



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

**CAMBRIDGESHIRE & PETERBOROUGH COMBINED**  
**AUTHORITY –**  
**DRAFT MINUTES**

**AUDIT AND GOVERNANCE COMMITTEE: MINUTES**

**Date: 30<sup>th</sup> November 2018**

**Time: 11am**

**Location: East Cambridgeshire District Council**

**Present:**

Mr J Pye	Chairman
Cllr Mac McGuire	Huntingdonshire District Council
Cllr Anthony Mason	South Cambridgeshire District Council
Cllr Nichola Harrison	Cambridgeshire County Council
Cllr Chris Morris	East Cambridgeshire District Council
Cllr Anne Hay	Fenland District Council
Cllr David Seaton	Peterborough City Council
Cllr Richard Robertson	Cambridge City Council

**Officers:**

Patrick Arran	Interim Monitoring Officer
Anne Gardiner	Scrutiny Officer
Jon Alsop	Head of Finance
Noel O'Neil	Section 151 for Business Board
Darren Edey	Compliance Manager
Louise Cooke	Group Auditor (Peterborough City Council)

**Others in attendance:**

Suresh Patel	Associate Partner – Ernst & Young LLP, External Auditor
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**Also in attendance – Mayor James Palmer**

**1. Apologies and Declarations of Interests**

1.2 No apologies were received.

1.3 No declarations of interest were made.

**2. Minutes of the meeting held on 24<sup>th</sup> September 2018**

2.1 The minutes of the meeting held on the 24<sup>th</sup> September 2018 were agreed as a correct record.

2.2 The Committee reviewed the action sheet and the following points were raised: -

The Chair requested that they receive a written update from the Chief Executive Officer regarding the governance review at the next meeting

The Chair noted that it was helpful to have the top five risks included in the Risk Register report.

**3. Combined Authority Board Update**

3.1 The Chairman invited the Mayor for the Combined Authority to provide the committee with an overview of the Combined Authority activities.

3.2 The following points were made:-

- The Combined Authority had been in existence for 18 months but was now a very different organisation than originally planned as the LEP had now been taken on and that had also led to an increased budget for the next year.
- The Combined Authority had been hampered by the number of schemes that had needed to be worked up from scratch, which had taken longer than previously thought.
- After the resignation of the Chief Executive Officer over the summer the Mayor had realised that the Authority needed to be looked at structurally. So, John Hill, an experienced Chief Executive from East Cambridgeshire, had been asked to carry out a review of the existing structure and governance arrangements.
- The Mayor advised that the incumbent Interim Chief Finance Officer had been dismissed from his position that morning, 30 Nov 2108, for misleading facts to the Combined Authority Overview and Scrutiny Committee.
- Committee members raised concerns around the news of the Interim Chief Finance Officer's dismissal, especially as he was perceived to be a high quality director who had been making good progress.
- The Chair expressed concern that this was the fourth Section 151 officer to leave the Combined Authority. He asked if the Mayor could offer any reassurance about the effectiveness of the Authority's financial

management given the high turnover in this role. The Mayor said that he was frustrated that the Authority had not secured a permanent Chief Finance Officer yet, but that the process to do so was underway; in the meantime, Noel O'Neil, the Deputy Chief Finance Officer was more than capable of covering the role.

- The Mayor confirmed that the decision to terminate the Interim Chief Finance Officer's employment had been taken unanimously by himself, the Deputy Mayor and the two interim Chief Executive Officers that morning.
- The Chair again expressed concern about the lack of chief financial officer continuity, especially at a time when the Authority's top two risks were about weaknesses in financial management
- In response to a question about the Ely bypass the Mayor advised that in his previous role as Leader of East Cambridgeshire District Council he had ensured that the project was delivered and had pushed officers to get it delivered as quickly as possible. The Mayor felt that infrastructure always took far too long to deliver, and it was right to look at alternative options to try to speed up the process. The cost to the economy if there was a delay or if it failed to deliver would be greater.
- Currently the Combined Authority had not delivered a project on a scale that required a gateway review but once they did the Mayor would ensure that there would be a gateway review and lessons' learned process in place – Kings Dyke would be the first project of this scale for the authority.
- Funding for larger projects would come incrementally over future years and it was important for the authority to be realistic on the delivery timescale for these projects.

3.4 The Committee thanked the Mayor for attending to provide a progress update and to answer the Committee's questions.

#### **4. Treasury Management Update**

4.1 The Committee received the report from the Head of Finance which provided the Audit and Governance Committee with an update on the Combined Authority (CPCA)'s Treasury Management.

4.2 In response to a question regarding the £24m loan to East Cambridgeshire Trading Company, the Committee were advised that this decision was approved at the Board meeting on Wednesday 28 Nov 2018. The scheme involved the purchase of 88 ex Ministry of Defence Houses; there were 88 houses which would be refurbished, with some being divided, to provide 92 units in total and then sold, with 15 of those dwellings being set aside as affordable housing. The Business Plan put forward demonstrated that the risk to the authority was low.

4.3 In response to a question on whether it was within the remit of the Combined Authority to lend money for schemes to produce a profit, officers advised that the Housing Strategy for the Combined Authority provided a toolkit with a variety of options which included providing loans for housing. The aim was that the

Combined Authority would get interest and a return on the loan which would feed into the revolving fund.

4.4 The Treasury Management Strategy was due to come back to the committee in March; the Chair requested that the cost of the strategy, where inflation eroded capital value, be factored into the report.

4.5 The Committee noted the report.

## **5. External Audit – Outline Audit Plan**

5.1 The Committee received the report from the External Auditor which provided the 2018/19 Outline Audit Plan as prepared by Ernst & Young LLP (EY).

5.2 The external auditors advised that this was an outline of the external audit plan and there would be revisions, especially in regard to the latest developments around the Section 151 officer departure.

5.3 The Business Board was an area where the external auditors needed to gain further understanding around the financial and governance arrangements.

5.4 The external auditors highlighted their focus on the risk that the Combined Authority would be capitalising expenditure which it should be treating as running costs; for example, expenditure on a feasibility study where there was no resultant asset. Officers reassured the committee that they were working with the financial team at Peterborough City Council to ensure that the accounting treatment of expenditure was in line with the rules for the Combined Authority.

5.5 The Committee asked the external auditors for their view on how the Combined Authority could measure how it had achieved value for money. The external auditor suggested that the Combined Authority should establish some metrics to assess its value for money. The Section 151 officer for the Business Board agreed to bring back more detail on how the Combined Authority could measure the value for money that was being achieved.

5.6 The Committee noted the report.

## **6. Chief Executive Resignation**

6.1 The Committee received the report from the Interim Monitoring Officer which outlined provided them with the factual background relating to the circumstances of the resignation of the former Chief Executive.

6.2 The following points were made:-

- The External Auditor reported that the Interim Monitoring Officer had provided requested information relating to the Chief Executive's departure and subsequent severance. Based on that information, the external auditor had concluded that the Combined Authority had acted lawfully and reasonably.
- The Committee were advised that the Mayor had the authority to get external legal advice and commit the authority to expenditure, as he had the general power of competence which was set out in the legislation.

- Under the Localism Act 2011 the Mayor, like other local authorities, had to work within the budget set by the Authority.
- The Committee were assured by the external auditors that the severance package provided to the Chief Executive Officer was 'reasonable'.

6.3 The Committee discussed their concerns around the termination of the most recent two senior officer roles and the impact such decisions could have on the reputation of the Combined Authority.

The Committee agreed that they would like to recommend to the Combined Authority Board that a review be undertaken on the procedures for the termination of the employment of senior officers, as the Committee were concerned that recent events surrounding officers leaving the Combined Authority were creating reputational damage.

6.4 The Committee noted the report.

## **7. Corporate Risk Register Review**

7.1 The Committee received the report from the Assurance Manager, 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.

7.2 The Compliance Manager advised that the risk register would now be a standing item at the Directors' meeting for consideration and discussion. The officer was also organising a workshop for officers.

7.3 The Chair requested that in future reports that the top five risks be detailed along with the previous top five risks, so that the Committee could understand how matter were progressing.

7.4 The Committee discussed other areas of risk they felt should be considered on the risk register; these included reputational risk, senior staff retention rates and ability of the organisation to recruit, and control of expenditure.

The Compliance Manager advised he would feed this back to the directors.

7.5 The Committee welcomed the progress being made and agreed to note the risk register.

## **8. Internal Audit – Progress Report**

8.1 The Committee received the report from the Group Auditor which provided details of the progress made in delivering the approved Audit Plan for 2018 / 2019.

8.2 The Group Auditor advised that there were currently several reviews being undertaken for the Combined Authority. There was the review of the LEP governance arrangements; the Adult Education Budget and the East Cambridgeshire Trading Company.

There was also the corporate governance review which had been extended to include recruitment and HR processes.

All completed grant reviews were certified by the auditors and if there were any concerns these would be raised with the Committee.

Work was on track for the results to be reflected in the annual Internal Audit Opinion.

- 8.3 The practice was for Internal Audit reports to be shared with the Committee when the level of the opinion was below 'satisfactory'. However, the Chair asked that the report of Governance Review be brought back to the Audit Committee, for the members to consider regardless of the level of opinion,

The Chair requested that a timeline and delivery dates for all the ongoing reviews be provided in future reports.

- 8.4 The Committee noted the report.

## **9. Audit Committee Self-Assessment Actions and Review**

- 9.1 The Committee received the report which requested the Audit and Governance Committee to review the proposed actions from the Committee's first annual self-assessment exercise.

- 9.2 The following points were discussed:-

- The Chair advised he was halfway through the 1:1's with the committee members.
- The Officers advised that a separate area on the Combined Authority system was being set up for the Audit and Governance Committee members to allow access to training and development material.
- The Scrutiny Officer advised that an induction pack would be provided at the first Audit and Governance Committee meeting of the civic year.
- The Committee requested that a short meeting with both the internal and external auditors be arranged prior to the start of the March meeting.

- 9.3 The Committee agreed that they would like to consider the draft accounts in a public forum, and therefore they would like the May informal meeting to be rearranged to a later date in June.

- 9.4 The Committee agreed to note the progress of the actions in the report.

## **10. Staffing Structure**

- 10.1 The Committee received the report from the Interim Monitoring Officer which explained the situation and timelines regarding a permanent senior staffing structure and provided assurance about how good governance was being maintained in the interim.

- 10.2 The following points were raised during the discussion:-

The Committee were assured that there was an interim staffing structure and a system of delegation in place for officers.

The senior management structure was agreed at the Employment Committee held in November. The recruitment for permanent Directors of Transport and Finance would start as soon as possible.

- 10.3 The Committee requested that the Chief Executive Officer provide an update on staffing structure at the March Audit and Governance meeting.

The Committee requested that the interim staffing structure be circulated to committee members.

- 10.4 The Committee noted the report.

## **11. Work Programme**

- 11.1 The Committee received the report which provided the draft work programme for Audit and Governance Committee for the remainder of the 2018/19 municipal year.

- 11.2 The Committee agreed that an update on the Combined Authority staffing structure be added to the March meeting agenda.

- 11.3 The Committee agreed that the informal meeting scheduled for May be rearranged for a public meeting in June to discuss the draft accounts.

- 11.4 The Committee agreed a calendar what the Committee needs to consider over the municipal year should be included with future work programmes.

- 11.5 The Committee agreed and noted the work programme.

## **12. Date and Location of the Next Meeting**

- 12.1 The Committee agreed the next meeting shall be held on 29<sup>th</sup> March 2019 at Huntingdonshire District Council.

Meeting Closed: 13:30pm.

## Audit and Governance Committee Action Sheet – 30<sup>th</sup> November 2018

Date	Action	Officer	Delegated officer	Completed
30 <sup>th</sup> November 2018	Further detail on how the Combined Authority could measure the value for money that it had achieved to be provided at the next meeting.	Noel O'Neil		
	Committee requested that a recommendation is made to the CA Board that they undertake a review on the current procedures for the termination of senior officers as they committee were concerned that recent events were creating reputational damage to the Combined Authority  -the draft wording to be sent to Chair, copy to Vice Chair, who would circulate to colleagues for any feedback.	Anne Gardiner/Patrick Arran		
	More legible version of the risk register to be made available to members.	Darren Edey/Anne Gardiner		
	Internal auditors to include a timeline and delivery date for all reviews in their future reports.	Steve Crabtree		
	Circulate staffing structure to Audit members	Anne Gardiner		
	Rearrange the informal meeting in May to review the draft accounts to be held in June as a public meeting.	Anne Gardiner		

	CEO provide an update on staffing structure at March meeting to reassure committee that there is a structure in place for the authority following the review.	Anne Gardiner/Kim Sawyer		
	Calendar of items that must be considered annually by the committee to be added to the work programme.	Anne Gardiner		
	A private meeting with both the internal and external auditors be arranged prior to the start of the March meeting.	Anne Gardiner		