



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

JAMES PALMER
CAMBRIDGESHIRE &
PETERBOROUGH MAYOR

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: Friday, 31 July 2020

Time: 10.00 a.m.

Location: Virtual meeting via the Zoom Platform

Present:

Mr John Pye
Cllr Ian Benney
Cllr David Brown
Cllr Mark Goldsack
Cllr Graham Bull
Cllr Tony Mason
Cllr Nick Sandford

Chairman
Fenland District Council
East Cambridgeshire District Council
Cambridgeshire County Council
Huntingdonshire District Council
South Cambridgeshire District Council
Peterborough City Council

Officers:

Kim Sawyer
Robert Parkin
Jon Alsop
Robert Fox
Francesca Houston
Susan Hall
Steve Crabtree

Chief Executive Officer
Chief Legal Officer and Monitoring Officer
Chief Finance Officer (s.73 Officer)
Interim Scrutiny Officer
Transport Programme Co-ordinator
Governance Assistant
Internal Auditor (Peterborough City Council)

1. APOLOGIES AND DECLARATIONS OF INTERESTS

- 1.1 Apologies were received from Cllr Mike Davey (Cambridge City Council). There were no declarations of interest.

2. CONFIRMATION OF THE MEMBERSHIP OF THE AUDIT & GOVERNANCE COMMITTEE FOR MUNICIPAL YEAR 2020/21 AND THE ELECTION OF A COMMITTEE VICE-CHAIR

- 2.1 It was confirmed that following the Annual General Meeting of Huntingdonshire District Council on 17 June 2020 Cllr Graham Bull had been confirmed as the representative of that constituent council on the Committee. The Chair placed on record his thanks to Cllr Mac McGuire for being his Vice-Chair for the last two years and his contribution to this Committee.
- 2.2 The Chair conducted the election of a new Vice-Chair. Cllr Ian Benney proposed Cllr David Brown as Vice-Chair and this was seconded by Cllr Mark Goldsack. Cllr Brown accepted the nomination and was duly elected as Vice-Chair.

3. CHAIR'S ANNOUNCEMENTS

- 3.1 The Chair invited the s.73 officer to update the Committee on the review of the Lancaster Way decision. At the May Audit and Governance Committee meeting, following a referral by the Transport and Infrastructure Committee, it was agreed to commission an independent review of the costs and timetable associated with the programme delivery of the Lancaster Way project against terms of reference agreed at that meeting. The Combined Authority approached a number of potential suppliers and, in consultation with Cambridgeshire County Council, have agreed to appoint a suitably qualified auditor to perform the review. An inception meeting to agree the process, timeline and requirements for carrying out the work is scheduled for 3 August. The supplier has been asked to provide a report to the Committee on their findings at the 2 October Committee meeting, or at an Extraordinary Committee meeting.
- 3.2 The register of interest forms recently forwarded to Members should be returned to Susan Hall at the Combined Authority as soon as possible.
- 3.3 The s.73 officer provided an update on Lancaster Way and stated an audit report would be provided at the next meeting of the Committee or at specially convened meeting. Following a question, the s.73 officer stated the cost of the audit review are being shared between the Combined Authority and Cambridgeshire County Council and will be approximately £40,000 in total.
- 3.4 With regard to the media reports of correspondence between the Minister for Housing, Communities and Local Government and the Mayor the Chair stated he had spoken with the External Auditors and was clear that the issues raised relate more to the terms of reference of the Overview & Scrutiny Committee. There are two distinct governance issues raised around a recruitment issue and an error in the Constitution. The Chair proposed that following the meeting the correspondence be shared with the Committee together with an analysis from the Chief Executive relating to each of the areas raised in the Minister's letter. An update will be sought for the meeting of the Committee on 2 October 2020.

RESOLVED

- 3.5 A final audit report on Lancaster Way be brought to either a special meeting of the Committee before the next scheduled meeting or the meeting on 2 October 2020.
- 3.6 That an update on the correspondence between the MHCLG and the Mayor be brought to the meeting on 2 October 2020.

4. MINUTES OF THE LAST MEETING

- 4.1 The minutes of the meeting held on 26 May 2020 were agreed.
- 4.2 The Action Sheet was reviewed by the Committee.

RESOLVED:

- 4.3 That the open actions should be presented at the top of the Action Sheets at future meetings.

5. DRAFT FINANCIAL STATEMENTS 2019/20

- 5.1 The s.73 officer presented the draft financial statements and confirmed publication will be on 31 August 2020 enabling further opportunity to reflect any amendments suggested by Members.
- 5.2 At the last meeting of the Committee it was highlighted that the pension notes were incomplete. These and amendments suggested by Ernst & Young have been incorporated into the revised draft. Suggestions made by the Committee at the last meeting have also been included in the revision.
- 5.3 The s.73 officer explained that subject to any other changes suggested the version of the financial statements received by the Committee will be published on the Combined Authority website along with the exercise of public rights. Public consultation on the statements will then commence on the first Monday in September. The Committee will receive the final version on 2 October 2020 with final publication on 30 November 2020.
- 5.4 The s.73 officer confirmed the strong financial position of the Combined Authority with net assets and resources of £170m. The Medium-Term Financial Plan was agreed by the CA Board in June to assist with the recovery post-Covid 19 and the financial statements show the Combined Authority can deliver on this.
- 5.5 Following a suggestion, it was agreed a note should be incorporated into the accounts to fully explain the adjustment on the LEP/Business Board accountability.
- 5.6 It was agreed a note should be incorporated into the accounts stating no bonuses are paid to senior staff and salaries are base pay – any reference to bonuses should, therefore, be removed. The narrative should also reflect expenses not subject to tax are not included.
- 5.7 The financial statements should reflect the risk register in future.
- 5.8 The Committee will receive the redrafted version of the financial statement following revisions prior to the period of public consultation.

RESOLVED:

- 5.9 A note on the adjustment on the LEP/Business Board accountability be included in the accounts.
- 5.10 Any reference to bonuses be removed from the accounts as this is superfluous together with a note to reflect expenses not subject to tax are not included.

- 5.11 The final statement of accounts to be presented at the 2 October 2020 meeting of the Committee.

6. EXTERNAL AUDIT UPDATE 2019/20

- 6.1 Suresh Patel and Dan Cooke, Ernst & Young, were in attendance to present the update. It was explained the External Auditors became aware of the correspondence between the MHCLG and the Combined Authority at the same time as members and had requested a copy of the correspondence. They are satisfied that there are no significant issues that affect the audit. If anything subsequently comes to their attention this will be reported at the next meeting of the Committee.
- 6.2 It was reported that the original date to conclude the audit by the end of July was very ambitious due to the impact of Covid-19. Therefore, the full audit is yet to be completed. Completion is now expected at the end of August with the caveat that one area is outside the auditors' direct span of control, namely the Cambridgeshire Pension Fund. Work on this is ongoing but there are complexities which may extend this work to the end of September. The full audit report will be presented to the 2 October meeting of the Committee.
- 6.3 The financial statement will include some revised wording to take account of Covid-19 at the suggestion of the External Auditors.
- 6.4 A member of the public had asked about the governance and accountability of loans given to East Cambridgeshire Trading Company. Ernst & Young reported the s.73 officer had provided evidence in response to the questions raised.
- 6.5 The Chair thanked the External Auditors for their contribution and invited them to attend the next meeting to present the final audit and opinion.

RESOLVED:

- 6.6 That the Committee welcomed the update on the external audit and requested the final audit and opinion be presented at the next meeting on 2 October 2020.

7. INTERNAL AUDIT AND OPINION 2019/20

- 7.1 The Internal Auditor reported that the conclusion of 'reasonable assurance' had been reached across all works. The Combined Authority is in delivery phase and all governance arrangements are appropriate. There are no significant issues that should be reported to this Committee or on the Annual Governance Statement. There has been significant improvement on governance arrangements across all levels of the Authority.
- 7.2 Progress since the report at the last meeting of the Committee includes substantial assurance on the Project Management Framework and Performance Management. There is also substantial assurance on the assurance framework for the Business Board.
- 7.3 Following a question the Internal Auditor confirmed the level of spend on grant claims had been appropriate and the assurance level of 'certified' is a technical exercise rather than an assurance judgement.

- 7.4 Following a question on potential fraud the Internal Auditor stated the Combined Authority ICT is provided by Huntingdonshire District Council at part of 3C Shared Services and is working well with reassurances in place. With regard to potential email hacking the s.73 officer informed the Committee all Combined Authority laptops require valid passwords and, therefore, the previous interception would be much more difficult to access. There are other levels of access required to validate the receipt of grants.
- 7.6 The Chief Legal and Monitoring Officer suggested an item on Information Security and Information Governance be added to the Committee work programme. This was agreed.
- 7.7 The Internal Auditor was thanked by the Chair for the report.

RESOLVED:

- 7.8 A future item on Information Security and Information Governance be added to the Committee work programme.

8. INTERNAL AUDIT 2020/21

- 8.1 The s.73 officer outlined the procurement process to appoint a new internal audit function following the cessation of the Service Level Agreement with Peterborough City Council which had provided the function since the establishment of the Combined Authority.
- 8.2 There had been six expressions of interest and all had been invited to tender. Of these three compliant bids are being evaluated. The assessment and appointment should be concluded by week ending 10 August 2020 and an Internal Audit Plan will be presented to the 2 October 2020 meeting of the Committee.
- 8.3 The Chair suggested that the newly elected Vice-Chair also been involved in the presentation process, if available. The Chair stated he was encouraged by the progress on the appointment.

RESOLVED:

- 8.4 That the Internal Audit Plan for 2020/21 be presented to the next meeting by the successful appointee.

9. ANNUAL GOVERNANCE STATEMENT 2019/20

- 9.1 The Chief Legal and Monitoring Officer explained the reason why the Annual Governance Statement was being received by the Committee again following receipt at the last meeting. Essentially this was to give members the opportunity to comment upon the document once again now the internal audit and opinion has been received. The narrative in the appendix looks at the development of capacity within the organisation and brings together a declaration of independent assurance work, risk management and control. The document itself is retrospective. A typographical error was brought to the attention of the Committee for correction in the statement.

- 9.2 The Chief Legal and Monitoring Officer informed the Committee that there is work ongoing to maintain the currency and effectiveness of the current Combined Authority Constitution. The Combined Authority Board will receive the updated Constitution for approval at its meeting on 30 September 2020. Stakeholders are being engaged as part of this process. The Committee will be invited to a Workshop session in mid-September, and the intention is to call a special meeting of the Committee in late September to receive sign-off prior to presentation to the CA Board.

RESOLVED:

- 9.3 That the Committee be invited to attend a Workshop session and that the Committee is called into special session for consideration of the revised Constitution in late September.

10. COMBINED AUTHORITY BOARD UPDATE

- 10.1 The Chief Executive Officer provided a verbal update to the Committee and reported there had only been one meeting of the Combined Authority Board since the last meeting of this Committee, which was the CA Board Annual General Meeting. That meeting had agreed and adopted the Complaints Policy which had been approved at the last Audit & Governance Committee meeting.
- 10.2 The Chief Executive Officer explained the measures undertaken by the Combined Authority to counteract the economic impact of Covid-19. Additionally the Combined Authority is issuing a prospectus to enable market towns to generate and invest in their areas to assist with the response to the virus.
- 10.3 A Gateway Review has been active since July to ensure visibility in what the Combined Authority undertakes. Wisbech Rail is part of this review and a positive announcement on this is expected soon. The Review is part of the Assurance Framework when the Combined Authority was established and as such gives direct accountability to the MHCLG. The Review is normally every five years but is taking place after three years to ensure future funding. As part of the Review the Combined Authority has written to the Minister highlighting what has been delivered including, amongst other things, the University of Peterborough; construction work on the restored Soham station; the business case for the dualling of the A10; and key junction improvements in Fenland.
- 10.4 With regard to correspondence with the MHCLG clarification is being sought on five areas. The Constitution review is taken consideration of the matters raised by the Minister, and these will be shared with the Committee as part of the consultation on the review. The Chief Executive reiterated that the Combined Authority has not done anything unlawful or outside permitted boundaries. The Chief Executive stated she would provide the Committee with all correspondence between the Authority and the MHCLG.
- 10.5 Following a question the Chief Executive confirmed the University of Peterborough HE Partner has been appointed. Anglia Ruskin University will be the provider with the intention that there will be a fully independent University in due course.

- 10.6 There was widespread support from the Committee for the additional funds being provided to market towns to assist in the Covid-19 economic recovery.
- 10.7 The Chair thanked the Chief Executive for her contribution which adds context to the work of the Committee.

RESOLVED:

- 10.8 That the Chief Executive provide the Committee with the relevant correspondence between the MHCLG and the Combined Authority.

11. INDEPENDENT COMMISSION ON CLIMATE CHANGE

- 11.1 The Chief Executive introduced Paul Raynes, Director of Delivery and Strategy and Adrian Cannard, Strategic Planning Manager and invited them to update the Committee on the procedures to appoint the Chair of the independent Commission on Climate Change and subsequently the Commission itself.
- 11.2 The Chair of the Commission is Baroness Brown of Cambridge who has a prominent role in the climate change field, as highlighted in the report that accompanies this item. The inaugural meeting of the Commission finished shortly before this item was presented to the Committee and it is clear the Commission wishes for strong recommendations and influence for delivering actions on climate change.
- 11.3 A note was requested on who is on the Commission as well as how members can contribute. Adrian Cannard confirmed he is the point-of-contact for the Commission in terms of ideas, and he stated any contributions from Members of the Committee would be welcomed, as the Commission wishes to have as wide an engagement as possible and should be sent directly to him.
- 11.4 There was some concern expressed with regard to the Commission appointments and whether it was an open appointment process. The Chair's comments with regard to this were noted. As a non-remunerated Commission, the group was selected based upon expertise – had it been a remunerated Commission there would have been an open appointment process it was explained. Commission members were selected on an individual basis not through organisations. The appointment process followed appropriate governance procedures.
- 11.5 The Chief Executive informed the Committee the Constitution review will look to elaborate upon the internal controls for the appointments to Boards, Commissions and Working Groups.
- 11.6 There was support across the Committee for the establishment of the Commission and an update was requested for the meeting in December 2020 with particular focus on how the Commission recommendations will be formulated.

RESOLVED:

- 11.7 The names of all on the Independent Commission on Climate Change to be provided to the Committee.
- 11.8 A further report to the Committee be programmed for December 2020 to explain the process for formulating recommendations.

12. CORPORATE RISK REGISTER

- 12.1 As requested at the previous meeting the risks were presented in order of RAG rating from highest to lowest. The only 'red' risk being the impact of Covid-19 which is presented as a single risk due to the immediate financial risk it poses to the Combined Authority area.
- 12.2 A request to include climate change as a discrete risk was raised again by the Committee. The Chief Executive explained climate change is considered in how it manifests itself in the delivery of all infrastructure projects. There was a level of disquiet from the Committee regarding this. The Combined Authority will consider advice from the Independent Commission on Climate Change to see whether climate change ought to be reflected as an individual risk on the register. Members of the Committee requested that climate change should be a discrete risk and requested it is presented so at future meetings.
- 12.3 Cllr Mason undertook to forward a document highlighting the sort of questions an organisation would be required to answer as part of the new Task Force on Climate Related Financial Disclosure (TCFD) from 2022. It was suggested this in turn be forwarded to the co-ordinators of the Independent Commission.

RESOLVED:

- 12.4 That Climate change should appear on future risk register reports to the Committee as a discrete risk.
- 12.5 Cllr Mason's documentation to be forwarded to the co-ordinators of the Independent Commission on Climate Change.
- 12.6 A further update on the Corporate Risk Register will be received at the 2 October 2020 meeting of the Committee.

13. AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

- 13.1 With the amendment of a typographical error and an incorrect date for the April 2021 meeting the Committee work programme was noted.
- 13.2 The Scrutiny Officer stated he would welcome any suggestions on the new template presented.

14. DATE OF NEXT MEETING

- 14.1 The next scheduled meeting of the Committee would be Friday, 2 October 2020 at 10.00 a.m. (by Zoom).

The meeting closed at 12.43 p.m.