to fix this crisis as soon as possible, to give confidence to firms bidding for future audits and to ensure that measures to boost market capacity can be successful.'

More information

Supporting local economic growth

The National Audit Office (NAO) has published a report which considers the lessons the DLUHC has learned from a long history of implementing local growth policies. It examines how it has applied these lessons to the one-year UK Community Renewal Fund and the following place-based interventions:

- Levelling Up Fund;
- UK Shared Prosperity Fund;
- Towns Fund; and
- Freeports.

More information

Appendix C - Key performance indicators (KPIs) for 2021/22 delivery

Delivery				Quality			
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales following scoping	Yes	100%		Conformance with PSIAS and IIA Standards	Yes	Yes	
Draft reports issued within 15 days of debrief meeting	100%	100%		Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 15 days of draft report	100%	100%		Response time for all general enquiries for assistance	2 working days	100%	
Final report issued within 3 days of management response	100%	100%		Response for emergencies and potential fraud	1 working days	N/A	

Notes
The above KPIs take into account changes agreed by management and the Audit Committee during the year.

FOR MORE INFORMATION CONTACT

Daniel Harris – Head of Internal Audit
Email: Daniel.Harris@rsmuk.com
Telephone: 07792 948767

Jay Desai – Manager
Email: Jay.Desai@rsmuk.com
Telephone: 07436 268278

Anna O'Keeffe – Senior Manager
Email: Anna.O'Keeffe@rsmuk.com
Telephone: 07436 268278

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

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RSM'S CONFORMANCE WITH THE IIA STANDARDS AND CODES OF PRACTICE

RSM UK Risk Assurance Services LLP

January 2022

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RSM'S CONFORMANCE WITH THE IIA STANDARDS AND CODES OF PRACTICE

RSM UK Risk Assurance Services LLP commissioned an external quality assessment (EQA) of its internal audit services in 2021. An EQA is required every five years, in line with the requirements of the International Professional Practices Framework (IPPF) and the Standards set by the Global Institute of Internal Auditors (IIA). Our independent EQA reviewed our conformance with the IPPF Standards, the Public Sector Internal Audit Standards (PSIAS), Internal Audit Code of Practice on effective internal audit in the Private and Third sectors, and the Internal Audit Financial Services Code of Practice. We provide below our summary of the results for your information.

Review approach

Our independent EQA assessor, Grant Thornton has utilised its established assessment framework to review RSM's internal audit services in relation to vision and strategy, planning and prioritisation, people and culture, working practices, tools, quality and deliverables, and role and mandate.

Our EQA involved a review of a sample of 10 audit files and audit reports shared with audit committees as well as a review of our working papers. Our own internal audit methodology has been reviewed against both the Standards and Codes of Practice.

The review process also involved interviewing RSM partners, directors and managers, and to gather client views, our independent assessor set up and ran a client survey, enabling broader reach and to obtain input from a larger pool of organisations we work with. Thank you to everyone that took the time to share their thoughts and insights.

Key strengths observed in our EQA

From the assessment, the following key strengths were noted.

- A well developed methodology with good conformance with standards, supported by manuals and policies, which is 'well understood and applied consistently' across clients and regions. 'Audit engagements follow a clear structure, are well executed with adequate supervision.'
- 'Audit strategy, charter and plans are well developed for each client.'
- 'The audit reports reviewed were clear, concise and well written for the needs of RSM IA's clients.'
- 'RSM IA provides useful, value add thought leadership and benchmarking for its clients.'
- 'There is a strong focus in RSM IA on training and capability, resulting in good levels of competence and technical knowledge, supported by Subject Matter Experts and the Technical Team.'

EQA outcomes

We are pleased to confirm that based on the work undertaken and the sample of files reviewed by our independent EQA assessor, RSM UK Risk Assurance Services LLP 'generally conforms to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards set out above and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards.'

The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

RSM'S CONFORMANCE WITH THE IIA STANDARDS AND CODES OF PRACTICE

Survey outcomes

In total 160 surveys were shared with a representative cross section of our clients, in terms of sector and region. 67 responses to the survey were received from public and third sector organisations, corporate businesses and financial services clients.

We very much value the feedback received from our survey participants. We are committed to providing an excellent client service and from both the survey feedback and overall EQA outcomes, the 'areas identified for improvement from the EQA will be taken forward as part of a continuous improvement plan.'

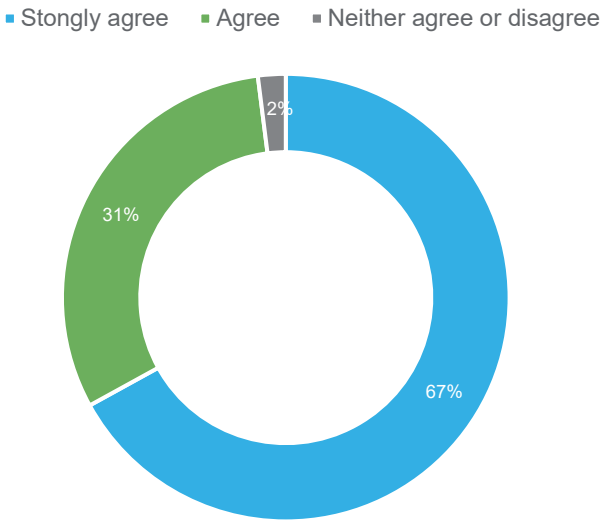
Overall, the responses to the survey were very positive, with 91 per cent either agreeing or agreeing strongly with the survey questions.

High level survey findings

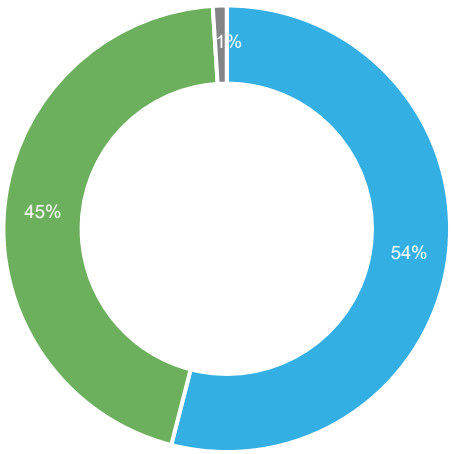
- Internal audit's role is well-understood, with 'teams well respected for their audit expertise, collaborative approach and sector guidance provided.'
- 'IA teams show a good understanding of client needs and sector requirements', with audits focussed on the right areas.
- 'Audit planning and prioritisation is seen as collaborative', with audit work carried out efficiently and to a good standard.
- The internal audit team has been 'very proactive and flexible' in how it has responded to the challenges of auditing during the pandemic.
- Audit reports reviewed were well written and the style and format clear and concise.

EQA survey results

RSM builds strong relationships with our organisation so that audit work is aligned to our key risks, strategy and priorities.



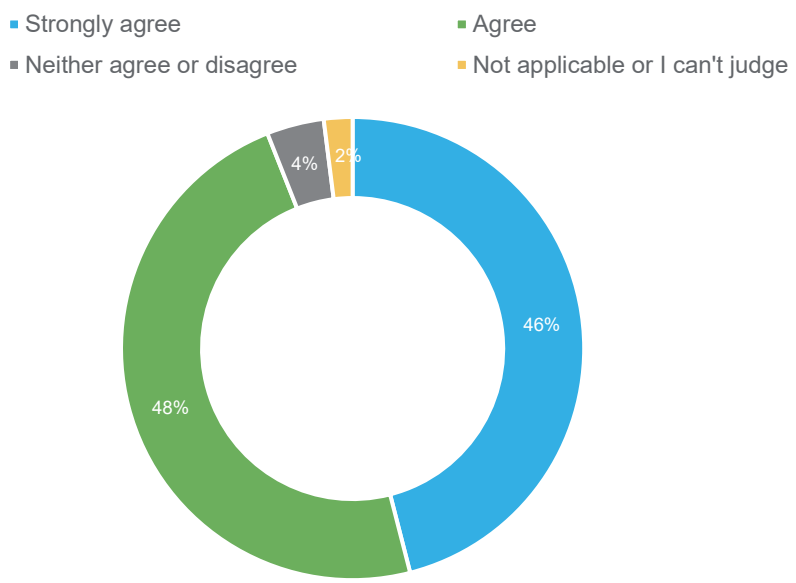
RSM audit work helps improve our control environment to support organisation objectives, governance or regulatory compliance and external requirements.



RSM'S CONFORMANCE WITH THE IIA STANDARDS AND CODES OF PRACTICE

EQA survey results continued

The risk assessment activity helps to focus the audit plan on the key risks and priorities for our organisation and takes account of our risk appetite.



Client survey quotes:

'RSM provide an efficient and effective internal audit service, and make a contribution which is highly valued.'

'RSM staff have a real breadth of experience which they can tap into to provide advice, guidance and best practice.'

'RSM meets all requirements of a professionally run internal audit team.'

What does this mean for our clients?

You can be assured that your internal audit services continue to conform with internationally recognised Standards and the Codes of Practices. The internal audit services you receive follow an established and embedded methodology, that facilitates audit work that is both effective and responsive to you, as our clients', assurance needs.

RSM UK Risk Assurance Services LLP is pleased to confirm the outcomes of our EQA. If you require any further information, please contact your RSM client manager or engagement partner.

FOR FURTHER INFORMATION CONTACT

Mark Jones

Head of Internal Audit, Risk Assurance

M: +44 (0)7768 952 387

E: mark.jones@rsmuk.com

Shauna Mallinson

Head of Risk Assurance Technical

M: +44 (0)7800 617 447

E: shauna.mallinson@rsmuk.com

RSM UK Risk Assurance Services LLP

25 Farringdon Street
London
EC4A 4AB
United Kingdom
T +44 (0)20 3201 8000
rsmuk.com

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Agenda Item No: 7

Internal Audit Plan 2022/23

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to:

a) To consider themes for Internal audit coverage to inform the development of the Combined Authority's audit plan for 2022/23.

b) To suggest areas of audit coverage to be included in the 2022/23 Internal Audit Plan.

Voting arrangements: Note only item, no vote required.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

Consider themes for Internal audit coverage for 2022/23 to inform the development of the Combined Authority's audit plan, which will be brought back to the Committee for approval at the next meeting.

2. Background

2.1. According to its Terms of Reference, the Audit and Governance Committee shall:

(a) Provide assurances over the effectiveness of internal audit functions and assuring the internal control environments of key partners;
(b) Review internal audit requirements undertaken by the Combined Authority;
(c) Approve the internal audit plan;
(d) Consider reports and assurances from the Chief Finance Officer in relation to:

- Internal Audit performance;
- Annual Assurance Opinion on the adequacy and effectiveness of the framework of governance, risk management and control;
- Risk management and assurance mapping arrangement;
- Progress to implement recommendations including concerns or where managers have accepted risks that the Authority may find unacceptable.

Internal Audit Plan 2021/22

2.2. RSM presented the internal audit plan for 2021/22 to the Audit and Governance Committee in April 2021. This formed part of the Internal Audit Strategy 2021/22 to 2024/25. See link below…

Internal Audit Plan A&GC April 2021

2.3. The RSM approach to developing the internal audit plan is based on analysing the Combined Authority's corporate objectives, risk profile and assurance arrangements as well as other factors affecting the Combined Authority in the year ahead, including changes within the sector.

2.4. The Combined Authority is in the process of further enhancing Risk Management processes and the Corporate Risk Register, which will inform the development of the 2022/23 Internal Audit Plan. The attached 'Themes for Internal Audit Coverage for 2022/23' discussion document suggests internal audit areas and themes for the Committee's consideration and thoughts

3. Financial Implications

3.1. Internal audit fees are within those agreed as part of the internal audit service contract.

4. Legal Implications

4.1. No legal implications have been identified.

5. Other Significant Implications

5.1. No other significant implications have been identified.

6. Appendices

None

7. Background Papers

Internal Audit Plan – A&G Committee April 2021

Internal Audit Plan A&GC April 2021

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY

Themes for Internal Audit coverage 2022/23

DISCUSSION DRAFT

Audit & Governance Committee meeting of 11 March 2022

This report is solely for the use of the persons to whom it is addressed.
To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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THEMES FOR INTERNAL AUDIT COVERAGE FOR 2022/23

This document has been prepared to support a discussion and allow key officers and the Head of Internal Audit to consider your thoughts for potential internal audit coverage areas for 2022/23 plan and areas going forward. The Combined Authority are in the process of further enhancing their Risk Management processes and Corporate Risk Register and therefore a fully developed plan aligned to the key risks faced by the Combined Authority has not yet been developed.

2022/23 Internal Audit Planning

We have undertaken a number of meetings with key Executive Team members however, we do still have a number of key stakeholders to meet and inform the strategy and detailed 2022/23 plan. We have been provided with a number of thoughts for internal audit areas and themes which we have outlined below for the Committee's consideration and thoughts.

Feedback to date

Core Control Framework – covering key corporate control areas such as Finance and HR which also would capture controls around the application of the Scheme of Delegation.

Subsidiary Companies – Deep dives. In the 2021/22 internal audit plan, we will be undertaking an overarching review around subsidiary company governance which would include Boards, Terms of References, Members and Officers, Financial and Performance Information and Reporting into the Combined Authority. This review may identify further areas which could warrant a further review into specific Subsidiary companies which we the Combined Authority may wish to consider on a rolling basis. This fieldwork is being carried out in March and April 2022.

Affordable Housing Programme – This programme is expected to end at 31 March 2022 however, it is anticipated the delivery of the programme will continue for potentially a further two years.

Energy Hub – This is expected to be one of the biggest spend areas for the Combined Authority in 2022, and this could warrant potential coverage in a number of different areas.

Data Protection – This review could be undertaken with a lens which allows for focus on whether the Combined Authority have clear contracts in place outlining clearly responsibilities for use, access, dissemination and storage of CPCA data. Whether Members and Officers have received recent and relevant training and that training compliance is monitored, access to core policies and procedures in relation to Data Security and whether the Combined Authority have proactive controls in place such as screen savers, newsletters or emails which support colleague and member awareness of data protection.

IT Audit – Following the minimal assurance opinion provided on the 2020/21 IT Control Framework Review, an assessment of core IT controls in place for key areas. This coverage may include a combination or deep dives into individual areas such as Cyber Security, IT Hardware or Software, General IT Controls, Business Continuity and Disaster Recovery etc.

Internal Audit Strategy

We have also included an updated the Internal Audit strategy to align with the most up to date version of the corporate risk register which is included in Appendix A of this document below. However, we understand that this will be subject to a significant level of refresh and update in the coming weeks.

Please note, we do still have a number of stakeholders to speak to and further prioritisation of areas of coverage still need to be determined and agreed, once these discussions have been held and the refreshed corporate risk register is available.

APPENDIX A: INTERNAL AUDIT STRATEGY 2020 – 2026

The table below shows an overview of the audit coverage to be provided through RSM's delivery of the internal audit strategy. This has been derived from the process outlined in Section 1 above, as well as our own view of the risks facing the sector as a whole.

Assurance Provided	
	Red - Minimal Assurance / Poor Progress
	Amber/red - Partial Assurance / Little Progress
	Amber/green - Reasonable Assurance / Reasonable Progress
	Green - Substantial Assurance / Good Progress
	Advisory / AUP
	IDEA

		Internal Audit – Third Line of Assurance (Independent review / assurance)					
		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Audit Area	**Linked Risk Ref**						
Climate Change Strategy	***Risk ID 18: Climate change related events, policies and political pressures***					✓	
Environment, Social and Governance	***Risk ID 18: Climate change related events, policies and political pressures***				✓		✓
Partnerships and Collaboration	***Risk ID 31: Lack of political agreement on forward strategy.***					✓	
Strategic Planning and Partnerships	***Risk ID 31: Lack of political agreement on forward strategy.***				✓		
The Business Board	**Risk ID 20: Potential impact of the new Trade Deal on the delivery of the Combined Authority's Growth Ambition Programme in the long term.**				✓		✓
Local Industry Strategy	**Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment**					✓	

Local Transport Plan	**Risk ID 17: Unbudgeted increases in costs for highways and transport schemes funded by the Combined Authority and delivered by partner agency.**				✓		
Skills Strategy	**Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment**					✓	
Adult Education Budget	**Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment**		✓				
COVID 19 – Capital Grants		✓					
Affordable Housing Programme	**Risk ID 32: DLUHC confirming no future funding for a bespoke CPCA Housing Programme**						
IT Controls Assessment / IT Strategy	***Risk ID 23: Lack of capacity/resilience in the ICT provision to the CPCA***	✓		✓		✓	
Cyber Security/ Network Security	***Risk ID 23: Lack of capacity/resilience in the ICT provision to the CPCA***				✓		✓
Information Governance / Data Protection	***Risk ID 14: Disruption to the operation of the Combined Authority***			✓		✓	
Digitalisation	**Risk ID 6: Lack of structural resilience / insufficient internal resources**					✓	
Declarations of Interest				✓			

Corporate Governance					✓		✓
Governance, Transparency and Decision Making *(2020/21 - Appointments to Boards and Committees sponsored by the Combined Authority)*		✓		✓		✓	
CAM Project – Governance and Decision Making			✓				
Cross Charging of Corporate Services	**Risk ID 6: Lack of structural resilience / insufficient internal resources**			✓			
Subsidiary Company Governance	**Risk ID 6: Lack of structural resilience / insufficient internal resources**		✓	✓	✓	✓	✓
Project Planning and Delivery *(2020/21 - COVID-19 – Impact of COVID-19 on delivery of Projects)*	**Risk ID 8: Ambitious and long stalled programmes cannot proceed due to lack of government funding and or private investment**	✓		✓		✓	
Business Continuity and Disaster Recovery	***Risk ID 14: Disruption to the operation of the Combined Authority.***				✓		✓
Procurement and Contract Management	***Risk ID 10: Absence of Resource Planning & Financial Management***					✓	
Fraud Risk Assessment	***Risk ID 14: Disruption to the operation of the Combined Authority.***		✓			✓	
Capital Programme	***Risk ID 10: Absence of Resource Planning & Financial Management***		✓				✓

Financial Planning and Delivery	***Risk ID 10: Absence of Resource Planning & Financial Management***				✓		
People Management / HR Policies	***Risk ID 30: Insufficient internal resource to deliver the Authority's priorities.***			✓			✓
Staff Health and Wellbeing	***Risk ID 30: Insufficient internal resource to deliver the Authority's priorities.***				✓		
Equality Diversity and Inclusion	***Risk ID 30: Insufficient internal resource to deliver the Authority's priorities.***					✓	
Recruitment	***Risk ID 30: Insufficient internal resource to deliver the Authority's priorities.***						✓
Data Quality and Performance Management	**Risk ID 6: Lack of structural resilience / insufficient internal resources**				✓		
Grant Verification		✓	✓	✓	✓	✓	✓
Risk Management		✓		✓		✓	
Key Financial Controls	***Risk ID 25: Financial SLA out of date***	✓	✓	✓	✓	✓	✓
Payroll	***Risk ID 10: Absence of Resource Planning & Financial Management.***		✓			✓	
Follow Up		✓	✓	✓	✓	✓	✓

FOR FURTHER INFORMATION CONTACT

Daniel Harris, Head of Internal Audit

Daniel.Harris@rsmuk.com

(+44) 07792 948767

Jay Desai, Client Manager

Jay.Desai@rsmuk.com

(+44) 07436 268278

Anna O'Keeffe, Senior Manager

Anna.O'Keeffe@rsmuk.com

(+44) 07917 462007

rsmuk.com

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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Agenda Item No: 8

Audit Results Report 2020/21

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
Public report:	Yes
From:	Jon Alsop, Head of Finance and S73 Officer
Key decision:	Not a key decision
Forward Plan ref:	n/a
Recommendations:	The Audit and Governance Committee is recommended to: a) Receive and note the Audit Results report 2020/21.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to:

(a) Receive and note the External Auditor's final audit results report for 2020/21

2. Background

Audit of the Statement of Accounts 2020/21

2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.13 – Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter, assessing the implications and monitoring managers' responses to concerns.
No. 3.15 – Consider any issues arising from the External Auditor's audit of the accounts.

2.2. Ernst & Young LLP (EY) presented their initial Audit results report to the Committee in July and following completion of outstanding procedures relating to pension liabilities and a review of the Annual Governance Statement, presented an addendum update report to the Committee in December 2021.

2.3. The final version of the Annual Audit report is provided for the Committee to receive and note at appendix 1.

Significant Implications

3. Financial Implications

3.1. The scale fee for the planned audit code work for 2020/21 is £26,950 (2019/20 - £26,950). Additional fees were incurred to support the following activities as set out in the Fee Analysis of the audit report presented to the Committee in July.

- Group Accounts
- Significant risk – C-19 grants accounting
- Significant risk – incorrect capitalisation of revenue expenditure
- IAS 19 audit of pension liability and disclosures
- Impact of COVID-19 including going concern

3.2. All additional code work fees are subject to agreement with the S73 Officer and Public Sector Audit Appointments Ltd.

4. Legal Implications

4.1. None

5. Other Significant Implications

5.1. None

6. Appendices

6.1. Appendix 1: The External Auditor's Annual Audit Report to the Draft Statement of Accounts 2020/21

7. Background Papers

7.1. Outline Audit Plan – A&G Committee March 2021

A&GC March 2021 EY Outline Audit Plan

Cambridgeshire and Peterborough Combined Authority

Auditor's Annual Report

Year ended 31 March 2021

17 December 2021

Building a better working world

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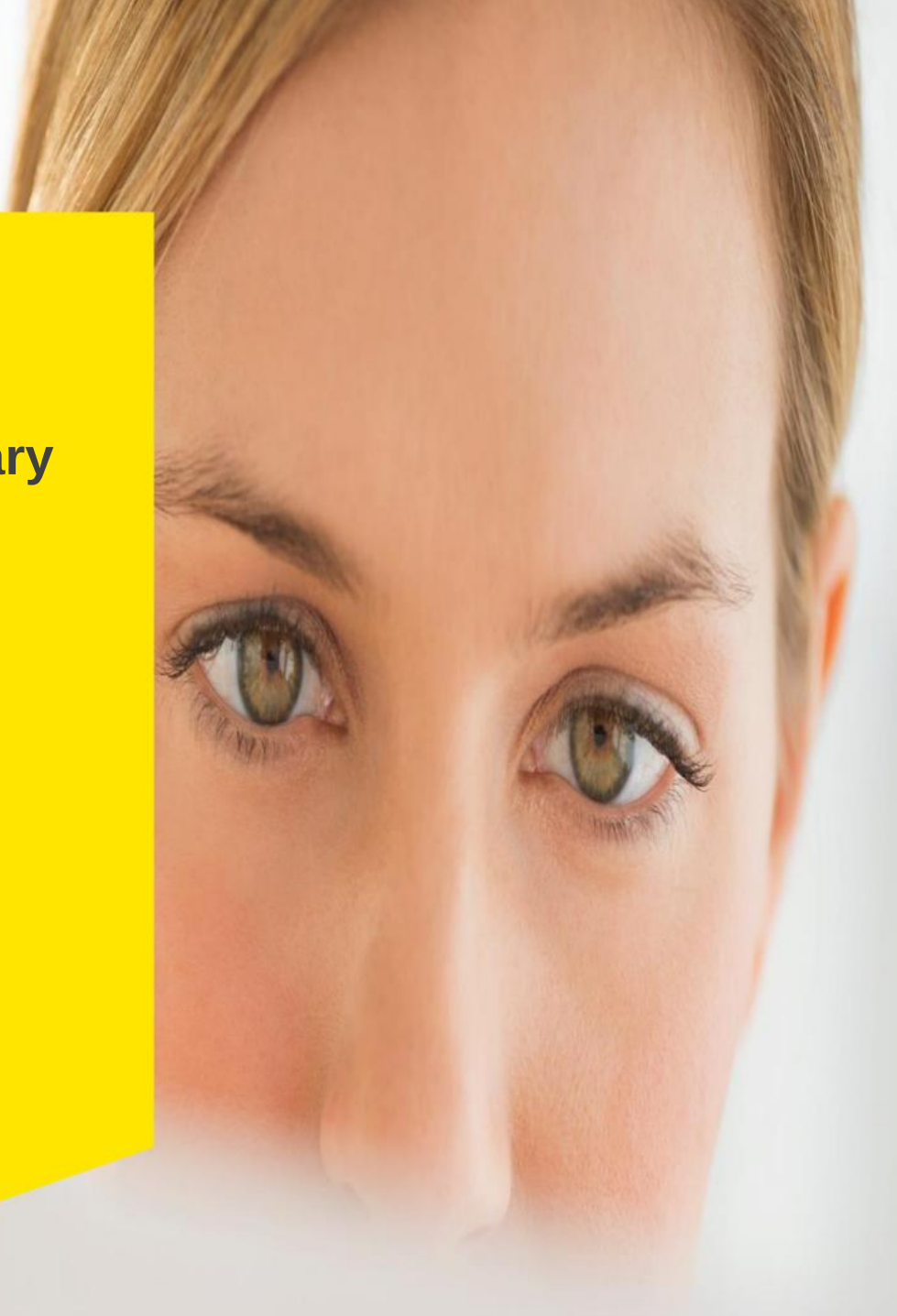
Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/)).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.
Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Authority's:	
Financial statements	**Unqualified** – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on 17 December 2021.
Going concern	We have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Authority's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Authority.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 23 July 2021 to the Audit and Governance Committee. We issue an Addendum to this report on the 12 November 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate in respect of the 2020/21 audit as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued to auditors.

Fees

We carried out our audit of the Authority's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant income, Going Concern, the valuation of Investment Properties and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Chief Finance Officer. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Authority staff for their assistance during the course of our work.

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities

Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Authority or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 26 February 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority;
- If we identify a significant weakness in the Authority's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Authority

The Authority is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit

Financial Statement Audit

We have issued an unqualified audit opinion on the Authority's 2020/21 financial statements.

Key issues

The Statement of Accounts is an important tool for the Authority's to show how it has used public money and how it can demonstrate its financial management and financial health.

On 17 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 30 July 2021 and an update to the meeting on the 17 December 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We have not identified any material weakness in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates. We have not identified any inappropriate journal entries or other adjustments to the financial statements.
Inappropriate capitalisation of expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing did not identify any revenue items that were incorrectly classified. Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
Accounting for Covid-19 related grant funding In response to the Covid-19 pandemic, the Authority has received significant levels of grant funding, both to support the Authority and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. Given the volume of these grants, and the new conditions for the Authority to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.	Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.
Pension Valuations and Disclosures The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Authority. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Cambridgeshire County Council Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2020/21, there may be an impact of Covid-19 on pension asset values as at 31 March 2021.	The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Authority received an updated actuarial (IAS19) report from the Actuary, which determined that the liability in the draft accounts was overstated by £0.049 million. As this was an immaterial audit difference no amendment to the audited statements was required for the revised figure.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Group Accounting The Authority prepared group accounts for the first time in 2020/21. This included undertaking an assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities. Given complexity of the group structure, an inherent risk has been raised.	Our work did not identify any issues with the consolidation of the Authority's Group Accounts.
Going concern disclosures The Authority is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Authority's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period	We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
Auditing Accounting Estimates ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.	We did not identify any issues in respect of estimates included within the financial statements.

Audit differences

Management corrected, within the authorised financial statements, audit differences in relation to:

1. Correction of over-statement of a £0.238 million VAT amount reclaimed do to rejected return. This adjustment was identified by officers and was corrected for the final statement of accounts.
2. A revised disclosure for related parties with respect to transactions with the Authority's subsidiaries and other interests.
3. Reclassification adjustment in prior period statements from taxation and non-specific grant income to business and skills in the amount of £7.255 million relating to the DfE Adult Education budget.

We identified a small number of misstatements in disclosures which management corrected.

There were no misstatements identified for which management did not adjust the accounts.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £3.124 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority
Reporting threshold	We agreed with the Audit and Governance Committee that we would report all audit differences in excess of £0.156 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness.
- Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit and Governance Committee on the 30 July 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with the Chief Finance Officer and his team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Authority's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work in July 2021 and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in our audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Authority and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- Financial sustainability
  How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance
  How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:
  How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Authority has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Board receives and reviews a bi-monthly Budget Monitoring Report, and a quarterly Performance Monitoring Report, which provide oversight over the financial performance of the Authority. The Audit and Governance Committee (A&GC) also receives quarterly Performance Reporting identifying projects that are not performing as expected against budgeted spend and key performance indicators. The A&GC consider this reporting and challenge officers as to the actions being taken to address the under performance and officers then consider the impact on the Corporate Risk Register.

2. How the body plans to bridge its funding gaps and identifies achievable savings

For 2020/21 the Authority has had no funding gaps and due to the way it is funded it does not currently have any need to identify savings. It uses a 'Single Pot' funding approach which is backed by the Devolution Deal signed by the member Authorities, committing significant funding to the ambitions and priorities of the Mayor and Authority. The Authority employs a Treasury Management Strategy which can leverage the future guaranteed funding to obtain current borrowing to meet short term funding gaps of which none are currently identified.

Financial sustainability (continued)

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Authority does not deliver services directly (for 2021/22 it will provide passenger transport services), but its strategic and statutory priorities are clearly laid out in its Annual Report and Business Plan which is approved by the Board.

The long-term priorities of the Authority are set out by the Devolution Deal which identifies the specific projects the Combined Authority and member Authority's aim to complete over the 30-year period of the Deal. The Authority has a vision and 4-year business plan which articulates how it will deliver on its strategic and statutory priorities in the medium term. The current business plan was established drawing on the findings of specially commissioned independent economic review of the region. Initiatives and services established in the plan are translated into a Medium-Term Financial Plan which is approved annually by the Board.

The Authority has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Authority has established Strategic Plans based on the key performance indicators established through the Cambridgeshire and Peterborough Independent Economic Review. These Strategic Plans are used in the development of the Medium Term Financial Plan and the 2020/21 Business Plan to ensure financial alignment with strategic initiatives. Monitoring is performed on a monthly basis through performance reporting which assesses how identified key projects are performing against the key performance indicators. The Board has a quarterly performance report which summarises the monthly performance reporting.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Projects funded by the Authority must implement the Monitoring and Evaluation Framework. Project managers report monthly on budget spend, performance against key metrics, and risk registers. A corporate risk register is reviewed monthly by the Directors of the Authority and reviewed quarterly by the Audit and Governance Committee (AG&C). The AG&C provides recommendations to the Board for consideration on the management of risks identified on an ad hoc basis with respect to the Authority's management of risks and on any concerns that risks being accepted by the Authority may be unacceptable.

The Authority has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority maintains a corporate risk register which is reviewed quarterly by the Audit and Governance Committee (A&GC). Corporate level risks are assigned to a corporate risk owner who is assigned responsibility for developing the management strategy for the risk. The corporate risk owner ensures that mitigation actions are undertaken by appropriate level of staff and monitors outcomes for updating the Corporate Risk Register. The Authority has an internal audit service to help gain assurance over the effective operation of internal controls. Internal audit also undertakes a Corporate Fraud Risk Assessment and liaises with officers to assist with the identification of fraud risks and development of mitigations to a desired level. The Internal Audit plan will include proactive testing of areas where a risk of fraud is identified. The Chief Finance Officer is responsible for the adequacy of the internal audit coverage and the A&GC review and approve the annual internal audit plan.

2. How the body approaches and carries out its annual budget setting process

The annual budgets are prepared by officers engaging and submitted to the Board by the end of December with a consultation period of no less than 4 weeks with Constituent Authorities, the Business Board, and the Overview and Scrutiny Committee. It is then presented to the Board for approval.

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

All projects funded from the 'Single Pot' and are subject to the Assurance Framework and the Monitoring and Evaluation Framework. The Chief Finance Officer and Monitoring Officer review all proposed funding decisions for business cases on a weekly basis. Approved projects are captured within the Business Plan and the Medium-Term Financial Plan. The Mayor and Chief Finance Officer report monthly to the Board a Budget Monitor Update which presents the financial position of the for the year to date and seeks Board approval for major amendments to the budget. In addition, the Mayor and Director of Delivery & Strategy report a performance dashboard to the Board to support non-financial performance monitoring. The Chief Finance Officer oversees the adoption and operation of the Authority's Standing Financial Instructions including the rules relating to budgetary control, procurement, banking, losses and controls over income and expenditure transactions.

Governance (continued)

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The effective operation of the Board, supported with regular, clear and relevant information, is the Authority's key tool for ensuring that it makes properly informed decisions. Published board papers and minutes evidence the challenge made by Members and the transparency in decision making.

The Audit and Governance Committee (A&GC) meets quarterly, is chaired by an independent person, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focus on the relevant aspects of governance, internal control, and financial reporting.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements as set out in the Authority's Constitution under Annex 1 - Code of Conduct. The Authority has an established complaints process with complaints being addressed by the Monitoring Officer. Any gifts and hospitality received are declared under the relevant members name and published on the Authority's the website. Additionally, all offers of gifts and hospitality of £50.00 or more, whether accepted or not, must be recorded within 28 days. Reminders are sent monthly to members to update declarations. The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly – this is overseen by the Monitoring Officer.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

Improving economy, efficiency and effectiveness

1. How financial and performance information has been used to assess performance to identify areas for improvement.

Each month officers are required for all projects funded by the Authority to prepare a highlight performance report updating budgeted spend, performance against key milestones, and outputs/outcomes. These reports also include risk registers to track key risks and assign individuals to monitor the risk throughout the project life cycle. The highlight reports are consolidated into a monthly dashboard and reviewed by the Directors of the Authority. On a quarterly basis the Board receive the Performance Monitoring Reports with identification of projects that are underperforming.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The Authority did not provide services in 2020/21. It does engage in projects to deliver key initiatives focused on Gross Value Added, Jobs Growth, and Affordable Housing. These key initiatives are established under the Devolution Deal and the Board receives monthly performance dashboard reports to help evaluate performance and seek assurances that improvements are being made where relevant.

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's main partnerships are with each constituent Authority and the Business Board. The constituent Authority's each appoint one member to the Board to act on the Authority's behalf in the execution of the Strategic Initiatives identified as part of the Devolution Deal. In addition, the Board has a voting representative from the Business Board and non-voting, co-opted members from NHS Cambridgeshire and Peterborough Clinical Commissioning Group, the Cambridgeshire and Peterborough Fire Authority, and the Police and Crime Commissioner. Each quarter members of the Board receive Performance Reporting against key performance indicators. The Business Board has co-adopted the management and evaluation framework alongside the Authority and provides performance reporting in a similar manner.

The Authority has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Authority employs a Procurement and Contracting Manager responsible for the design, implementation, and management of the Procurement Gateway Process. The Procurement and Contracting Manager in partnership with the Monitoring Officer ensures that the Procurement Gateway Process is aligned with all relevant legislation, professional standards, and internal policies. All contracts require signature from the Procurement and Contracting Manager, Chief Finance Officer, Monitoring Officer, and Directors. Following the awarding of contracts the contract owner must hold performance management meetings at appropriate intervals to ensure that expected benefits are being realised and if not that appropriate action is taken.

Recommendations

Recommendations

As a result of the VFM procedures we have not made any recommendations.

The Authority faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Authority continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.

Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and identified that Annual Governance Statement required additional narrative to specifically disclose the impact of internal audit reports during the period. The Authority amended the Annual Governance Statement to include this.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Authority to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit and Governance Committee.

Appendix A

Audit Fees

Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Audit and Governance Committee on 26 July 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	26,950	26,950	26,950
Fee Variation	TBC (Note 2)	-	17,122 (Note 1)
Revised Scale Fee	**TBC**	**26,950**	**44,072**

Note 1 – PSAA Ltd determined the 2019/20 Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Authority and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. In addition, for 2020/21, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA540 and the new Code requirements for Value for Money arrangements, as well as the risks outlined within our Audit Plan and Audit Results Report. There have also been additional unforeseen costs to close out the audit. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd. We confirm we have not undertaken any non-audit work.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 9

Report title: Local Assurance Framework

To:	Audit and Governance Committee
Meeting Date:	11th March 2022
Public report:	Public Report
From:	Reena Roojam (Lawyer)
Key decision:	No

Recommendations:

The Audit and Governance Committee is recommended to:

a) To approve and recommend the amended draft of the Local Assurance Framework to the Combined Authority Board and to delegate authority to the Monitoring Officer (in consultation with the Chief Finance Officer and Chair of Audit and Governance), to make the relevant changes to the Local Assurance Framework.

b) To note that the revised draft Local Assurance Framework will be presented to the Business Board on 14th March 2022.

Voting arrangements: A simple majority of all Members

1. Purpose

1.1 To provide an update to the Audit and Governance Committee on the current changes to the Local Assurance Framework (LAF) which are needed to align with the updates to the National Local Growth Assurance Framework (NLGAF). The updated (clean copy) draft LAF is attached at Appendix 1 and a tracked version is attached at Appendix 2.

2. Background

2.1 In September 2021, the Combined Authority approved the draft LAF which was updated to reflect the changes to the NLGAF including amendments to correct inaccuracies and cosmetic changes.

2.2 BEIS notified the Combined Authority that the Institutional Assurance Team had republished the NLGAF (September 2021). There were no significant changes to the obligations imposed on the LEP's and a small number of areas have been amended to provide further clarity.

2.3 These areas included:

i) Drafting updates to update text that was out of date or required amendment.
ii) Updates to incorporate changes from the republished Green Book. See particularly the Value for Money section, which adjusts the emphasis of appraisals.
iii) Inclusion of the Getting Building Fund, Mid-Year Reviews, and of Pan Regional Partnerships.
iv) Updates to both the Department for Transport and Department for Education annexes.
v) Updates to areas that have caused query from stakeholders – notably: clarity that MCAs should engage the department with reviewing their Local Assurance Framework; clarity on the expenses register; clarity on codes of conduct; clarity on co-opted board members and overall board numbers; clarity on delivery plans and annual reports.

2.4 A new set of Exemptions were also issued which offer temporary adjustments to the compliance requirements of the NLGAF which are attached at Appendix 3.

The new Exemptions provide flexibility in four areas:

i) Chair and Member recruitment,
ii) Chair/Deputy Chair tenures,
iii) private sector board composition, and
iv) gender composition of boards.

Any use of the flexibilities must be reported to the LEP's local area lead via email.

2.5 The LAF has also been updated to reflect Combined Authority led decisions as well as minor corrections to references which include the following:

a) Reference to the Mayor's Sustainable Growth Ambition Statement (this is due to reviewed again at the upcoming Combined Authority Board in March).
b) Reference to MHCLG replaced with DLUHC.

c) *Reference to the Local Enterprise Partnership replaced with Business Board.*
d) *3.3.39 – sets out the broadened membership of the Business Board and the inclusion of Trade Union and Business Representative Organisations.*
e) *3.3.46 – sets out the option to extend the term of the office for the Chair and Vice-Chair for a further 3 years in exceptional circumstances approved by the Board.*
f) *3.3.55 – the annual Delivery plan to be published at the beginning of each financial year on the website.*
g) *3.4.9 – the initial climate assessment is to be included in the PID.*
h) *3.5.2 – Decision of the Adult Education Budget – paragraph amended and the wording relating to Department for Education and Skills Strategy have been removed.*
i) *3.5.3 – slight amendment to the latter part of the paragraph confirming that Provider Networks meetings have met regularly since 2018. There is also the inclusion of the Association of Employment and Learning Providers.*
j) *3.5.5 – this relates to commissioned contracts that were awarded in 2019 and are now coming to an end of their 3 year term. The paragraph states that officers are launching a second round of commissioning where contracts will be awarded to new providers ready to deliver from 1st August 2022.*
k) *3.5.6 – this section deals with the devolution of the Adult Education Budget and reporting requirements on the Authority in regards to delivery, wider monitoring and evaluation submissions as required by all Mayoral Combined Authorities.*
l) *4.1.7 – Business Board meetings to be held in public unless determined otherwise by the Chairperson.*
m) *4.6.1 – register of gifts and hospitality - figure updated to £50*
n) *5.3 – deals with the open calls for funds managed by the Business Board as its recycled Local Growth Funds – sets out funding strategy which will be approved by the BB before launching an expression of interest.*
o) *5.4.10 – Project Managers to maintain a robust climate change assessment as part of the business case development.*
p) *5.4.11 – refers to the Combined Authority procurement policy to ensure climate change implications are included as part of the procurement criteria.*
q) *Corporate Management replaced with Executive Team.*

2.6 A further review of the LAF will be undertaken in light of the current review of the Constitution and any changes made under the Governance Review will be updated in the LAF accordingly.

Significant Implications

3. Financial Implications

3.1 No financial implications.

4. Legal Implications

4.1. The Audit and Governance Committee will annually review the assurance framework to ensure it adequately addresses risks and priorities including governance arrangements of significant partnerships.

5. Other Significant Implications

5.1 None.

6. Appendices

6.1 Appendix 1 – clean copy of the LAF

6.2 Appendix 2 – Tracked copy of the LAF

6.3 Appendix 3 - Updates to the NLGAF.

7. Background Papers

7.1 Combined Authority Board Local Assurance Framework Annual Review 29th September 2021 Document.ashx (cmis.uk.com)

7.2 Assurance Framework Report to Audit and Governance 5th March 2021 Agenda Item No (cmis.uk.com)

7.3 Assurance Framework Report to Audit and Governance 16th December 2019 Document.ashx (cmis.uk.com)

Provision in the NLGAF	NLGAF *(version 2021)* Reference	Exemption
1. Appointment Process for Board Members and Chairs	"The LEP should outline, or refer to, its appointment process for Board Members (public and private sector), Chairs and Deputy Chairs within the Local Assurance Framework. As part of this they should ensure that they advertise opportunities for private sector leaders to become a LEP Chair or private sector Board Member when vacancies emerge. They should advertise openly, on a variety of platforms to ensure that people across the business community have an opportunity to apply and consider the diversity requirements outlined in this Framework…" Paragraph 75-77	**New Exemption 2021**: we acknowledge the ongoing government-led review into the role of LEPs. Therefore, there may be circumstances where the board opts to extend or temporarily appoint board members/chairs without needing to proceed to a full recruitment, on the basis a full and open recruitment is conducted after these exceptional circumstances cease. In such circumstances, the LEP must notify the Area Lead, copying in localgrowthassurance@communities.gov.uk and providing clear justification for the decision. Any extensions should be within the current financial year only.
2. LEP Board composition – Chair and Deputy Chair's term	"To support the Chair in their role, all LEPs should appoint a Deputy Chair. The LEP should have a defined term limit of three years for the Chair and Deputy Chair, with an optional extension of three years. There is an option to extend for a further three years in exceptional circumstances if approved by the Board". Paragraph 133	**New Exemption 2021:** we acknowledge the ongoing government-led review into the role of LEPs. We hold that these are exceptional circumstances. Therefore, the board may wish to extend a Chair or Deputy Chair beyond normal term. In such circumstances the LEP must notify the Area Lead, copying in localgrowthassurance@communities.gov.uk for consent to extend the term.
3. LEP Board composition – private sector	"The LEP Board must contain representatives from different parts of the community. In addition, at least two-thirds of the Board must be representatives from the private sector as defined by the National Accounts Sector Classification". Paragraph 125	**New Exemption 2021:** we acknowledge the ongoing government-led review into the role of LEPs, and this may affect board composition. Therefore, there may be circumstances where the private sector composition is temporarily non-compliant. Should the board composition drop below two-thirds private sector representation, the LEP must notify the Area Lead, copying in localgrowthassurance@communities.gov.uk, and providing clear explanation of why representation cannot be maintained.
4. LEP Board composition – gender	"The diversity statement should include a commitment to ensure at least one third of members of LEP Boards are women, with an expectation of equal representation by the beginning of 2023." Paragraph 79.	**New Exemption 2021:** we acknowledge the ongoing government-led review into the role of LEPs, and this may affect board composition. Therefore, Therefore, there may be circumstances where the gender composition is temporarily non-compliant. Should the board composition drop below one-third female representation, the LEP must notify the Area Lead, copying in localgrowthassurance@communities.gov.uk and providing clear explanation of why representation cannot be maintained.

Item 10

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No: 10

Report title: Review of Governance and ways of working at the Combined Authority – Update on progress

To: Audit & Governance Committee

Meeting Date: 11th March 2022

Public report: Public Report

From: Interim Head of Governance

Recommendations: The Committee is recommended to:

a) Note the progress made in the review since January 2022

Voting arrangements: Note only item, no vote.

1. Purpose

1.1 This report provides the Committee with an update on the review of governance and ways of working at the Combined Authority as requested by the Committee at its meeting on the 28 January

2. Background

2.1 The Combined Authority is currently undertaking a review of its governance arrangements in order to identify how to deliver more effective decision-making and ways of working.

2.2 A report to the Committee on 28 January 2022 provided details of the scope for the review which initially had 3 objectives:

- Review of formal decision-making and consultative bodies
- Identification of key barriers to deliver effective decision-making
- Review and refresh the process of report drafting, preparation and effective engagement within Combined Authority processes

2.3 Initial methodology for the review is based around engagement and identification of key concerns/ areas to address which will lead to the identification of a number of key themes.

3. The Review

3.1 The review began in December through a number of interview sessions between the Interim Head of Governance and the following:

- ❑ Mayor
- ❑ Leader and Chief Executive of each Constituent Council
- ❑ Executive Team

3.2 As stated above the purpose of these sessions was to identify the key themes that would need to be addressed by the review in relation to governance and ways of working. These interviews have been completed, additionally the review has:

- ❑ Undertaken a governance mapping exercise to identify a full picture of formal and informal boards, committees, bodies
- ❑ Engaged the Business Board
- ❑ Undertaken a comparison/ best practice review with all other Combined Authorities
- ❑ Held interviews with the Chair of the Business Board and the Chief Executive of the Greater Cambridgeshire Partnership
- ❑ Engaged Cambridgeshire County Council (Democratic Services Provider)
- ❑ Engaged the Combined Authority Governance Team

3.3 A review of key documentation is currently underway to support the review, this involves examination of elements of the Combined Authority Constitution, Assurance Framework, Annual Governance Statements, and Board and Committee terms of reference.

Review Progress

3.4 Since reporting to the Committee on 28 January 2022, feedback from the review relevant to the topic of purpose has been fed into the wider transformational work that is being led by the Chief Executive.

3.5 A presentation was provided to the Leaders Strategy Meeting on 23 February 2022 on evidence taken with initial findings relating to the governance framework, these included:

- ❑ **Combined Authority Board** – CA Board needed to have an effective public forum for decision making to take place in an open and transparent manner; it would benefit from sharper focus on development of strategies and appropriate interactions with sub-committees; the frequency of meetings and burden of current business is not sustainable or effective
- ❑ **Strategic Development** – Combined Authority Board members need better forums for debating strategy, direction, vision and key policy in a trusted and private space
- ❑ **Economic Growth** – central focus of devolution that needs to be better supported through the governance framework
- ❑ **Executive Committees** – opportunity to provide clear and enhanced delegations to drive delivery and deal with transactional business; less business then directed to the Combined Authority Board.
- ❑ **Overview & Scrutiny** – requirement to establish the role of the function at Combined Authority level, perhaps with a strategic role
- ❑ **Informal governance mechanisms** – these are currently lacking consistency in approach; there is an opportunity to engage wider constituent membership and officers as well as key partners

3.6 As a result of those conversations the following key principles were agreed to help shape the next phases of the review:

- The principle of a more focused, less frequent, CA Board on a bi-monthly basis supported by a Strategy and Growth Forum in order to use the time of leaders more effectively.CA Board to focus more on strategic plans and objectives
- Wider delegations to be explored to the executive committees
- Role of lead members to be developed
- Consistent and clear supporting and consultation arrangements to be developed with constituent council officers, members, and stakeholders
- Work on the governance review to continue, with detailed proposals to be prepared for Mayor/Leaders.

3.7 These key principles will help inform the development work that will continue through the review

3.8 The review team is currently arranging a second round of conversations with Combined Authority Board members at which they will test initial conclusions and proposals for improvement on a wide range of topics relating to the governance framework, including approach to reporting, templates, the role of scrutiny, as well as developing the principles outlined above.

3.9 A theme that has emerged during the initial evidence gathering of the review is the Audit & Governance Committee role in oversight of the Assurance Framework, and could it be reviewed to identify opportunities to deliver more project oversight and Assurance Framework oversight to drive standards and compliance.

3.10 The review team will look to engage the Chair of Audit & Governance Committee on this matter to determine how to take forward.

Next Steps

3.11 The next steps for the review are as follows:

- Second round of Mayor and Constituent interviews
- Wider evidence gathering (review of documentation and Committee Chair engagement)
- Draft final report for consideration at March/ April Leaders Strategy Meeting
- Final report for consideration to Combined Authority Board

Significant Implications

3. Financial Implications

3.1 No direct financial implications have been identified at this stage.

4. Legal Implications

4.1 Any changes to the constitution which are necessary will be presented to the Audit and Governance Committee at a future date, prior to being presented to the CA Board.

CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No: 11

Audit and Governance Committee – Climate Working Group

To:	Audit and Governance Committee
Meeting Date:	11th March 2022
Public report:	Public Report
From:	Adrian Cannard Strategic Planning Manager
Recommendations:	The Audit and Governance Committee is recommended to: a) note the Terms of Reference of the Climate Working Group.
Voting arrangements:	Note only item, no vote required.

1. Purpose

1.1 To note the Terms of Reference of the Climate Working Group.

2. Background

2.1 The Cambridgeshire and Peterborough Independent Commission on Climate (CPICC) recommended that the Combined Authority convene a "climate cabinet" to provide system-wide coordination in taking forward the Commission's recommendations to the wider public and private sector. Membership should include representation from public sector organisations, businesses, research and higher education providers, and environmental groups. The Board endorsed this recommendation, with the climate cabinet to be called the Climate Working Group.

2.2 The first meeting of the Climate Working Group took place in December 2021, and has met twice more in January and February 2022. Terms of reference (Appendix 1) were considered and adopted by the Working Group. Sector representation is described in Appendix 2.

2.3 CPICC recognised that mitigating and adapting to climate change involved interconnected system-wide issues, both nationally and locally. The Climate Working Group provides a forum to formulate collective responses at the local level. Agreement and accountability for delivery of action remain with organisations and individuals.

2.4 The Combined Authority Board further resolved on the 27 October 2021 to:

"… ask the Climate Working Group to prepare by 28 February 2022, for subsequent consideration by the Board on 30 March 2022, a more ambitious, comprehensive and public friendly Action Plan setting out how the Combined Authority will take action to implement the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, or if agreement cannot be reached among partners by that time, to report on the outstanding issues; and thereafter, ensure an updated Action Plan is brought to the Board before the end of March each year."

2.5 In the spirit of cooperative working the supporting officer group arrangements are chaired by a senior officer of the County Council and draw from across the organisations represented on the Climate Working Group and others where appropriate expertise is required.

2.6 Prior to the output of the Climate Working Group the Combined Authority is already taking opportunities to work collaborative with stakeholders to respond to climate change issues. As an example, the Combined Authority led a successful bid with local partners to the Zero Emission Buses Regional Allocation grant scheme, which will result in 30 zero emission buses entering into operation in the area in 2022.

Significant Implications

3. Financial Implications

3.1 Proposed actions with budget implications for the Combined Authority will be brought forward for consideration in line with the Assurance Framework requirements. The CPCA Board in January 2022 made budget provisions of circa £10m in the Medium-Term Financial Plan for climate-related actions, subject to business case approval.

4. Legal Implications

4.1 None.

5. Other Significant Implications

5.1 Addressing climate change has potentially significant equalities implications. The full report of the CPICC (October 2021) contains recommendations relating to equality and fairness under the heading "Just Transition". The Board has resolved that all projects should be subject to a climate assessment.

6. Appendices

6.1 Appendix 1 Terms of Reference.

6.2 Appendix 2 Sector representation

7. Background Papers

7.1 Full report of the Cambridgeshire and Peterborough Independent Commission on Climate Change

7.2 Combined Authority Board 24 November 2021 - Item 3.1 refers

7.3 Combined Authority Board 27 October 2021 - Items 2.5 refers

7.4 Combined Authority Board 30 June 2021 - Item 4.3 refers

Climate Working Group

Mission: to demonstrate local leadership and ensure coherent, system-wide action on tackling the causes and effects of climate change, and through collaborative working ensure an effective and immediate response within Cambridgeshire and Peterborough that is fair, long lasting and appropriately timed.

Ways of working

The Cambridgeshire and Peterborough Climate Working Group brings together representatives of key decision makers to promote and champion collective local action on climate issues, recognising that decisions by one organisation can have impacts for others. Each organisation, and each sector, is responsible for mitigating and adapting to climate change. They will have their own plans and strategies to do that, and control over their own resources. There are also existing collaborative groups that focus on specific themes (such as the Resilience Forum, or Natural Cambridgeshire) who will need to take climate implications into account.

The Climate Working Group is an alliance and a collaboration, not a separate organisation with its own budget or powers. Its starting point is the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, which addressed recommendations to actors across the public and private sector. The Climate Working Group will champion the recommendations, and keep progress on the recommendations under review.

Terms of Reference

1. To work collectively to identify and implement action that can term to deliver early reductions in greenhouse gas emissions to remain within the global carbon allowance[1];
2. To identify and implement system-wide actions that will achieve long term reductions in greenhouse gas emissions, to reach the target of Net Zero[2] emissions as soon as possible;
3. To work collectively to reduce the risk to Cambridgeshire and Peterborough from the extremes of climate change, and to develop adaptation measures to minimise impact;

[1] That proportion of cumulative emissions required to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

[2] Achieving net-zero emissions assumes that some greenhouse gases are still released, but these are offset by removing an equivalent amount of greenhouse gases from the atmosphere.

4. To undertake its activities in a way that enables a fair transition to a low carbon future;
5. To suggest actions to better articulate climate change challenges, to increase understanding both within organisations and from a public perspective;
6. To support opportunities to co-design and develop pilot projects to test effective responses;
7. To establish and keep science-based targets up to date; and
8. To monitor, review progress against these objectives (ongoing structures to keep under review the local implications of climate change to be considered following Independent Commission's second report) and recommend corrective actions if required.
9. To deliver an initial action plan in time to be tabled at the March 2022 meeting of the Combined Authority

Operation

To meet a minimum three times per year.*

To be chaired by the Mayor.

To be supported by a Climate Working Group Senior Officers Group, providing governance link to sub-groups and specialist working groups, and task and finish groups as required.

Secretariat to be provided by CPCA.

*The meetings schedule was revised to at accommodate three meetings by February 2022 in the light of the request from the Board of the Combined Authority to:

"… ask the Climate Working Group to prepare by 28 February 2022, for subsequent consideration by the Board on 30 March 2022, a more ambitious, comprehensive and public friendly Action Plan setting out how the Combined Authority will take action to implement the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, or if agreement cannot be reached among partners by that time, to report on the outstanding issues; and thereafter, ensure an updated Action Plan is brought to the Board before the end of March each year."

Appendix 2: Climate Working Group

Climate Working Group: sector representation

Combined Authority
Local Authorities
National Health Service
Environment Agency
Highways England
Public transport
Climate community groups
CPICC
Nature
Flood Defence
Water Supply
Electricity distribution
Business
The Business Board
Housing
Agriculture
Academia

Agenda Item No: 12

Financial Strategies

To:	Audit and Governance Committee
Meeting Date:	11th March 2022
Public report:	Yes
From:	Robert Emery, Chief Accountant and Deputy S73 Officer
Key decision:	No
Forward Plan ref:	
Recommendations:	The Audit and Governance Committee is recommended to:

a) Review and comment on the Investment Strategy for 2022/23,

b) Note and review in year performance against the adopted prudential and treasury indicators.

Voting arrangements:
a) a simple majority of members present and voting.
b) No vote, noting item.

1. Purpose

1.1. The purpose of the report is for the Audit and Governance Committee to review and comment on the proposed Investment Strategy for 2022/23 and review the in-year actual performance to 31st January 2022 against the prudential indicators included within the Treasury Management and Capital Strategies.

2. Background

2.1. At it's January meeting the Audit and Governance Committee reviewed the draft Financial Strategies for 2022/23, including the investment strategy, and recommended them to the Combined Authority Board.

2.2. While the draft Investment Strategy presented to the Committee in January was in line with the guidance for Local Authorities in general, following advice from our treasury management advisors we have provided increased detail regarding equity investments as these make up a larger section of the Combined Authority's service investments than is usual for a 'traditional' Local Authority, in which the vast majority of investment is on the Authority's own assets such as work on the Highways network.

2.3. According to its Terms of Reference, the Audit and Governance Committee shall "ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice".

2.4. The Treasury Management in the Public Services: Code of Practice 2017 recommends that Members receive regular reports on the authority's treasury management policies, practices and activities, including a mid-year review progress report.

3. Investment Strategy

3.1. The changes in the revised draft Investment Strategy are to enhance the understanding of the users of the Financial Strategies, they do not reflect a change to the processes and procedures that are in place, or will be put in place, regarding equity investments made by the Combined Authority compared to the Investment Strategy which was presented to the Audit and Governance Committee in January.

3.2. In addition to joint ventures to directly deliver core strategic objectives of the Combined Authority, such as the University of Peterborough and Business Growth Service, the Combined Authority also owns equities in small private companies as a result of the Combined Authority's role as the accountable body for the Business Board's Local Growth Funds – the primary output required from the Growth Funds are jobs and the Business Board have recommended several programmes which help support high growth potential start-up businesses in return for small equity holdings with the intention that these businesses will grow locally and create new jobs in the area.

3.3. As this is an unusual role for a Local Authority to be in, and investments in early stage start-ups are high risk, our treasury management advisors recommended that more detail be included on these investments so that stakeholders of the Combined Authority could understand these holdings; including the rationale behind them and the risk mitigations that

are in place to insulate the Combined Authority from the volatilities of high-risk investments.

4. Treasury Management Strategy Prudential Indicators

4.1. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:

(a) Capital investment plans are affordable;
(b) All external borrowing and other long-term liabilities are within prudent and sustainable levels; and
(c) Treasury management decisions are taken in accordance with professional good advice.

4.2. The current performance against the adopted Prudential Indicators is shown at appendix 1.

4.3. In previous reports, the indicator for Principal Sums Invested for Periods Longer than a year had been calculated to include all investments with maturities beyond the relevant year end date. Upon further investigation it has been confirmed that it should only include investments with an original duration of longer than a year.
This has the effect of significantly reducing our principal invested beyond year-end for the current year as this had previously shown all Treasury Management investments that would be in place on the 31st March 2022 and now only shows those investments which were made for longer than 12 months.

4.4. Despite being increased for the 21/22 Treasury Management strategy, the Interest Rate Risk Exposure indicator has again been breached. This is due to higher levels of liquid funds being held to meet operational needs in the next 12 months. This position is expected to continue into 22/23 and is driven primarily by the delay in expenditure of the £79m grant fund on the Green Homes retrofit programme and the newly awarded next phase of the programme for £113m.

4.5. The level of short-term investments held, which drives this indicator, are dictated by the need to manage forecast cashflows to meet anticipated need. Where grant periods are due to complete the Combined Authority takes the prudent approach of assuming no extension will be granted until it is confirmed by the funder; as such we ensure sufficient cash is available to repay any unspent funds after the grant period concludes. Where we have large grants with short delivery windows, like the Green Homes retrofit programme for which the Combined Authority received £79m for delivery over 12 months, we cannot invest the funds significantly beyond the grant period and so this indicator is driven significantly higher. Given this position is expected to continue the appropriateness of this indicator for managing the Combined Authority's interest rate risk has been reviewed for the 22/23 Treasury Management Strategy.

4.6. Indicator 1 – Investment Limits - was breached over the weekend starting on Friday the 10th of December when a £113m grant was received from central government after the 3pm cut off for overnight deposits with the UK Debt Management Office. As government had been unable to advise of the exact date of the payment in advance we were unable to arrange for the funds to be appropriately distributed on the day and the funds were

invested the next working day (Monday). This indicator is designed to limit the Authority's exposure to a single entity's (in this case Barclays) collapse, as such a short-term breach represents a low level of risk.

Investment Activity

4.7. Surplus cash balances are held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions, the Capital Programme, and the Medium-Term Financial Plan (MTFP).

4.8. Forecast investment returns for 2021-22 are £374k against a budget of £231k. This is due to having higher than anticipated investment balances and to a number of multi-year deals which were made at a rate of interest significantly higher than that available for shorter term investments.

4.9. Table 1 below shows the treasury management position at 31st March 2021 and the position as at 31st January 2022. The CPCA has undertaken no borrowing in 2020-21 so there is no corresponding summary for debt.

Table 1: Treasury Management Summary

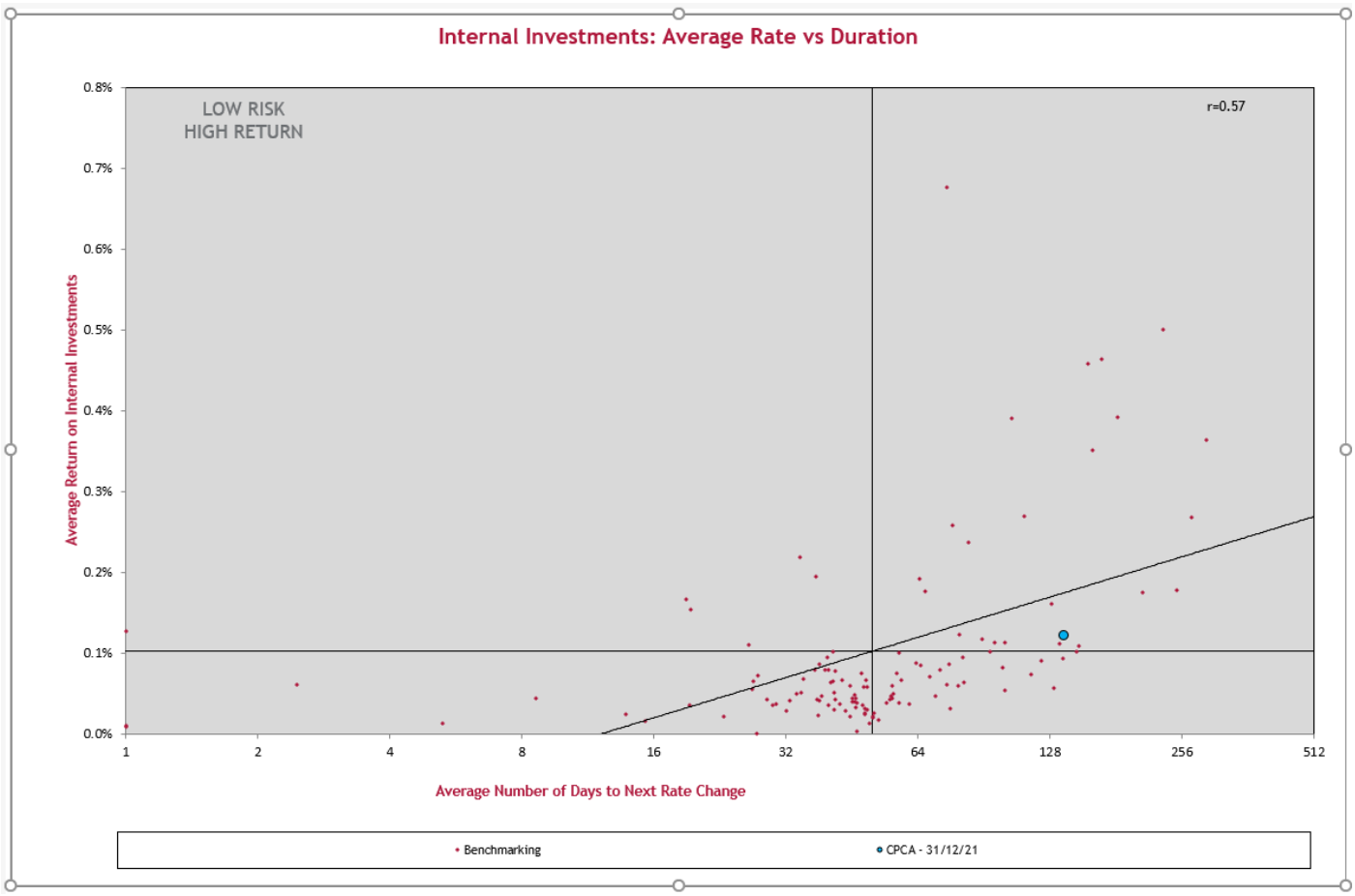
	As at 31.3.2021		**As at 31.01.2022**	
	Balance (£m)	**Average Rate**	**Balance (£m)**	**Average Rate**
Fixed Term Deposits				
Local Authority, time to maturity:				
Less than 3 months	40	0.33%	65	0.23%
3-6 months	45	0.32%	3	0.05%
7-9 months	43	0.26%	47	0.14%
10-12 months	50	0.20%	58	0.36%
Longer than 12 months	10	0.61%	15	0.60%
Total Local Authority	**188**	**0.29%**	**188**	**0.24%**
DMO*				
Less than 3 months	0	-	10	0.07%
3-6 months	0	-	80	0.04%
Immediate Access				
Call Account	11	0.00%	0	0.01%
Money Market Funds	32	0.01%	55	0.10%
Total investments	**231**	**0.24%**	**333**	**0.16%**

**DMO (formally the Debt Management Account Deposit Facility) is a government department which offers risk-free deposits for Local Authorities.*

4.10. In response to the global economic recession due to COVID the Bank of England, in line

with many national and international institutions, reduced the cost of borrowing (the base rate) to historically low levels. Following significant cost rises seen in the latter half of 2021 the Bank of England raised the base rate twice, and it now sits at 0.5% - still well short of the 2% target.
The increased base rates are slowly being reflected in the Local Authority market, and 12+ month deals have already been put in place which will achieve a greater return than was budgeted for the next financial year.

4.11. The investment portfolio compares as expected against benchmarking data for internal investments provided by our treasury management advisors, Arlingclose. The graph below shows average rate against the average remaining duration of investments. The Authority's portfolio sits on a bit below the trend line, at above average duration, but below average rate.



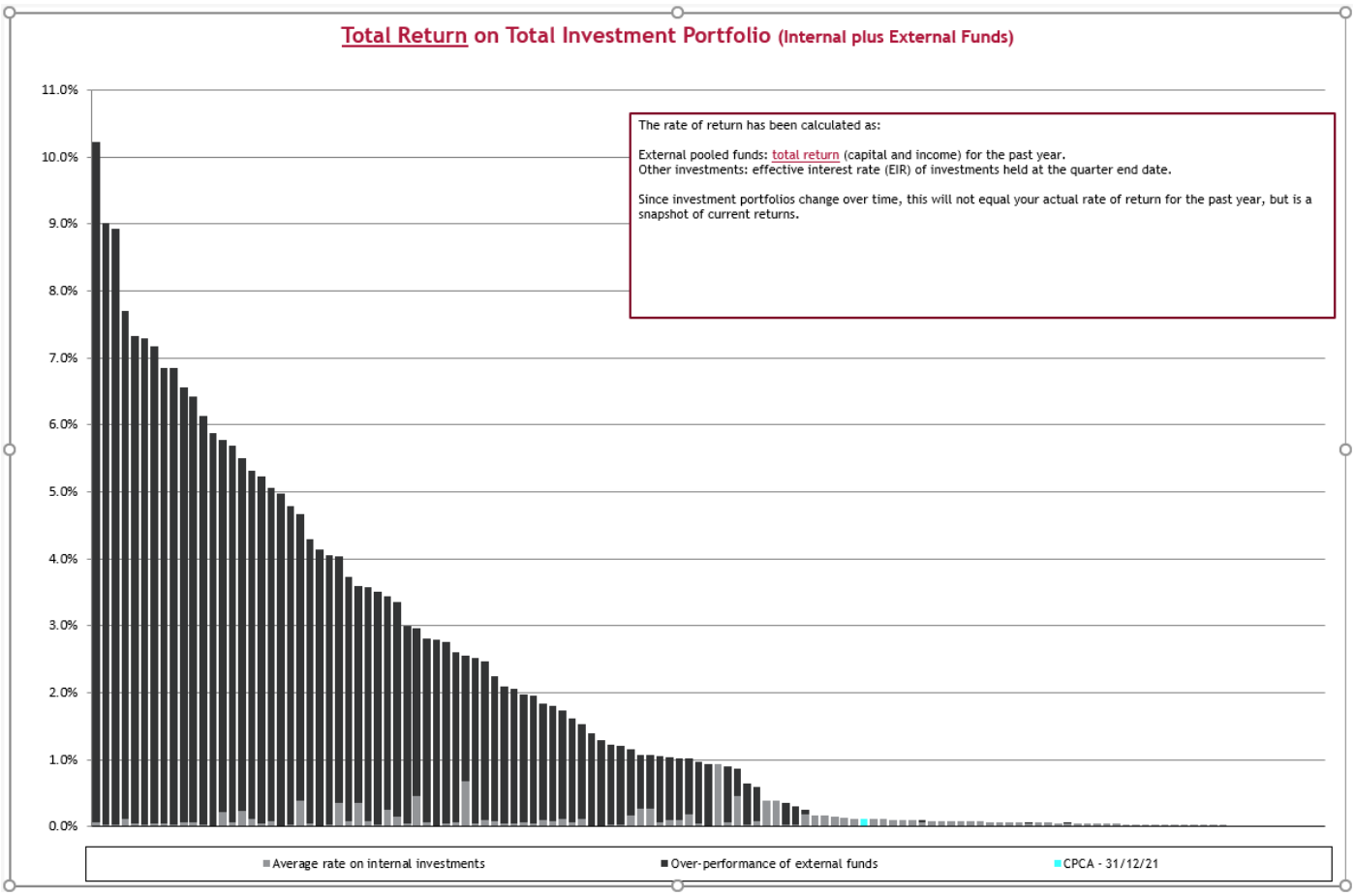
4.12. When compared against total returns against other Local Authorities, the portfolio compares less well as seen in the first graph below. For comparison, the second graph below shows that the portfolio compared favourably against total returns one year ago.

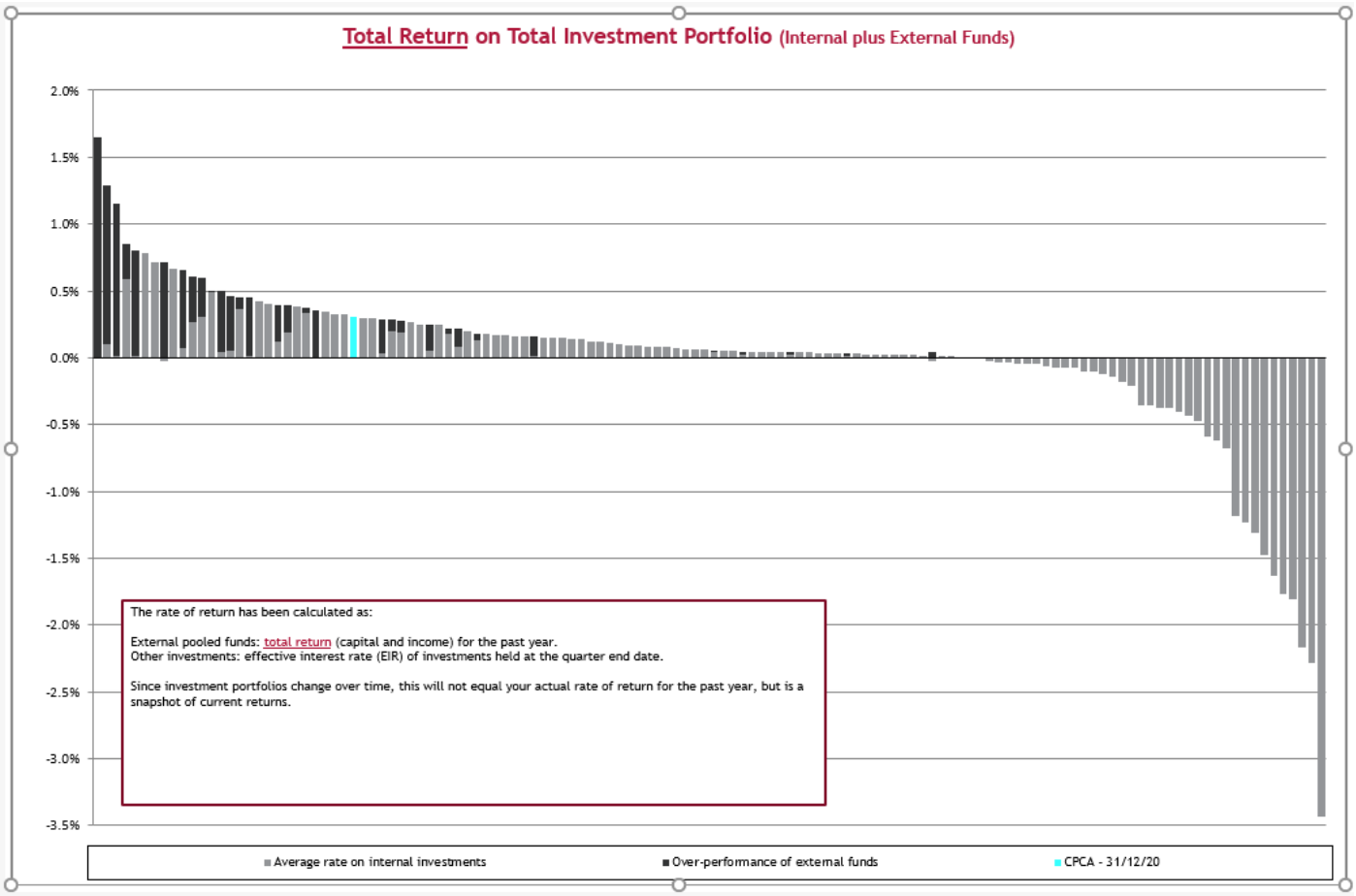
4.13. This is due to the inclusion of externally managed strategic investments where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed

cash interest rates. Last year capital values were down due to the pandemic and thus the Combined Authority's portfolio compared favourably, as the market 'bounces back' capital values recover, and thus strategic funds are currently benefiting from higher returns. The Authority doesn't currently have any externally managed strategic investments.

4.14. The Authority's current Investment Strategy as set out in the Treasury Management Strategy is:
Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority will continue to diversify into more secure and/or higher yielding asset classes during 2021/22. Due to current liquidity requirements, an increasing proportion of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, and money market funds.

4.15. In line with the strategy and the Authority's long term cash flow forecast, officers have been discussing options with Arlingclose for diversifying some balances available for longer term investments into higher yielding, more volatile asset classes. Any decision to enter into any longer-term investments will be dependent on current and forecast market conditions.





Significant Implications

5. Financial Implications

5.1. None other than those highlighted in the main body of the report.

6. Legal Implications

6.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

7. Other Significant Implications

7.1. There are no significant implications not discussed above.

8. Appendices

8.1. Appendix 1: Draft 2022/23 Investment Strategy

8.2. Appendix 2: 21/22 Performance against Treasury Management and Capital Indicators and Limits

9. Background Papers

9.1. CPCA Capital Strategy: 24 March 2021 Combined Authority Board Item 2.2 App 1a

9.2. CPCA Treasury Management Strategy: 24 March 2021 Combined Authority Board Item 2.2 App 1b

Appendix 2 – 2021 Performance against Treasury Management and Capital Indicators and Limits

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators, compliance has been indicated for each:

1. **Investment limits**: In order to minimise the risk of a single default against available reserves, the maximum that will be lent to any one organisation (other than the UK Government) will be £25m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

		Cash limit per the 21-22 Treasury Management Strategy	Maximum balance held in 2021-22 financial year	Complied?
Any single organisation, except the UK Central Government		£25m each	£125m	No
UK Central Government		unlimited	£120m	Yes
Any group of organisations under the same ownership		£25m per group	£0	Yes
Any group of pooled funds under the same management		£50m per manager	£0	Yes
Negotiable instruments held in a broker's nominee account		£50m per broker	£0	Yes
Foreign countries		£25m per country	£0	Yes
Local authorities & other government entities	Counterparty limit	£25m	£25m	Yes
	Sector limit	Unlimited	£198m	Yes
Secured investments	Counterparty limit	£25m	£0	Yes
	Sector limit	Unlimited	£0	Yes
Operational bank account	Counterparty limit	£25m	£125m	No
Banks (unsecured), excluding operational account	Counterparty limit	£15m	£0	Yes
	Sector limit	Unlimited	£0	Yes
Building societies (unsecured)	Counterparty limit	£15m	£0	Yes
	Sector limit	£25m	£0	Yes
Registered providers (unsecured)	Counterparty limit	£15m	£0	Yes
	Sector limit	£50m	£0	Yes
Money market funds	Counterparty limit	£25m	£25m	Yes
	Sector limit	Unlimited	£55m	Yes
Strategic Pooled funds	Counterparty limit	£25m	£0	Yes
	Sector limit	£100m	£0	Yes

Real estate investment trusts	Counterparty limit	£25m	£0	Yes
	Sector limit	£50m	£0	Yes
Other investments	Counterparty limit	£15m	£0	Yes
	Sector limit	£25m	£0	Yes

2. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.12.21 Actual	**2021/22 Target**	**Complied?**
Portfolio average credit score (lower is better)	4.28 (AA-)	6 (A)	Yes

This indicator is provided as at 31.12.2021 as it is calculated by our Treasury Management advisors as part of our quarterly benchmarking. The credit rating of investments as at 31.01.2022 is not materially different from the position as at 31.12.2022

3. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	31.01.22 Actual	**2021/22 Target**	**Complied?**
Total cash available within 3 months	£130m	£50m	Yes

4. **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	**31.3.21 Actual**	**2021/22 Limit**	**Complied?**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.99m	£1.5m	No
Upper limit on one-year revenue impact of a 1% fall in interest rates	£1.99m	£1.5m	No

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

5. **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2021/22	2022/23	2023/24
Actual long term principal invested beyond year end	£20m	£10m	£0m
Limit on long term principal invested beyond year end	£160m	£50m	£50m
Complied?	Yes	Yes	Yes

Capital Strategy Indicators

1. **Capital Expenditure in £ millions.** The table shows the Combined Authority's capital expenditure for 2021/22, and the following two financial years based on the medium-term financial plan.

	2021/22 budget	2021/22 forecast	2022/23 budget	2023/24 budget
Capital investments	238.13	176.96	66.56	37.28
TOTAL	**238.13**	**176.96**	**66.56**	**37.28**

2. **Indicator 2 – Capital Financing in £ millions.** All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The financing of the above expenditure is as follows:

	2021/22 budget	2021/22 forecast
Grant funding	209.11	155.09
Usable Capital Receipts	29.02	21.87
Debt	0	0
TOTAL	**238.13**	**176.96**

3. **Indicator 3 – Gross Debt and the Capital Financing Requirement in £ millions.** The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt. The Authority currently has no debt and therefore no CFR. Projected levels of the Authority's total outstanding debt which comprises borrowing, PFI liabilities and leases are shown below, compared with the capital financing requirement.

	31.3.2022 budget	31.3.2022 forecast
Debt (incl. PFI & leases)	0	0
Capital Financing Requirement	0	0

4. **Indicator 4 – Borrowing and the Liability Benchmark in £ millions.** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark is calculated showing the lowest risk level of borrowing. Given that there are no current plans to borrow, this benchmark is currently set at the existing debt cap, but will be kept under review.

	31.3.2022 budget	31.3.2022 forecast
Outstanding borrowing	0	0
Liability benchmark	84.61	0

5. **Indicators 5 and 6 - Authorised limit and operational boundary for external debt in £ millions.** The Authority is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2021/22 limit	2021/22 forecast
Authorised limit – total external debt	84.61	0
Operational boundary – total external debt	74.61	0

Appendix 1

Cambridgeshire and Peterborough Combined Authority

Investment Strategy Report 2022/23

Introduction

The Authority may invest its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services, skills or economic growth by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

The Authority typically receives its income in cash (e.g. from grants) before it pays for its expenditure in cash (e.g. through payroll, invoices and grants). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £44m and £272m during the 2022/23 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council lends money to its subsidiaries and local businesses to support local public services, to support the provision of affordable housing and to stimulate local economic growth and skills development.

Revolving Housing Fund

In September 2018, the Combined Authority Board approved the creation of a £40m revolving fund from the £100m fund receivable from central government to bring forward 2,000 affordable homes by March 2022. No new loans are being made from the fund as the returned funds are now being used to fund affordable housing grants. Of the five loans made under the scheme one has been fully repaid and the other four are due to be repaid by the end of March 2023.

Recycled Growth Fund Loans

The Combined Authority offers capital loans to local companies, and other Local Authorities, on the advice of the Business Board, where the projects are considered to achieve value for money and fit

with the strategic direction set out in the Local Industrial Strategy. As the majority of Growth Funds was awarded prior to March 2022 the extent of new loans that will be available in 2022-23 is likely to be quite small.

Security of Service Loans

The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2021 actual			2022/23
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0.000	0.000	0.000	20.000
Local businesses	45.491	0.779	44.712	60.000
TOTAL	**45.491**	**0.779**	**44.712**	**80.000**

Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding service loans. All future loans would be subject to the following risk assessment and mitigating actions:

1) An appropriate level of due diligence, to include the use of external advisors where appropriate.
2) An appropriate loan period and timing of repayments
3) The calculation of an interest rate that would represent 'value for money', be of 'no detriment' to the Combined Authority, and to minimise the risk of Subsidy Control challenge
4) Approval being subject to a business case, due diligence, and loan agreement to the satisfaction of the Chief Executive, Monitoring Officer and Chief Finance Officer.
5) The business case would be reviewed to include focus on:
    a. Impact of existing loans and charges on assets
    b. Accuracy and reasonableness of Cashflow and profit forecasts
    c. Ambition of future sales targets and income to repay loan
    d. Provisions/allowances for contingency, inflation
    e. Review of credit worthiness of business and collateralisation of loan
6) For housing development loans, first legal charge over land and assets
7) Regular review and valuation of the assets
8) Drawdown subject to a gateway process
9) Consideration of options of parent company guarantees
10) Consideration of obligations of S106 agreements

All loans are subject to approval by the Combined Authority Board.

Service Investments: Shares

The Combined Authority invests in the shares primarily for the delivery of service outcomes rather than for financial return. It invests in equities of both subsidiaries and local businesses to support local public services and stimulate local economic growth. These investments are an intrinsic part of the delivery of the Combined Authority's programmes they are subject to the Combined Authority's Monitoring and Evaluation framework (published here) which has been reviewed by the Department for Business, Energy and Industrial Strategy including quarterly reporting on the service outcomes being delivered. As such this strategy only refers to monitoring of the company from a financial investor's perspective beyond what is done in line with the Monitoring and Evaluation framework. The Combined Authority has approved a number of material service equity investments as part of the University of Peterborough, Transport, and Business and Skills agendas summarised below however, in consideration of the relative risk of equity investments over grants and loan funding, there are two overarching principals which the Combined Authority follows with all it's equity investments to ensure that it does not expose itself to undue financial risk:

1) The Combined Authority will only invest in limited companies – this limits the liability that the Combined Authority faces to the equity invested in the company, ensuring that the wider Combined Authority finances are insulated from movement in the values of the companies.

2) The Combined Authority will assume no future financial returns on any equity investments within its Medium-Term Financial Plan (MTFP). This is, financially, the worst-case scenario with equity investments; by not assuming any future returns the Combined Authority is exposed to only up-side risk and the future financial stability of the organisation is not reliant on the performance of the investments i.e. there is no risk that the Combined Authority will be unable to proceed with it's plans due to poorer than anticipated financial performance of the companies.

All existing material equity investments have been made following a recommendation of the Business Board as all involve an element of Local Growth Fund investment. As such all equity investments will have followed the robust due diligence and scoring process which all potential investments must complete prior to being considered by the Business Board – this involves an independent external evaluation of the applicant's business case, financial statements, credit searches, management capability and experience, project key risks, and strategic fit. This results in a report on these areas, a score, and recommendations on what controls and risk mitigations should be put in place if the investment is entered into.

Alongside this, for investments of £500k or more, the applicant will also be required to present their proposal to an Entrepreneurs' Assessment Panel (EAP) made up of Members of the Business Board and external experts in the field who also score the projects.

The Business Board, who's voting membership is made up of experienced CEOs, will then consider the application, appraiser's report and EAP scoring and they can request further information, recommend investments to the Combined Authority for ratification, or reject the project.

The equity investments fall into three groups, in this strategy referred to as: subsidiaries, silent partner service investments, and other equity investments.

Subsidiaries

Equity holdings in this group are in companies in which the Combined Authority has an active role in day-to-day management of the company. It is either a major, or sole, shareholder and appoints Directors to the company's boards as well as providing support services to the company across a range of areas including payroll, bank administration, management and legal support. These are the most closely monitored investments as Combined Authority staff actively manage and run the companies including production of monthly management updates and reports.

Peterborough HE Property Company Ltd - University of Peterborough Phases 1 & 3

Equity investment into a Joint Venture along with Peterborough City Council (PCC) and Anglia Ruskin University (ARU) with a total Combined Authority investment of £25.5m against a c.£24m investment from PCC mostly funded from the Levelling Up Fund and a smaller share from ARU. This company will deliver two teaching buildings, which will form the basis for the Anglia Ruskin University – Peterborough to start delivering accredited university courses from September 2022.

Peterborough R&D Property Company Ltd – University of Peterborough Phase 2

Equity investment into a Joint Venture with Photocentric to deliver a Research and Development centre on the University of Peterborough Campus, primarily funded by the Getting Building Fund grant provided specifically for the purpose from the Department of Business, Energy and Industrial Strategy. This company is constructing a 3-story building within the overall Peterborough University Quarter site with the intention to lease space to companies working on zero emission enabling technologies with Photocentric operating as an anchor tenant occupying one of the 3 floors.

Cambridgeshire and Peterborough Business Growth Company Limited

This company was set up, with £5.4m of Local Growth Fund as equity, as a pilot to deliver support to local businesses and improve the skills offering in the Combined Authority area over 3 years. Via subcontracting with a consortia it delivers services on behalf of the Combined Authority including growth coaching for businesses, inward investment, and skills capacity building. The Combined AuthoritY's equity investment is supported with other income streams including the Growth Hub grant, Community Renewal Funds (Start & Grow and Turning Point), EU funding, and the Careers and Enterprise Company contracts. It also manages the Capital Growth Scheme as discussed later.

CAM Special Purpose Vehicle

In 2020-21 the Combined Authority Board approved the creation of a special purpose vehicle company as the preferred option for carrying forward the CAM project. In light of this £4.0m of Combined Authority funds have been invested to set up the company. In May 2021 the Mayor was elected under a clear commitment to no longer support the CAM and the company is now in the process of being wound up and remaining funds returned to the Authority

Silent partner service investments

These investments are joint ventures with a partner organisation where the partner has significant expertise in the area in which the company will operate, with the Combined Authority providing financial support. In recognition of the knowledge and experience of the other member of the joint ventures the Combined Authority does not operate significant control over the company regardless of the share ownership position, however it does have the right to appoint a director to each of the companies' Boards.

The Combined Authority receives all papers prepared for the company's boards and annually reviews the companies' financial position as part of the construction of the Combined Authority's group accounts.

Other Equity Investments

Illumina Accelerator Programme

On the recommendation of the Business Board the Combined Authority awarded up to £3m to provide investments of £100k to start-up companies which are accepted onto the accelerator programme to support them to complete the accelerator programme run by Illumina. The accelerator programme offers high growth potential companies 6-months of coaching and access to Illumina's lab space to facilitate their growth and development of their concepts. The outputs for this service investment are new companies establishing in the area, and creating jobs, after completion of the accelerator.

While the overall Illumina programme was subject to the Business Board's due diligence processes, the investments within the programme are made directly into the companies by the Combined Authority. Illumina are not regulated investment advisors and thus do not recommend the companies to the Combined Authority as such the Combined Authority is making its own decision to invest in each company. While there is no recommendation from Illumina, the Combined Authority considers it appropriate to take assurance from a company's acceptance onto the Illumina Accelerator programme taking into consideration the following factors:

i) By the nature of the accelerator programme the companies being accepted would be very early-stage start-ups which would likely not have a financial history from which to draw conclusions on their operations.

ii) Illumina conduct a multi-phase assessment of applicants, including a questionnaire on the company's technology and business plans, interviews, and a 3rd party background check. Acceptance onto the programme therefore indicates Illumina's opinion that the company has a high chance of success, and Illumina invest in each of the companies accepted onto their accelerator programme. Given Illumina's experience and expertise in the sector, as demonstrated by the survival rate of graduates from the established Silicon Valley accelerator, it is reasonable to take assurance from this.

iii) No potential future return on the amounts invested would be included in the Combined Authority's medium term financial plan or capital programme – as such the Combined Authority's financial resilience is independent of the performance of the investments, even in the worst-case scenario of nil returns.

As the value of the investment in each company is low (£100k) and represents a small minority of each company's capital the Combined Authority has very little control over these entities. On this basis their financial accounts are only considered on an annual basis to assess materiality for inclusion in the Combined Authority's group accounts.

The intended outcome of these investments is to enable the company to survive its early development stage to the point at which it can attract further capital investment, not profit from capital growth. Reflecting this the Combined Authority seeks to sell it's shares once the company has achieved further funding however the companies are not publicly traded so achieving a sale and exit is uncertain and could take a number of years.

Start Codon Fund

On the recommendation of the Business Board the Combined Authority agreed a £3m investment into a £15m fund to provide pre-seed equity funding of £250k-£500k to early-stage start-up healthcare and life-science research and development businesses. The fund provides annual performance reports to all it's investors beyond the service reporting required by the Monitoring and Evaluation framework.

Companies are identified by Start Codon, who's team is made up of local experts in the Bio-Pharma life sciences innovation sector, for acceptance onto the accelerator programme; the fund is managed, and investment decisions taken, by the Kin Group Ltd which specialises in venture capital investment.

The fund has a structured plan to sell its investments 10 years after the fund is fully invested, although this is subject to a possible 4-year extension if there is majority investor consent. At this point the fund's position will be liquidated and funding returned to the investors in the proportions in which they originally invested.

Capital Growth Scheme Investments

The Cambridgeshire and Peterborough Business Growth Co Ltd is tasked with the delivery of a £5.5m fund for small-scale equity investments into SMEs. This programme provides working capital awards of up to £250k to fund growth projects which unlock growth in jobs or scale a company to secure more income generation and jobs at a level where private sector equity finance is lacking due to its focus on high-tech, Intellectual Property (IP) based start-ups and much higher growth rates, which typically favour much higher value equity investments of at least £250k up to £2m and higher.

The Cambridgeshire and Peterborough Business Growth Co Ltd will hold these investments, so they are not included in the limits in this strategy, however they are mentioned as the Cambridgeshire and Peterborough Business Growth Co Ltd is wholly owned by the Combined Authority.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2021 actual	2022/23

	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	32.202	3.813	28.389	35.000
Local businesses	2.421	0.686	1.735	10.000
TOTAL	**34.623**	**4.499**	**30.124**	**45.000**

Risk assessment: The Authority would assess the risk of loss before entering into, and whilst holding, share agreements. The approach followed would be to consider:

1) an assessment of the market that the Authority would be competing in, the nature and level of competition, how market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements;
2) whether to use external advisors;
3) risk assessment based on credit ratings and the use of credit rating agencies;
4) the monitoring of risk in accordance with the Combined Authority's risk management policy.

Liquidity: Investments will be subject to the drawdown requirements of the Capital programme as set out in the Medium-Term Financial Plan and as monitored in the monthly cashflow forecast.

Non-specified Investments: Shares (defined as equity and equity like instruments) are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

The Authority currently does not invest in property with the intention of making a profit that will be spent on local public services and has no immediate plans to do so. In the event that commercial property investments would be held in future, the Authority would consider the following:

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding property investments. The approach followed would be to consider:

1) A full due diligence exercise covering an assessment of: the property business plan, including sensitivity and scenario analysis; the credit quality of incumbent tenants (if any); the local property market, including demand, availability and voids in current similar commercial stock; the area's economic outlook and potential; how market/customer needs will evolve over time; barriers to entry and exit and any ongoing investment requirements;
2) Where in-house expertise does not cover the relevant investment opportunity, we will use external advisors for all/part of the due diligence and any other specialist areas;
3) External advice will be monitored by relevant officers, including adherence to deadlines, regular advisory meetings and adherence to project objectives;

4) The risk assessment will include credit ratings as part of the overall in-depth credit assessment of tenants. The creditworthiness of tenants will be monitored on a regular basis, using external expertise where necessary to give a credit view and an early warning of possible issues. As landlord, the Authority will maintain open dialogue with tenants, including discussion of financial stress;
5) The Authority will monitor the performance of the property asset against business plans throughout the life of the asset, assessing its performance and contribution of continued investment against the probable returns from sale.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Each potential investment would be considered to ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and were the Authority to enter into any, a process in line with that taken for service loans, as set out above, would be followed, including a calculation of a loss allowance where appropriate.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	231.000	238.000	30.000
Service investments: Loans	44.712	37.000	8.000
Service investments: Shares	30.124	47.000	48.000
TOTAL INVESTMENTS	305.836	322.000	86.000
Commitments to lend	3.880	1.226	0.000
TOTAL EXPOSURE	309.716	323.226	86.000

How investments are funded:

To date, all investments are funded by the Authority's useable reserves and income received in advance of expenditure. There are no immediate plans to borrow.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return

Investments net rate of return	**2020/21 Actual**	**2021/22 Forecast**	**2022/23 Forecast**
Treasury management investments	0.382%	0.156%	0.467%
Service investments - Loans	1.725%	2.599%	2.792%
ALL INVESTMENTS	0.598%	0.481%	0.516%

Cambridgeshire and Peterborough Combined Authority

Investment Strategy Report 2022/23

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Further details: Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in a separate document, the treasury management strategy.

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Local businesses	45.491	0.779	44.712	60.000
TOTAL	**45.491**	**0.779**	**44.712**	**80.000**

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Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding service loans. All future loans would be subject to the following risk assessment and mitigating actions:

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3) The calculation of an interest rate that would represent 'value for money', be of 'no detriment' to the Combined Authority, and to minimise the risk of Subsidy Control challenge
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All loans are subject to approval by the Combined Authority Board.

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Equity investment into a Joint Venture along with Peterborough City Council (PCC) and Anglia Ruskin University (ARU) with a total Combined Authority investment of £25.5m against a c.£24m investment from PCC mostly funded from the Levelling Up Fund and a smaller share from ARU. This company will deliver two teaching buildings, which will form the basis for the Anglia Ruskin University – Peterborough to start delivering accredited university courses from September 2022.

Peterborough R&D Property Company Ltd – University of Peterborough Phase 2

Equity investment into a Joint Venture with Photocentric to deliver a Research and Development centre on the University of Peterborough Campus, primarily funded by the Getting Building Fund grant provided specifically for the purpose from the Department of Business, Energy and Industrial Strategy. This company is constructing a 3-story building within the overall Peterborough University Quarter site with the intention to lease space to companies working on zero emission enabling technologies with Photocentric operating as an anchor tenant occupying one of the 3 floors.

Cambridgeshire and Peterborough Business Growth Company Limited

This company was set up, with £5.4m of Local Growth Fund as equity, as a pilot to deliver support to local businesses and improve the skills offering in the Combined Authority area over 3 years. Via subcontracting with a consortia it delivers services on behalf of the Combined Authority including growth coaching for businesses, inward investment, and skills capacity building. The Combined AuthoritY's equity investment is supported with other income streams including the Growth Hub grant, Community Renewal Funds (Start & Grow and Turning Point), EU funding, and the Careers and Enterprise Company contracts. It also manages the Capital Growth Scheme as discussed later.

CAM Special Purpose Vehicle

In 2020-21 the Combined Authority Board approved the creation of a special purpose vehicle company as the preferred option for carrying forward the CAM project. In light of this £4.0m of Combined Authority funds have been invested to set up the company. In May 2021 the Mayor was elected under a clear commitment to no longer support the CAM and the company is now in the process of being wound up and remaining funds returned to the Authority

Silent partner service investments

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Equity Investment of £2m expected to be made last quarter of 21/22 into same company that is delivering Phase 1. Along with further funding from Anglia Ruskin University and Levelling up Funding secured by Peterborough City Council this will deliver a second teaching building and living lab.¶
The

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There are a number of smaller equity investments made within the Growth Fund programme, these total £2.8m currently awarded with a further pipeline of up to £1.8m.¶

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These investments are joint ventures with a partner organisation where the partner has significant expertise in the area in which the company will operate, with the Combined Authority providing financial support. In recognition of the knowledge and experience of the other member of the joint ventures the Combined Authority does not operate significant control over the company regardless of the share ownership position, however it does have the right to appoint a director to each of the companies' Boards.

The Combined Authority receives all papers prepared for the company's boards and annually reviews the companies' financial position as part of the construction of the Combined Authority's group accounts.

Other Equity Investments

Illumina Accelerator Programme

On the recommendation of the Business Board the Combined Authority awarded up to £3m to provide investments of £100k to start-up companies which are accepted onto the accelerator programme to support them to complete the accelerator programme run by Illumina. The accelerator programme offers high growth potential companies 6-months of coaching and access to Illumina's lab space to facilitate their growth and development of their concepts. The outputs for this service investment are new companies establishing in the area, and creating jobs, after completion of the accelerator.

While the overall Illumina programme was subject to the Business Board's due diligence processes, the investments within the programme are made directly into the companies by the Combined Authority. Illumina are not regulated investment advisors and thus do not recommend the companies to the Combined Authority as such the Combined Authority is making its own decision to invest in each company. While there is no recommendation from Illumina, the Combined Authority considers it appropriate to take assurance from a company's acceptance onto the Illumina Accelerator programme taking into consideration the following factors:

i) By the nature of the accelerator programme the companies being accepted would be very early-stage start-ups which would likely not have a financial history from which to draw conclusions on their operations.

ii) Illumina conduct a multi-phase assessment of applicants, including a questionnaire on the company's technology and business plans, interviews, and a 3rd party background check. Acceptance onto the programme therefore indicates Illumina's opinion that the company has a high chance of success, and Illumina invest in each of the companies accepted onto their accelerator programme. Given Illumina's experience and expertise in the sector, as demonstrated by the survival rate of graduates from the established Silicon Valley accelerator, it is reasonable to take assurance from this.

iii) No potential future return on the amounts invested would be included in the Combined Authority's medium term financial plan or capital programme – as such the Combined Authority's financial resilience is independent of the performance of the investments, even in the worst-case scenario of nil returns.

As the value of the investment in each company is low (£100k) and represents a small minority of each company's capital the Combined Authority has very little control over these entities. On this basis their financial accounts are only considered on an annual basis to assess materiality for inclusion in the Combined Authority's group accounts.

The intended outcome of these investments is to enable the company to survive its early development stage to the point at which it can attract further capital investment, not profit from capital growth. Reflecting this the Combined Authority seeks to sell it's shares once the company has achieved further funding however the companies are not publicly traded so achieving a sale and exit is uncertain and could take a number of years.

Start Codon Fund

On the recommendation of the Business Board the Combined Authority agreed a £3m investment into a £15m fund to provide pre-seed equity funding of £250k-£500k to early-stage start-up healthcare and life-science research and development businesses. The fund provides annual performance reports to all it's investors beyond the service reporting required by the Monitoring and Evaluation framework.

Companies are identified by Start Codon, who's team is made up of local experts in the Bio-Pharma life sciences innovation sector, for acceptance onto the accelerator programme; the fund is managed, and investment decisions taken, by the Kin Group Ltd which specialises in venture capital investment.

The fund has a structured plan to sell its investments 10 years after the fund is fully invested, although this is subject to a possible 4-year extension if there is majority investor consent. At this point the fund's position will be liquidated and funding returned to the investors in the proportions in which they originally invested.

Capital Growth Scheme Investments

The Cambridgeshire and Peterborough Business Growth Co Ltd is tasked with the delivery of a £5.5m fund for small-scale equity investments into SMEs. This programme provides working capital awards of up to £250k to fund growth projects which unlock growth in jobs or scale a company to secure more income generation and jobs at a level where private sector equity finance is lacking due to its focus on high-tech, Intellectual Property (IP) based start-ups and much higher growth rates, which typically favour much higher value equity investments of at least £250k up to £2m and higher.

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The Cambridgeshire and Peterborough Business Growth Co Ltd will hold these investments, so they are not included in the limits in this strategy, however they are mentioned as the Cambridgeshire and Peterborough Business Growth Co Ltd is wholly owned by the Combined Authority.

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Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes in £ millions

Category of company	31.3.2021 actual	2022/23

	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	32.202	3.813	28.389	35.000
Local businesses	2.421	0.686	1.735	10.000
TOTAL	**34.623**	**4.499**	**30.124**	**45.000**

Risk assessment: The Authority would assess the risk of loss before entering into, and whilst holding, share agreements. The approach followed would be to consider:

1) an assessment of the market that the Authority would be competing in, the nature and level of competition, how market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements;
2) whether to use external advisors;
3) risk assessment based on credit ratings and the use of credit rating agencies;
4) the monitoring of risk in accordance with the Combined Authority's risk management policy.

Liquidity: Investments will be subject to the drawdown requirements of the Capital programme as set out in the Medium-Term Financial Plan and as monitored in the monthly cashflow forecast.

Non-specified Investments: Shares (defined as equity and equity like instruments) are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

The Authority currently does not invest in property with the intention of making a profit that will be spent on local public services and has no immediate plans to do so. In the event that commercial property investments would be held in future, the Authority would consider the following:

Security: In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Authority would assess the risk of loss before entering into and whilst holding property investments. The approach followed would be to consider:

1) A full due diligence exercise covering an assessment of: the property business plan, including sensitivity and scenario analysis; the credit quality of incumbent tenants (if any); the local property market, including demand, availability and voids in current similar commercial stock; the area's economic outlook and potential; how market/customer needs will evolve over time; barriers to entry and exit and any ongoing investment requirements;
2) Where in-house expertise does not cover the relevant investment opportunity, we will use external advisors for all/part of the due diligence and any other specialist areas;
3) External advice will be monitored by relevant officers, including adherence to deadlines, regular advisory meetings and adherence to project objectives;

4) The risk assessment will include credit ratings as part of the overall in-depth credit assessment of tenants. The creditworthiness of tenants will be monitored on a regular basis, using external expertise where necessary to give a credit view and an early warning of possible issues. As landlord, the Authority will maintain open dialogue with tenants, including discussion of financial stress;
5) The Authority will monitor the performance of the property asset against business plans throughout the life of the asset, assessing its performance and contribution of continued investment against the probable returns from sale.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. Each potential investment would be considered to ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and were the Authority to enter into any, a process in line with that taken for service loans, as set out above, would be followed, including a calculation of a loss allowance where appropriate.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 3: Total investment exposure in £millions

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	231.000	238.000	30.000
Service investments: Loans	44.712	37.000	8.000
Service investments: Shares	30.124	47.000	48.000
TOTAL INVESTMENTS	305.836	322.000	86.000
Commitments to lend	3.880	1.226	0.000
TOTAL EXPOSURE	309.716	323.226	86.000

How investments are funded:

To date, all investments are funded by the Authority's useable reserves and income received in advance of expenditure. There are no immediate plans to borrow.

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return

Investments net rate of return	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	0.382%	0.156%	0.467%
Service investments - Loans	1.725%	2.599%	2.792%
ALL INVESTMENTS	0.598%	0.481%	0.516%

Agenda Item No: 13

Information Governance Update

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
Public report:	Public Report
From:	Sue Hall Governance Assistant
Recommendations:	The Audit and Governance Committee is invited to: a) Note the Information Governance Update b) Note the data on and freedom of information (FOI) requests, environmental information regulation (EIR) requests, whistleblowing disclosures and corporate complaints for September 2021 to March 2022

Voting arrangements: Note only item, no vote required.

1. Purpose

1.1 To update the Audit and Governance Committee on the current position with regards to Information Governance, and to provide data related to the number of corporate complaints and Freedom of Information requests for the period of 1 September 2021 to 28 February 2022

2. Background

2.1 The Committee agreed that six-monthly reports should be presented on the number of data breaches and how they were handled, number of complaints received, timings of FOI's and cases referred to the ICO.

2.2 The table shows progress to date and the target completion date.

Recommendation	Progress and Target Date for Completion (TDC)
Update policies where necessary	Socitm have drafted the following policies and they are now in use: • Device loan agreement • Damage device policy These are attached to the report as an Appendix Socitm are working with RSM who are reviewing the following: • Acceptable usage agreement • Backup policy • IT disaster recovery Target completion date – end of March 2022
Introduce Staff training programme to cover data protection and information/cyber security	All officers within the Combined Authority have undertaken mandatory online Data Protection training provided by Cylix Limited. All temporary and permanent staff are sent instructions during their first week with the CPCA regarding the training. Staff also undertook Data Protection training in January 2022. This was a Data Protection refresher and to inform all staff of the new policies. The training was delivered by PCC/CCC Data Protection Officer who supports the CPCA on Data Protection. IT security training by Cylix is being finalised for delivery across the organisation. Target completion - Spring 2022
Introduce Data Privacy Impact Assessments (DPIAs) for all new projects which involve the processing of personal information – A Data Protection Impact Assessment (DPIA) is a process to help identify and minimise the data protection risks of a project. A DPIA must: • describe the nature, scope, context and purposes of the	The DPIA policies and forms have been created. Training on completing the form was delivered on 22 February 2022 by PCC/CCC Data Protection Officer who supports the CPCA on Data Protection.

processing; • assess necessity, proportionality and compliance measures; • identify and assess risks to individuals; and • identify any additional measures to mitigate those risks	
Encryption of emails and removal of auto-populate function, regular penetration tests Penetration tests which is a process whereby an external specialist company is commissioned to investigate your environment for vulnerabilities i.e., attempting to hack the system.	Socitm have just promoted the Combined Authority's Microsoft licences that include additional security features, one in particular is data sensitivity tagging an example would be marking a document/email as "sensitive". Controls can be applied to that tag to stop forwarding, printing, editing, copy and pasting and now taking screen shots. Socitm are also looking at exchange and boundary encryption to compliment this. Socitm are currently reviewing the processes needed to remove the cached address book on people's machines for external only emails. This will remove the risk of accidental data breaches where incorrect contacts have been used.
Conduct information audit and update Information Asset Registers An asset register records assets, systems and applications (e.g. word documents, archived emails, spreadsheets, databases, etc) used for processing or storing personal data across the organisation and was introduced as a requirement by the GDPR	This is referred to in the Data Protection Policy. It is yet to be implemented. TCD by Summer 2022
Review duplicated files	This is being included as part of the data re-design that is in the sign off stages. Work expected to be completed 1 week after approval.
Convene monthly Information Risk Group meetings	These meetings take place monthly.

2.5 <u>Freedom of Information (FOI) and Environmental Information Regulations (EIR) requests</u>

During the period 1 September 2021 to 28 February 2022 (6 months) the Combined Authority received 14 requests for information under the Freedom of Information Act and a further 1 request for information under the Environmental Information Regulations. All requests and responses have been published on the Combined Authority's website. The topics of the requests upon which FOI and EIR requests were made are:

- OxCam Art
- Cycling/Cycle paths
- Energy in CPCA offices
- Cost of Ting Services
- Community Renewal Bids
- Salary of the Mayor
- Land at Camp's Field, Wilburton
- Procurement Policy
- Foster Carers
- E-scooters
- Services/projects funded that work with a range of support that include substance misuse or substance use disorders
- Chalk Streams Project
- Highways
- Bus Lanes

Performance for this period was as follows:

All of the FOI and EIR requests were responded to within the timeframe of 20 working days Except one FOI which required extra time to consider the public interest test.

2.6 Whistleblowing Disclosures

The Combined Authority has received 1 whistleblowing disclosure for the period 1 September 2021 to 28 February 2022.

2.7 Corporate Complaints

During the period of 1 September 2021 to 28 February 2022 the Combined Authority received 0 complaints.

Significant Implications

3. Financial Implications

3.1 None

4. Legal Implications

4.1 The Data Protection Act 2018 and the UK General Data Protection Regulations governs UK data protection following withdrawal of the UK from the EU.

5. Other Significant Implications

5.1 None

6. Appendices

6.1 Appendix

The following are attached:

- Device loan agreement
- Damage device policy

7. Background Papers

None.

Damaged Device Policy 2021

In the event of a member of staff finding their Laptop / Netbook / Tablet / Mobile Phone is not working properly they are to submit their device to the IT Team and provide details of the problem using the IT portal.

In the event of negligence CPCA will not cover the full cost of repairs/replacement and will follow the below:

> **1st Incident of neglect:** 50% of the repair/replacement cost will be charged to the person responsible for the device.
>
> **2nd Incident of neglect:** 100% of the repair/replacement cost will be charged to the person responsible for the device.
>
> **3rd Incident of neglect:** will be reviewed by a line manager. A maximum of 150% of the cost can be charged to the persons responsible.

Socitm Advisory Digital Services endeavour's to provide all staff with the relevant protection for the devices this includes cases rucksacks and sleeves. But the responsibility falls with the persons the device has been loaned to ensure adequate protection is always upheld.

Definition of Negligence:

Below are some examples of what Socitm Advisory Digital Services deem as negligence.

- Liquid damage.
- Broken devices due to poor location. **Example**: balanced in a precarious manor.
- Heat damage due to poor ventilation. **Example:** Put in a bag while powered on.
- Theft due to leaving the device in a vulnerable location. **Example:** left in an unattended car / public place.
- Damage deemed excessive of regular use. **Example**: deep scratches to lid or major. dents to underside.
- Cigarette smoke damage. **Example**: Yellowing of device or excessive odour.

Device Acknowledgement

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

It has been agreed that a laptop computer be loaned to you while you remain employed at CPCA. While the laptop is in your care the following items should be noted:

1. This remains the property of CPCA and is **only** for the use of the member of staff it is issued to.

2. Only software licensed by CPCA, authorized by Head of Digital Service, and installed by digital support may be used.

3. Should any faults occur Digital Services staff must be advised as soon as possible so that they may undertake any necessary repairs. Under no circumstances should staff attempt to fix suspected hardware faults.

4. Training in the use of the laptop and how to access the CPCA network, Intranet, Internet, and email will be provided by Digital Services staff.

5. CPCA policies regarding appropriate use, data protection, computer misuse and health and safety must be adhered to by all users of the laptop.

6. All devices should not be left unattended in a public space, and must be locked when moving away from the laptop/device

Device Make:_____ Model: _____

Serial Number:_____ Asset Number:_____

Authorized by Manager: *(signature)*_____ Date_____

Member of Staff: _____

Department:_____

Damaged Device Policy

In the event of a member of staff finding their Laptop / Netbook / Tablet / Mobile Phone is not working properly they are to submit their device to the IT Team and provide details of the problem using the IT portal.

In the event of negligence CPCA may charge a percentage of the repair costs as shown below

1st Incident of neglect: Review of incident, and a discussion about prevention.

2nd Incident of neglect: 50% of the repair/replacement cost may be charged to the person responsible for the device.

3rd Incident of neglect: 100% of the repair/replacement cost may be charged to the person responsible for the device.

Socitm Advisory's Digital Services endeavor's to provide all staff with the relevant protection for the devices this includes cases rucksacks and sleeves. But the responsibility falls with the persons

Definition of Negligence:
Below are some examples of what CPCA deem as negligence.

- Liquid damage.
- Broken devices due to poor location. Example: balanced in a precarious manor.
- Heat damage due to poor ventilation. Example: Put in a bag while powered on.
- Damage deemed excessive of regular use. Example: deep scratches to lid or major. dents to underside.
- Cigarette smoke damage. Example: Yellowing of device or excessive odour.

Please sign below to accept the above policy

Staff Member: *(signature)*_____Date_____

Member of Staff: _____

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Agenda Item No: 14

Report title: Audit and Governance Committee Draft Annual Report

To:	Audit and Governance Committee
Meeting Date:	11 March 2022
Public report:	Public Report
From:	John Pye Chair of Audit and Governance Committee
Recommendations:	a) The Audit and Governance Committee is asked to comment on the draft Annual Report of the Chair of Audit and Governance Committee for 2021/22 (Appendix 1) before it is submitted to the Combined Authority Board. b) Approve the draft report subject to agreed changes. Voting arrangements: simple majority of members present and voting.

1. Purpose

1.1 The Audit and Governance Committee has been in operation since the Combined Authority Board approved the membership and appointment of the Independent Person in May 2017. The Committee met six times during the 2021/22 municipal year.

1.2 The Committee provides independent challenge and assurance of the adequacy of risk management, internal control including internal audit, anti-fraud and the financial reporting framework.

1.3 The Draft Annual Report of the Chair of Audit and Governance Committee is the work carried out by the Committee over the municipal year 2021/22 is at Appendix 1.

2. Background

2.1 It is recommended by relevant professional bodies that audit and governance committees should produce an annual report which details the work of the Committee for the Municipal Year. A draft annual report has been prepared for 2021/22 (Appendix 1).

2.2 The draft annual report shows:

- Background to the Committee, its roles, responsibilities and membership;

- An overview and coverage of its remit including Internal Audit, Accounts and Financial Management, External Audit, Risk Management, Control Assurance, Corporate Governance, and Fraud and Irregularities;
- Training provided to ensure that suitable challenge and scrutiny is adopted.
- Records of complaints, Freedom of Information requests and attendance levels for the committee to consider.

2.3 The Committee is asked to comment on the draft report before it submitted by the Chair to the Combined Authority Board in June.

3. Financial Implications

3.1 None.

4. Legal Implications

4.1 None.

5. Appendices

5.2 Appendix 1 – Draft Annual Report

Chapter 14 - Audit and Governance Committee

Part 1 – Functions

1. Governance

1.1 The Combined Authority has appointed an Audit and Governance Committee. The committee is a statutory, non-executive committee.

2. Functions

2.1. The Audit and Governance Committee shall have the following statutory powers to:

(a) review and scrutinise the authority's financial affairs;

(b) review and assess the authority's risk management, internal control and corporate governance arrangements;

(c) review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and

(d) make reports and recommendations to the Combined Authority in relation to reviews conducted under paragraphs (a) (b) and (c);

(e) Implement the obligation to ensure high standards of conduct amongst Members.

3. Terms of Reference

3.1. The Audit and Governance Committee shall undertake the following for both the Combined Authority and the Business Board:

Accounts

3.2. Approve the annual statement of accounts;

Governance

3.3. Review corporate governance arrangements against the good governance framework;

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

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

3.6. Monitor the Authority's risk and performance management arrangements including reviewing the risk register, progress with mitigating actions and assurances;

3.7. Monitor the anti-fraud and whistle blowing policies and the complaint process;

Internal Audit

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

3.9. Review internal audit requirements undertaken by the Combined Authority;

3.10. Approve the internal audit plan;

3.11. 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.

External Audit

3.12. Review the annual accounts;

3.13. 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;

Financial Reporting

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

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

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

3.17. 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;

Code of Conduct

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

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

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

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

General

3.22. Report and make recommendations to the Combined Authority in relation to the above.

4. Membership

4.1. The Combined Authority Board shall decide the size and membership of the Audit and Governance Committee and shall include one Independent Person.

4.2. In appointing Members to the Committee, the Combined Authority Board must ensure that the Members of the Committee taken as a whole reflect so far as reasonably practicable the balance of political parties for the time

being prevailing among Members of the Constituent Councils when taken together.

4.3. The Committee may not include any Officer of the Combined Authority or of a constituent council.

4.4. The Combined Authority Board shall appoint at least one Substitute Member from each constituent council.

4.5. The Monitoring Officer has delegated authority to accept changes to membership of committees notified by constituent councils during the municipal year to ensure there is a full complement of members or substitute members at committee meetings.

5. Chair and Vice-Chair

5.1. The Combined Authority Board shall appoint the Chair and Vice-Chair.

6. Sub-Committees

6.1. The Committee may appoint one or more sub-committees and arrange for the discharge of any of its functions by any such sub-committee.

6.2. The Committee shall appoint a hearings panel to hear any complaints where the Member is alleged to have breached the Code of Conduct.

7. Hearing Panel (Sub-Committee to the Audit and Governance Committee)

7.1. The Hearings Panel is a Sub-Committee of the Audit and Governance Committee.

7.2. The Panel has the following functions:

7.2.1. When matters are referred by the Monitoring Officer granting dispensations to Members and Co-opted Members allowing them to:

(a) participate in the debate; and/or

(b) vote on any matter in which they have a disclosable pecuniary interest;

7.2.2. On matters being referred by the Monitoring Officer deciding whether complaints concerning Members should be investigated;

7.2.3. Hearing complaints that have been referred to them by the Monitoring Officer pursuant to the Complaints procedure;

7.2.4. The agreement of relevant procedures for the undertaking of its functions, when appropriate to be included within the Constitution.

Part 2 – Procedure Rules

1. Access to Meetings

1.1 The public may attend meetings and have access to agenda, reports and minutes in accordance with the Transparency Rules, Forward Plan and Key Decisions in **Chapter 6 - Transparency Rules, Forward Plan and Key Decisions**.

2. Meetings

2.1 The Committee will meet at least once a year.

2.2 An extraordinary meeting of an Audit and Governance Committee may be called by:

(a) the Chair of the Committee; or

(b) the Head of Paid Service.

3. Quorum

3.1 No business is to be transacted at a meeting of the Committee unless at least two-thirds of the total number of Members on the Committee are present.

4. Voting

4.1 Each Member of the Committee appointed from the Constituent Councils is to have one vote and no Member (including the Chair) is to have a casting vote.

4.2 Members of the Committee who are appointed other than from the Constituent Councils shall be non-voting Members of the Committee but may be given voting rights by resolution of the Combined Authority.

4.3 Any questions that are to be decided by the Committee are to be decided by a simple majority of the Members present and voting. If a vote is tied on any matter it is deemed not to have been carried.

5. Conflicts of Interest

5.1 Members must comply with the Member Code of Conduct.

5.2 No Member of the Committee may scrutinise a decision (whether or not implemented) in which they were directly involved as a Member of the decision-making body which made that decision.

5.3 Such a Member may only attend the Committee to:

(a) make representations;
(b) answer questions; or
(c) give evidence about the decision.

6. Appointment of Independent Person

6.1 The Committee must have at least one independent person. The appointment must be made by the Combined Authority Board.

6.2 A person is independent if the person:

(a) is not a Member, Co-opted Member or Officer of the authority;

(b) is not a Member, Co-opted Member or Officer of a parish council for which the authority is the principal authority;

(c) is not a relative, or close friend, of a person within sub-paragraph (a) or; and

(d) was not at any time during the past five years been:

(i) a Member, Co-opted Member or Officer of the authority; or

(ii) a Member, Co-opted Member or Officer of a parish council for which the Authority is the principal Authority.

Term of Office

6.3 Each independent person will serve a term of four years, which may be renewed up to a maximum of one further term (ie total maximum eight years).

Appointments Process:

6.4 The vacancy for the Independent Person must be advertised in such manner as the Combined Authority considers is likely to bring it to the attention of the public. The person must submit to the Combined Authority an application to fill the vacancy, and the person's appointment has been approved by a majority of the Members of the Combined Authority Board.

6.5 The position of Independent Person shall be advertised on the Combined Authority's website, along with the website of each constituent authority.

7. Procedures at meetings

7.1 The Combined Authority Transparency Rules, Forward Plan and Key Decisions in Chapter 6 - Transparency Rules, Forward Plan and Key Decisions will apply.

Annex 1

The current membership of the Audit and Governance Committee is one member from each constituent council and one independent person. (eight members). The quorum is six members.

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

ANNUAL REPORT FROM THE CHAIR OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2021/2022

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 2021/2022

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FOREWORD FROM THE CHAIR OF THE AUDIT & GOVERNANCE COMMITTEE

I am pleased to provide the Audit and Governance Committee's (A&G's) Annual Report for the municipal year 2021/22. 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 programme of work, and with the issues referred to the Combined Authority Board. Members have engaged fully with the Committee's work: they supported and challenged officers to help 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:

Covid -19 Regulations

As with other councils across the country, the Combined Authority returned to face-to-face meetings following the ending of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which had allowed the Committee to meet virtually during the pandemic.

The Committee met six times; adhering to social distancing rules and Covid safety regulations. Meetings were live streamed to allow the public and press to observe the meetings safely. Officer attendance was minimised by allowing them to attend remotely.
Internal Audit business had to be deferred at the 30th of July 2021, because of poor remote links. The 26th of November 2021 meeting was inquorate and had to be abandoned – it was rescheduled to the 17th December 2021. To adhere to the public health guidance, the December and January Committee meetings agendas were slimmed down to minimise the meeting time.

Terms of Reference

The Committee approved amendments to its Terms of Reference; the process for how matters may be referred to the committee was clarified, and the Committee's role in regard to the Combined Authorities Trading Companies was added.

Development Areas

The areas of development identified in last year's annual report were addressed, with the Committee receiving training and briefing sessions on the governance of Trading Companies and the role of the Committee in the governance of projects.
The Committee also made recommendations to the Combined Authority Board in relation to governance issues of the Business Board and the Corporate Risk Register.

Overall

The Committee has benefitted from a stable and engaged membership. Members were reminded of the pressures on quoracy and the need to engage with their substitutes when required to attend in their place

The Committee is supported by Officers in an open and responsive manner.

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

Looking ahead, the Committee will continue to focus on Trading Companies, risk management, project management and the development of the Governance structure.

John Pye
Audit and Governance Chair

1. INTRODUCTION

This is the A&G Committee's fifth annual report and is prepared in line with best practice[1].

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. At the annual general meeting in June 2021 the Combined Authority Board agreed to reappoint Mr John Pye as the Independent Person for a further 4 years and invited him to continue to act as Chair for the Committee.

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 may 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 2021/22. The Committee has seen good progress in all areas under its remit, with rigorous of scrutiny of the Corporate Risk Register, the Annual Accounts and Annual Governance Statement and the Assurance Framework.

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

1) Recommending that the residual risk for Climate Change should be considered by the CA Board to determine whether the significance of the risk had been properly calibrated.

2) Approval and consideration of an internal audit review of a Mayoral decision - the One CAM Closure decision.

3) Asking the CA Board to consider whether they were satisfied that officers had considered the effect of increasing energy prices and the impact on supply chains when factoring the scores for the risks on the Corporate Risk Register.

4) Reviewing the constitutional amendments and recommending them for approval to the CA Board.

5) Obtaining updates on the Climate Change Commission and the working group set up to take forward the recommendations.

6) The Committee agreed to support opting into the national scheme for external auditor appointments for the period 2023/24 to 2027/28 and made a recommendation to the Combined Authority Board on that basis.

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

2. MEMBERSHIP AND MEETINGS

Face to face meetings were resumed from May 2021 as the legislation that allowed for remote meetings to be held came to an end.

During 2021/22, the Audit and Governance Committee met on the following dates:

- 25 June 2021
- 30 July 2021
- 24 September 2021
- 26 November 2021 (meeting abandoned as inquorate)
- 17 December 2021 (rescheduled November meeting)
- 28 January 2022
- 11 March 2022

The Committee met six times instead of the planned five. Due to the Omicron wave in December the Chair and Committee agreed to reduce the number of items being taken to the December meeting to limit the duration of the meeting in line with the Public Health guidance at the time. As a result, the was a need to use the reserve date of 28 January 2022 to cover items which had been deferred.

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 2021/22 were:

Table 1: Councillor Audit Committee Membership 2021/22 as of 11th March 2022:

Independent Person	Conservative	Liberal Democrats	Labour
John Pye (Chair)	Cllr Ian Benney Cllr David Brown (Vice Chair) Cllr Graham Bull	Cllr Tony Mason Cllr Graham Wilson	Cllr Mike Sargeant Cllr Shaz Nawaz

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 and Chief Executive Officer .

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

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

3. KEY ACTIVITIES DURING THE MUNICIPAL YEAR

3.1 Background

The A&G Committee's terms of reference cover six main areas:

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

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

3.2 Annual Accounts

Remit: Approve the annual statement of accounts.

A & G Committee Actions:

25 June 2021

- *Draft Statement of Accounts and Annual Governance Statement:* the Committee noted the draft Statement of Accounts 2020/21 published with the notice of the exercise of public rights and the draft Annual Governance Statement 2021.

30 July 2021

- *Statement of Accounts and Annual Governance Statement:* The Committee RESOLVED not to approve the Annual Governance Statement but defer this until the September meeting, as a result the Statement of Accounts were not approved at this meeting.

17 December 2021

- *Annual Accounts and Annual Governance Statement:* The Committee approved the annual accounts and the Annual Governance Statement.

3.3 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 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:

25 June 2021

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

- *Draft Annual Governance Statement:* the Committee noted the draft Annual Governance Statement 2021.

- *Climate Change Commission:* The Committee received the report which described the development of climate change recommendations through the work of the Cambridgeshire and Peterborough Independent Commission on Climate.

- *Review of Governance Policies and Annual Report:* The Committee received and noted the report which requested that the committee comment on and note the corporate whistleblowing and complaints procedures and review the procedures and note the data on corporate complaints and Freedom of Information requests from June 2020 – May 2021.

30 July 2021

- *Corporate Risk Register:* The Committee received and commented on the Corporate Risk Register; the Committee recommended that the residual risk for Climate Change should be considered by the CA Board at their next meeting to determine whether the significance of the risk had been properly calibrated.

- *Annual Governance Statement:* The Committee RESOLVED not to approve the Annual Governance Statement

24 September 2021

- *Corporate Risk Register:* The Committee received the report which provided an update on the Corporate Risk Register; the Committee requested that the CA Board consider whether they are satisfied that officers have considered the effect of increasing energy prices and the impact on supply chains when factoring the scores for the risks.

- *Combined Authority Trading Companies: The* Committee received the report which provided the Committee with a draft terms of reference in relation to the review and assessment of the Combined Authority's trading companies in line with the statutory powers invested in the Committee. The Committee RESOLVED not to accept the terms of reference of the Committee in relation to the Combined Authority trading companies as they had been presented but to request that:
- 1) Officers consider the wording of the Terms of reference to reflect the position and role of the committee at the CPCA in relation to the trading companies.
  2) Officers reach out to other combined authorities and councils to seek others experiences of how A&G Committee were managing this area and report back any findings to the committee.
  3) That Internal Audit be approached to discuss their involvement with the trading companies and to provide an insight into where this should begin.

- *One CAM Referral:* the Committee received and approved subject to amendments the scope for an internal audit review of a Mayoral decision.

- *Business Board – Format of Meetings:* the Committee noted that the Business Board were asked to reconsider the recommendation from the Audit and Governance Committee, 'that

there should be a presumption that meetings of the Business Board are carried out in public (unless otherwise determined by the Chair)' and that the Business Board agreed the proposed change in meetings format on 14th September 2021. The Committee recommend the Combined Authority Board approve the proposed format change for future Business Board meetings.

- *Information Governance Update:* the Committee received and noted the current position with regards to the GDPR Policy and Information Governance Policy as recommend by the Information Governance Report prepared in October 2020 and put before the Audit and Governance Committee on the 5 March 2021 and provided data related to the number of corporate complaints and Freedom of Information requests for the period of 1 June 2021 to 31 August 2021.

- *Updated terms of reference*: the Committee noted and approved the updated terms of reference which dealt with referral of matters to the Committee.

17 December 2021

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

- *Annual Governance Statement:* the Committee approved the Annual Governance Statement

- *Combined Authority Constitution Review:* The Committee reviewed and approved the amendments to the Combined Authority Constitution following the annual review and recommended the revisions to the Combined Authority Board.

28 January 2022

- *Review of Governance and Ways of Working:* The Committee received and noted the overview of the purpose of the review of governance and ways of working at the Combined Authority and the evidence being gathered to inform the review.

- *Trading Companies – Terms of Reference:* The Committee received and approved the terms of reference of the Committee in relation to the Combined Authority trading companies

3.4 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:

25 June 2021

- *Internal Audit Progress Report:* The Committee received and noted the report which provided an update to the work that RSM have conducted against the internal audit plan for 2020/21.

30 July 2021

- *Internal Audit Progress Report:* item deferred
- *Internal Audit Annual Report:* item deferred

24 September 2021

- *Internal Audit Progress & Annual Report:* the Committee received and noted the annual internal audit report for 2020/21 as provided by the Combined Authority's internal auditors, RSM Risk Assurance Services LLP (RSM) and received and noted the internal audit progress report for 2021/22 as provided by RSM

17 December 2021

- *Internal Audit Progress Report:* item was deferred

28 January 2022

- *Internal Audit Progress Report:* the Committee received and noted the report which provided an update on the progress being made against the internal audit plan for 2021/22.

3.5 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:

30 July 2021

- *External Audit Results:* The Committee received and approved the Management Representation Letter 2020/21 and noted the External Auditors report 2020/21.

17 December 2021

- *External Audit Report and Opinion:* the Committee received and noted the management letter of representation for the external audit opinion.

3.6 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:-

25 June 2021

- *2020/21 Treasury Management Outturn Report:* the Committee received and noted the report which requested they review the actual performance to 31st March 2021 against the prudential indicators included within the Treasury Management and Capital Strategies.

- *Adult Education Budget Update:* The Committee received and noted the report which presented an update for the Committee on the Adult Education Budget Audit and Assurance approach.

17 December 2021

- *Re-tendering Process:* the Committee agreed to support opting into the national scheme for auditor appointments for the period 2023/24 to 2027/28 and to make a recommendation to the Combined Authority Board on this basis.

28 January 2022

- *Financial strategies:* The Committee received and noted the report from the Senior technical Accountant which requested that the Audit and Governance Committee to review the proposed Capital, Investment and Treasury Management Strategies and MRP Statement for 2022/23

3.7 Code of Conduct

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;

30 July 2021

- *Appointment of Independent Persons for Member Conduct:* the Committee received and noted the appointment process and requested that the role description to recruit two Independent Persons be brought back to the next meeting for the committee to review.

4. MEMBER DEVELOPMENT AND ATTENDANCE

There was a programme of Members' development sessions through the year involving:

- Member Induction including Role of the Committee at the Combined Authority
- Horizon Scanning Session with directors from the Combined Authority
- Constitution Review Session
- Role of the Committee – Major projects at the Combined Authority
- Self-Assessment Review

Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
25 June 2021	8	0	Yes
30 July 2021	6	1	Yes
24 September 2021	8	0	Yes
26 November 2021	5	0	No
17 December 2021	6	1	Yes
28 January 2022	7	1	Yes
11 March 2022			

Quoracy has been a challenge for the Committee this year with one meeting being inquorate and two only just being quorate.

5. GOVERNANCE MONITORING

FREEDOM OF INFORMATION REQUESTS
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 39 requests from 15th February 2021 and 15th February 2022, 2 of these requests were 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 two requests for internal reviews with both decisions being upheld.

The table below shows how many Freedom of Information request were received this year and whether or not they were responded to within the statutory deadline of 20 working days.

Freedom of Information Requests Received March 2020 – March 2021

Number of FOI & EIR received between 15th February 2021 – 15th February 2022	Responded within deadline	Late responses	Internal reviews undertaken	Outcome of internal review
39	38	1	2	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 process for complaints from members of the public, businesses or organisations which is published on the website.

- Stage One follows an informal complaints process, where the relevant officer will do their best to settle the issue directly with the complainant .

- 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 no 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 principles are integrity, honesty, objectivity, accountability, openness, leadership and impartiality.

The procedure to be followed was approved by the A&G Committee and is published on the Combined Authority website.

Number of whistleblowing – One.

6. FUTURE DEVELOPMENTS AND PLANS FOR 2021/22

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2022/23 this will include reviews into:

- Project management processes
- Risk Management Processes
- Trading Companies of the Combined Authority

  Development sessions will include aspects identified in the self-assessment review of how the Committee is performing

John Pye

Chair

Audit and Governance Committee

Agenda Item No: 15

Audit and Governance Committee - Work Programming Report

To:	Audit and Governance Committee
Meeting Date:	11th March 2022
Public report:	Public Report
From:	Robert Parkin Chief Legal Officer and Monitoring Officer
Recommendations:	The Audit and Governance Committee is recommended to: a) Note the current work programme for the Audit and Governance Committee for the 2021/22 and 2022/23 municipal year attached at Appendix 1 Voting arrangements: A simple majority of all Members

1. Purpose

1.1 To provide the Committee with the draft work programme for Audit and Governance Committee, looking ahead to the 2021/22 and 22/23 municipal year.

2. Background

2.1 In accordance with the Constitution, the Audit and Governance Committee must perform certain statutory duties including the approval of accounts, governance arrangements, financial reporting and code of conduct.

2.2 A draft work programme which outlines when these decisions are taken for the current municipal year is attached at Appendix 1.

3. Financial Implications

3.1 None

4. Legal Implications

4.1 None

5. Appendices

5.1 Appendix 1 – A&G Work programme

6. Background Papers

6.1 None

AUDIT AND GOVERNANCE COMMITTEE
WORK PROGRAMME 2021/22 – 22/23

Meeting Date 2021/22	Item	COMMENTS
11th March 2022		
South Cambs District Council	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Terms of Reference for the Climate Change Working group	Terms of reference for the Climate Change Working group to be brought to the committee for consideration and to request that the working group advise how flooding considerations
	A&G Committee Annual Report	
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	External Audit – Annual report **Including guidance on accounts update**	The Committee receive and approve the final audit plan prepared by the external auditors

Meeting Date 2021/22	Item	COMMENTS
	Internal Audit Plan – Discussion Draft	Details of audit activity for the following year.
	Internal Audit Progress report	
	Financial Strategy Performance and Investment Strategy update	The Committee receive the report asks for comments comment on the draft Treasury Management Strategy.
	Assurance Framework	The Assurance Framework is a set of systems, processes and protocols, which along with standing orders, financial regulations, departmental procedures, and codes of practice is linked in a hierarchy of management and financial control procedures, which clearly define the responsibilities of members and the duties of the CPCA's officers, consultants and partners. – Approved annually.
	Information Governance Update	Bi annual update on governance issues including FOI.
	Governance Review & Ways of Working Update	Update from Head of Governance on governance review being undertaken.
Meeting Date	**Item**	**Comment**
10th June 2022 Sand Martin House	**Combined Authority Board Update**	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the activities for the authority.

Meeting Date 2021/22	Item	COMMENTS
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Internal Audit Progress Report	
	External Audit Plan	
	Complaints Policy	
	Procurement Policy	
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	Trading Companies Update	
Meeting Date	**Item**	**Comment**
29th July 2022 Venue TBC	**Combined Authority Board Update**	To be provided by the Mayor for the Combined Authority
	Minutes of the previous meeting	Standing item on the agenda for the committee to agree the minutes from the last meeting.

Meeting Date 2021/22	Item	COMMENTS
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Internal Audit Progress report	
	External Audit – Final Results	
	Annual Financial Statements of Accounts	
	Annual Governance Statement	
	Adult Education Budget Review	Committee requested that officers attend to provide an update and respond to the comments from the Internal Auditors report which noted weaknesses in relation to the completion of all aspects of due diligence and independent review of occupancy reconciliations for grant funded providers
	Work Programme	
30th September 2022 Venue TBC		
	Combined Authority Board Update	Standing item on the agenda when a chief officer or by agreement once a year the Mayor for the Combined Authority provides an update on the

Meeting Date 2021/22	Item	COMMENTS
		activities for the authority.
	Minutes	Standing item on the agenda for the committee to agree the minutes from the last meeting
	Corporate Risk Register	Standing item by request of the committee to be considered at each meeting.
	Work Programme	Standing item for the committee to consider their upcoming work programme.
	External Audit – Annual Audit Letter	
	Internal Audit Progress Report	
	Assurance Framework	
	Information Governance Update	
2nd December 2022 Venue TBC		
	Combined Authority Update	
	Minutes	
	Corporate Risk register	

Meeting Date 2021/22	Item	COMMENTS
	Internal Audit Progress Report	
	External Audit – Annual report	
	Work Programme	
	Review of the Constitution	
	Treasury Management Strategy Review	
	Trading Companies Update	
27th January 2023 Venue TBC (Reserve)		
	Combined Authority Board Update	
	Minutes	
	Corporate Risk register	
	Internal Audit Progress Report	
	Treasury Management Strategy Update	

Meeting Date 2021/22	Item	COMMENTS
31st March 2023 Venue TBC		
	Combined Authority Board Update	
	Minutes	
	Corporate Risk register	
	Internal Audit Progress Report	
	External Audit Plan	
	Information Governance Update	
	Assurance Framework	
	Treasury Management Strategy Summary	
	Audit Committee – Annual report	