



# **ANNUAL REPORT FROM THE CHAIRMAN OF AUDIT & GOVERNANCE COMMITTEE FOR THE COMBINED AUTHORITY OF CAMBRIDGESHIRE AND PETERBOROUGH 2018/2019**

**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 2018/2019**

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## **FOREWORD FROM THE CHAIRMAN OF THE AUDIT & GOVERNANCE COMMITTEE**

I am pleased to provide the Audit and Governance Committee's (A&G) Committee Annual Report for the municipal year 2018/2019. The Board is requested to:

- Note the work carried out by the Audit and Governance Committee in scrutinizing the governance arrangements across the Combined Authority.
- Provide any feedback to the Committee.

The report describes the A&G Committee's contribution to the development of the Combined Authority's governance and control framework in this second year. Establishing the elements of good governance in a new organisation is a challenge and takes time to mature.

The A&G Committee keeps this in mind in its work.

Members have supported and challenged officers to help in the development of effective and transparent risk, internal control and governance processes.

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

**Audit and Governance Chair**  
**John Pye**

## INTRODUCTION

This is the A&G Committee's second annual report. It is produced in accordance with latest best practice<sup>1</sup>.

The A&G Committee was established by the Combined Authority at its meeting in May 2017. The membership comprises 7 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

The purpose of the A&G Committee 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 can be seen as:

- Raising greater awareness of the need for internal control and the implementation of both 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 2018/19. The A&G Committee has seen good progress in all areas under its remit and have ensured that a high degree of scrutiny around the Treasury Management Strategy has taken place since the start of the year.

The A&G Committee have also begun to make recommendations into the Combined Authority Board which have been taken on and actioned.

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

## MEMBERSHIP AND MEETINGS

During 2018/2019, the Audit and Governance Committee met on the following dates:

- 20<sup>th</sup> July 2018
- 28<sup>th</sup> September 2018
- 30<sup>th</sup> November 2018
- 29<sup>th</sup> March 2019

There is a cross representation of all parties in accordance with the make-up of the constituent councils across the Combined Authority area. The members for 2018/2019 were:

Table 1: Councillor Audit Committee Membership 2018/2019 as at 29 March 2019:

Conservative	Independent	Liberal Democrats	Labour
Cllr Chris Morris Cllr Anne Hay Cllr Mac McGuire Cllr David Seaton		Cllr Nichola Harrison Cllr Tony Mason	Cllr Richard Robertson

Senior officers from the Combined Authority are also present at the A&G Committee meetings, including the Interim Chief Finance Officer, Legal Counsel and Monitoring Officer, Interim Chief Executive Officer and Chief Internal Auditor.

The Mayor for the Combined Authority attended one meeting to provide an update on Combined Authority activities.

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

The A&G Committee was well supported by the Combined Authority's senior officers throughout the year.

## KEY ACTIVITIES DURING THE MUNICIPAL YEAR

### **Background**

The Audit and Governance Committee's terms of reference cover 6 main areas:

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

The work of the AG&C to fulfil its terms of reference is summarised below.

### **Annual Accounts**

#### **3. Terms of Reference**

##### **3.2 Approve the annual statement of accounts.**

#### **Audit & Governance Committee Actions:**

##### **20<sup>th</sup> July 2018**

- *Statement of Accounts:* The Combined Authority is required to prepare a Statement of Accounts each financial year, and it must be prepared in accordance with statutory timelines and accounting practices. The purpose of the report was for members to receive and approve the audited Statement of Accounts 2017/18 and approve the Annual Governance Statement 2017/18

##### **31<sup>st</sup> May 2019**

- *Draft Statement of Accounts:* The A&G Committee considered and commented on the draft accounts for the Combined Authority 2018/19.

### **Governance**

#### **Terms of Reference**

- 3.3 Review corporate governance arrangements against the Code of Corporate Governance and 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;

## **Audit & Governance Committee Actions:**

### 20<sup>th</sup> July 2018

- *Constitution Review:*  
The Committee reviewed its terms of reference within the Combined Authority constitution and suggested any changes put forward as a recommendation to the Board.

### 28<sup>th</sup> September 2018

- *Corporate Risk Register Review:*  
The Committee reviewed the Combined Authority Corporate Risk Register and suggested any changes they would like to put forward as a recommendation to the Board.
- *Interim Governance Review of Business Board:*  
The Committee received the paper which set out the governance arrangements for the new Business Board.
- *Recruitment processes:*  
The Committee received the report which informed them of the director recruitment process for the Director of Strategy and Planning and to provide assurance that the process was robust and carried out appropriately.

### 30<sup>th</sup> November 2018

- *Chief Executive Resignation:*  
Members requested that a review be carried out in relation to the employment and dismissal procedure following the exit of the chief Executive and the Chief finance officer. The Committee received the report which provided them with the factual background relating to the circumstances of the resignation of the former Chief Executive and Finance Officer.
- *Corporate Risk Register:*  
The Committee received the report which asked the committee to review the Combined Authority Corporate Risk Register and suggest any changes they would like to put forward as a recommendation to the Board.
- *Staffing Structure:*  
The Committee received the report which explained the situation and timelines regarding a permanent senior staffing structure and to provide assurance about how good governance is being maintained in the interim.
- *Audit Committee Self - Assessment Actions and Review:*  
The Committee received the report which asked them to review the proposed actions from the Committee's first annual self-assessment exercise.

## **Internal Audit**

### **Terms of Reference**

- 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

### **Audit & Governance Committee Actions:**

#### **20<sup>th</sup> July 2018**

- *Internal Audit Annual Report:*  
The Committee received the report which provided notice of the Annual Audit Report and Opinion.
- *Internal Audit – Progress Report:*  
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

#### **28<sup>th</sup> September 2018**

- *Internal Audit – Progress Report:*  
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

#### **30<sup>th</sup> November 2018**

- *Internal Audit – Progress Report:*  
The Committee received the report which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

#### **29<sup>th</sup> March 2019**

- *Internal Audit Plan and Progress Report:*  
The Committee received the report which provided details of the progress made in delivering the Audit Plan.

#### **31<sup>st</sup> May 2019**

- *Internal Audit Report:* Members considered the results from the Internal Auditors investigation.



## **External Audit**

### **Terms of Reference**

- 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;

## **Audit & Governance Committee Actions:**

### **20<sup>th</sup> July 2018**

- *External Audit - Audit Results Report:*  
The Committee received the report which presented the audit results report and summarised EYs preliminary audit conclusion in relation to the audit of the Combined Authority for 2017/18.

### **28<sup>th</sup> September 2018**

- *External Audit - Annual Audit Letter:*  
The Committee received the report which presented the Annual Audit Letter, as prepared by Ernst and Young following the completion of their 2017/18 audit.

### **30<sup>th</sup> November 2018**

- *External Audit – Audit Plan:*  
The Committee received the report which set out the 2018/19 Outline Audit Plan as prepared by Ernst & Young LLP (EY) for approval.

### **29<sup>th</sup> March 2019**

- *External Audit Progress Report:*  
The Committee received the report which provided an update on the Audit Plan as prepared by Ernst and Young LLP (EY).

## **Financial Reporting**

### **Terms of Reference**

- 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;

## **Audit & Governance Committee Actions:-**

### 20<sup>th</sup> July 2018

- *Review of Investment Strategy & Risk Appetite:*  
The Committee received an oral update from the Interim Chief Finance Officer which provided information on the status of the investment strategy and the risk appetite for the Combined Authority.

### 28<sup>th</sup> September 2018

- *Treasury Management Mid-Year Update:*  
The Committee received the report which asked the committee to review the current performance against the prudential indicators included within the Treasury Management Strategy.
- *Adult Education Budget:*  
The Committee received the report which provided them with information regarding the Adult Education Devolution Programme. The Committee noted the inclusion of the Adult Education Budget Programme Audit on the CPCA Internal Audit plan

### 30<sup>th</sup> November 2018

- *Treasury Management Update:*  
The Committee received the report which provided the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management.

### 29<sup>th</sup> March 2019

- *Independent Financial Review:*  
The Combined Authority carried out a review of the budget process undertaken in 2018; the results of this report were presented to the committee.
- *Treasury Management:*  
The Committee received the report which provided members with an update on the Treasury Management Strategy for the Combined Authority.

## **Code of Conduct**

### **Terms of Reference**

- |      |  |
|------|--|
| 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;   |

## MEMBER DEVELOPMENT AND ATTENDANCE

Throughout the year, the provision of ongoing Members' development has been the cornerstone of collective skills of the Committee. During the year, officers provided presentations on:

- Business Board and its Governance Arrangements
- Combined Authority Budget

A self-assessment of the A&G Committee's performance was also undertaken and can be found at Appendix A.

The Audit and Governance Committee members were given the opportunity to attend a Governance Workshop on 18<sup>th</sup> March 2019 along with members from the Combined Authority Overview and Scrutiny Committee; the workshop was run by an external facilitator and covered discussions on the roles of the two committees and discussed the governance reviews that were ongoing at the Combined Authority.

The A&G Committee were also given the opportunity to discuss the progress of the Combined Authority with the External and Internal Auditors at a private meeting prior to their March meeting.

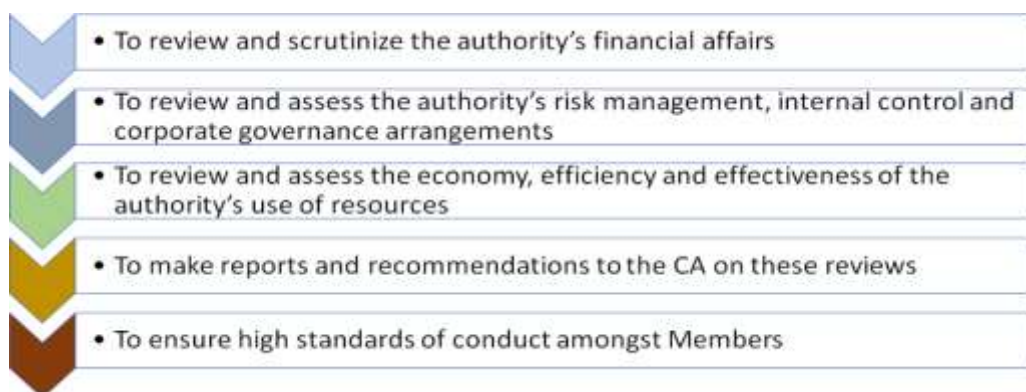
### Attendance

Date of Meeting	Number of members attended	Substitutes sent	Meeting Quorate
July 20 <sup>th</sup> 2018	7	1	Yes
September 28 <sup>th</sup> 2018	7	1	Yes
November 30 <sup>th</sup> 2018	7	0	Yes
March 29 <sup>th</sup> 2019	6	0	Yes from 10:15 – 12pm

Attendance at training sessions had been of previous concern to the Chair but attendance at these sessions usually held prior to the main A&G meeting had increased over the year.

Following the meeting on the 29<sup>th</sup> March 2019, the Chair circulated a letter to Council Leaders, Monitoring Officers and Chief Executives of constituent Councils reminding them of the high number of Councillor attendance needed for quoracy to allow the Committee to carry out their functions. They were informed that the requirement was for two-thirds of members to be present for the meeting to be quorate and emphasised the importance of sending nominated substitutes if members were unable to attend.

On the 18<sup>th</sup> March 2019, a training session was held for members of the Audit and Governance Committee and Overview and Scrutiny Committee. A public Sector Governance Training workshop by Bethan Evans was held and the Audit and Governance committee agreed that the agenda should include a summary of their responsibilities as below:



## 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 54 requests from 1 March 2018 to 28 February 2019.

All responses are now published on the 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 10 requests for internal reviews the results of these were that 7 of the review requests were denied and the original response was upheld; on receipt of further clarification by the requester 3 requesters were sent the information requested.

The table below shows how many Freedom of Information request were received this year and details whether they were responded to within the statutory deadline required of 20 working days.

#### Freedom of Information Requests Received March 2018 – March 2019

Number of FOI received between 1 <sup>st</sup> March 2018 – 28 <sup>th</sup> Feb 2019	Responded within deadline	Late responses	Internal review under taken	Outcome of internal review
54	48	6	10	7 - upheld 3 - information provided.

### COMPLAINTS

The Combined Authority has a two stage complaints process which is published on the website.

- Stage One follows an informal complaints process where the relevant officer will do their best to settle the complaint without further action being taken.
- 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 informal or formal complaints this year and no referrals to the local ombudsman.

## **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 include the principles of; integrity, honesty, objectivity, accountability, openness, honesty, leadership and impartiality.

The procedure that must be followed was approved by the Audit and Governance Committee last year and is published on the Combined Authority website.

There have been no instances of whistleblowing received by the Combined Authority this year.

## **FUTURE DEVELOPMENTS AND PLANS FOR 2019 / 2020**

Overall, the Audit and Governance Committee want to continue to develop and build on our current achievements. For 2019 / 2020 this will involve:

- Continuing to monitor and drive up standards of corporate governance;
- Continuing to equip existing and any new Members with the skills needed to fulfil the A&G Committee's responsibilities by providing or facilitating development sessions on all aspects of the Committee's remit;
- Assisting and supporting officers to promote the work of the A&G Committee and the roles of internal audit, external audit and risk management;
- Supporting the continued production of high quality and compliant statutory accounts;
- Helping to further increase awareness within the Combined Authority of its governance arrangements, with particular emphasis on information and tackling fraud and corruption; and
- Providing effective challenge to officers, raising awareness for sound internal control arrangements and giving assurance to the Authority that its control arrangements are sound.

John Pye

Chair

Audit and Governance Committee