



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 practice¹.

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 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, there 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 recommended 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 15 th February 2021 – 15 th February 2022	Responded within deadline	Late responses	Internal reviews undertaken	Outcome of internal review
39	38	1	2	No finding of the CPCPA failing to

				comply with the EIR or of information being wrongly withheld.
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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