

## Appendix 3



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

## AUDIT & GOVERNANCE COMMITTEE - Decision Summary

**Meeting:** 19 July 2019

**Agenda/Minutes:** [Audit & Governance Committee: 19th July 2019](#)

Chair: John Pye (Chair and Independent Person)

Summary of decisions taken at this meeting

Item	Topic	Decision [ <i>None of the decisions below are key decisions</i> ]
1.	Apologies for Absence	Apologies were received from Councillor Lillis - substituted by Councillor Sandford.
2.	Declarations of Interest	Councillor Davey declared a personal, non-pecuniary interest as his wife was an Assistant Director at Peterborough City Council and Cambridgeshire County Council in Housing matters.
3.	Minutes of the meeting held on the 31 <sup>st</sup> May 2019	The minutes of the meeting held on the 31 <sup>st</sup> May 2019 were agreed and signed by the Chair with an adjustment to the spelling of the word East, which in the minutes read 'Eats'

	Chair's Announcements	<p>The Chair asked the Committee if it was content with the start time of 10am for the current cycle of Committees and if it was happy to hold the meetings on a rotational basis around the Constituent Councils.</p> <p>Members agreed that they wished to continue as it currently operates.</p> <p>The Chair asked John Hill to clarify the positions of the joint Chief Executive Officers.</p> <p>John Hill explained that he was the joint CEO for the Combined Authority, together with Kim Sawyer, and for East Cambs District Council and noted that whilst it was unusual for there to be a joint CEO position, it was not unique and noted that it enabled the CEOs flexibility should they have a conflict of interest. He further noted that there was emphasis on continuity and permanency for both staff and Councillors and stated that he would circulate information to members to provide them with clarity on each area that their respective roles covered.</p>
4.	CPCA A&GC – Value for Money 19 July 2019	<p>The S73 officer elaborated on a report informing the Committee on the Authority's approach to delivering value for money (vfm). It was explained that in the 2018/19 audit plan, the external auditors stated their requirement to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources, which was known as the auditor's 'value for money'. This report was intended to show how the Combined Authority delivers value for money in practice. The S73 officer referred to 2 key documents used to ensure vfm - the Assurance Framework and the Monitoring and Evaluation Framework.</p> <p>It was explained that for new projects/programmes, the detailed consideration of whether vfm was represented through the development of a Project Initiation Document (PID).</p>

		<p>In response to questions asked, the Chief Finance Officer explained that the monitoring and evaluation process was clearly set out in the monitoring and evaluation framework. He further informed the Committee that every project embarked on by the Combined Authority, was subject to senior officer scrutiny. Subsequently, officers would provide the Board with updates and forecasts and that any potential overspend would be highlighted and any additional spend having to be agreed by the Board.</p> <p>The Committee discussed the following:</p> <ul style="list-style-type: none"><li>a) Has the VfM criteria changed and how do the Combined Authority define Vfm to the public?</li><li>b) What stakeholder involvement is there and what information is the available on the Return of Investments (RoI)?</li><li>c) What methodology is being followed with regards to Project Initiation Documents (PIDs) and are RoIs and vfm statements produced?</li><li>d) Have there been any gateway reviews carried out to provide opportunities to explore lessons learned?</li><li>e) Could a completed project be scrutinised to examine the vfm and retrospective monitoring of the project be subject to a case study?</li><li>f) If a scheme is approved but costs significantly increase, how will this be dealt with, specifically if it becomes necessary to abandon it?</li></ul> <p>The Chief Executive suggested that he produce a timeline of the implementation of a significant project carried out by the Combined Authority to include key priorities and report back to a future Audit and Governance Committee with a proposed case study and time line.</p>
--	--	--

		<p><b>RESOLVED:</b></p> <p>That the Committee noted the Combined Authority's approach to delivering value for money.</p>
5.	Annual Audit Internal Opinion	<p>The Internal Auditor elaborated on a report which provided details of the performance of internal Audit during 2018-19 and the areas of work undertaken which included an opinion of the soundness of the control environment in place to minimise risk to the Combined Authority.</p> <p>It was explained that the areas covered as part of the internal audit included Corporate Governance, Local Enterprise Partnership Governance and a significant piece of work undertaken was the auditing of the Adult Education Budget (AEB), following further devolution of central government services to the Combined Authority.</p> <p>The Internal Auditor stated that they had looked at how the loan of £6.5m to East Cambridgeshire Trading Company had been made and an update report would be provided at the next Audit and Governance meeting.</p> <p>The Internal Auditor explained that the Public Sector Internal Audit Standards (PSIAS) stated that the Chief Audit Executive should report any issues considered particularly relevant to the preparation of the Annual Governance Statement which included consideration of any significant risk of governance issues and control failures which arise. The internal auditors were unable to provide any assurance on Human Resources (Recruitment and Selection).</p> <p>It was reported that despite changes to the senior structure of the Combined Authority, delays in responding to questions asked by the Internal Auditors had been experienced but that this had now been resolved.</p> <p><b>RESOLVED:</b></p>

		That the Audit and Governance Committee considered and endorsed the Annual Report and Opinion from Internal Audit for the year ended 31 <sup>st</sup> March 2019.
6 & 8	Statement of Accounts & EY Audit of Accounts 2019	<p>The Head of Finance elaborated on his report and explained that the draft Statement of Accounts had been presented to the Audit and Governance Committee on the 31<sup>st</sup> May 2019 and published on the Combined Authority's website. It was noted that the accounts had since been subject to external audit and it had been anticipated that the accounts would have been audited by Ernst and Young but this had not been completed due to resource issues experienced by Ernst and Young, which remained in progress.</p> <p>Members' attention was drawn to additional recommendations that had been tabled before them.</p> <p>The External Auditor apologised to the Committee and to the Combined Authority for having failed to complete their audit. It was explained that the failure was largely due to resource issues and previously it was anticipated to be completed but they had been unable to deliver the audit.</p> <p>Members of the Committee voiced their concerns and raised the following issues:</p> <ul style="list-style-type: none"> <li>● That as a result of the delay by Ernst and Young, the Combined Authority may be perceived poorly, despite them being absolved of any responsibility for the delay.</li> <li>● There may be political implications of the delay to the accounts being fully audited and the failure to deliver by EY also posed governance issues and concerns.</li> <li>● Should consideration be given to exploring alternative external auditors for future audits as several constituent councils were in a similar position due to the failure to deliver by Ernst and Young and what were the financial implications to the Combined Authority.</li> </ul>

- It was explained that the external auditors were very close to finishing their audit and that they would provide a robust and sound audit. The External Auditor continued to report that there were other Public Sector Audit Appointments auditors who were experiencing similar issues to Ernst and Young and that they wanted to continue to work with the Combined Authority in order to produce a good quality audit.

**RESOLVED:**

- 1) That the Chief Executive circulate the draft statutory notice to the members of the Audit and Governance Committee prior to publication.
- 2) That the Chief Executive liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with the auditors performance and the impacts this has had on each Council.
- 3) That the Chair of the Audit and Governance Committee write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committee extreme disappointment.
- 4) That the Committee receive and approve, in principle, the final Statement of Accounts.
- 5) That the Committee agree to the additional recommendations tabled as below:
  - a) Note that the Combined Authority's external auditors are not able to guarantee that they will have completed their audit of the accounts for 2018/19 before the statutory deadline of 31 July 2019 for the publication of the statement of accounts together with any certificate or opinion from the external auditors.

		<p>b) Note that if it was not possible to publish the statement of accounts on time the law required the Combined Authority to publish as soon as reasonably practicable on or after the deadline a notice stating that it had not been able to publish the statement of accounts and its reasons for this.</p> <p>c) Authorise the Chief Finance Officer in consultation with the Chair of Audit and Governance Committee, as and when the final Audit Opinion was provided by the external auditors, to make any minor amendments to the statement of accounts arising from the final Audit Opinion and to authorise the Chief Finance Officer and Chair of Audit and Governance to then sign and publish the statement of accounts together with any certificate or opinion from the external auditors.</p> <p>d) In the event that amendments arising from the final Audit Opinion would constitute a “material adjustment” to the final accounts as defined in the external auditors final audit plan a further report is to be brought to Committee.</p> <p>6) That the Committee receive and approve the Annual Governance Statement 2018/19 as included within the statement of accounts.</p>
7.	Draft Annual Report of the Chair of Audit and Governance Committee 2018/19 & Self-Assessment	<p>The Chair submitted his report and elaborated thereon noting that the report demonstrated the work carried out by the Committee over the municipal year 2018/19 for the Committee to approve to the Combined Authority Board. Members agreed that any information included in the report relating to the 31<sup>st</sup> May 2019 Audit and Governance Committee be expunged from the report.</p> <p><b>RESOLVED:</b></p> <p>That the draft Annual Report of the Chair or Audit and Governance Committee be submitted to the Combined Authority Board with the above amendment</p>

9.	HR Update	<p>The Chair of the Committee stated that at a previous meeting of the Audit and Governance Committee meeting, the Combined Authority's Internal Auditors had given Human Resources a 'no assurance' status. Having identified this risk, the HR Manager had been invited to update members of the Committee on progress made.</p> <p>The HR Manager reported that an HR advisor had recently been recruited and it was noted that the HR Manager reported directly to the Chief Executive which demonstrated the level of commitment of the Combined Authority to address the issues experienced in relation to HR functions.</p> <p>It was noted that policies and procedures that had previously not been visible had been placed in a central area and that there had been an amalgamation of information from the LEP and Peterborough City Council. The HR Manager explained that there had been a significant recruitment drive which had seen 17 of the 30 vacant posts recruited to.</p> <p>The Chair commented that he was encouraged to see the progress that had been made and the Committee welcomed a key objective being the introduction of a forum that would focus on employee engagement and satisfaction. The Chief Executive explained that whilst there were a number of Interims in post, the senior management structure was now in place and a permanent Head of Transport had been recruited.</p> <p><b>RESOLVED:</b></p> <p>That the Committee noted the updated information provided by the HR Manager.</p>
10.	CPCA & A&GC Treasury Management Report	<p>The Head of Finance elaborated on a report and noted that the Treasury Management in the Public Services: Code of Practice 2011 recommended that Members receive regular reports on the Authority's Treasury Manager. It was</p>



		<p>reported that the Combined Authority had been through a procurement exercise to employ its own specialist Treasury Management advisors; a preferred supplier having been identified, soon to engage into contract with the Authority.</p> <p><b>RESOLVED:</b></p> <p>That the Committee reviewed the actual performance for the year to 31<sup>st</sup> March 2019, against the adopted prudential and treasury indicators.</p>
11.	Work Programme Cover Report	<p>The Committee received a report and the draft Work Programme and calendar of working programme items for the year.</p> <p>The Committee agreed to the following actions:</p> <ul style="list-style-type: none"> <li>a) The Chief Executive to produce a timeline of the implementation of a significant project carried out by the Combined Authority to include key priorities with a proposed case study and time line.</li> <li>b) The Chief Executive to draft a statement, outlining the position of the Combined Authority's 2018/19 external audit including details of the delays incurred through the failures of Ernst &amp; Young.</li> <li>c) The Chief Executive to liaise with all affected constituent Councils and send a letter to government expressing their dissatisfaction with the external auditors</li> <li>d) The Chair to write to the Partner leading the Ernst and Young Government and Public Sector Assurance team expressing the Committees extreme disappointment</li> <li>e) The Chief Officer of the Business Board to provide an update on the priorities and objectives of the Business Board.</li> </ul>

		An Annual Report on Performance, FOIs, Fraud, Whistleblowing and Complaints to be produced for review.
12.	Date of Next Meeting	The Committee agreed that the next meeting be held on the 27 <sup>th</sup> September 2019 at Cambridgeshire County Council. .