

John Pye - Independent Chair of Audit & Governance Committee
Cambridgeshire & Peterborough Combined Authority
The Mayor's Office,
72 Market Street,
Ely,
CB7 4LS.

1 June 2022

Ref:
Your ref:

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Dear John,

Our responsibilities under the National Audit Office (NAO) 2020 Code of Audit Practice

The NAO Code of Audit Practice (the 2020 Code) sets out how auditors are expected to approach and report their work on Value for Money (VFM) arrangements, which applies to audits from 2020/21 financial statements onwards.

Auditor Guidance Notes (AGNs) are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the Local Audit and Accountability Act 2014 (the Act).

AGNs set out guidance to which local auditors must have regard under Section 20(6) of the Act. The guidance in AGNs supports auditors in meeting their requirements under the Act and the Code of Audit Practice published by the NAO on behalf of the C&AG. AGN03 covers our responsibilities to review and report on VFM arrangements.

In accordance with the NAO's 2020 Code and supporting AGN03, we are required to consider and report a VFM commentary against three specified reporting criteria:

1. **Financial sustainability**
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance**
How the Authority ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness:**
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Paragraph 3.14 of the 2020 Code requires that where the auditor has concluded that there is a significant weakness in a body's arrangements, it should be reported to this body as soon as practicable, supported with recommendations for improvement.

We have commenced our audit work for the financial year ended 31 March 2022 and have identified a significant weakness in Cambridgeshire & Peterborough Combined Authority's (the Authority) governance arrangements. We believe this weakness is pervasive as it could lead to a significant impact on the quality or effectiveness of services or on its reputation and could expose the Authority to financial risk or loss.

Governance – How the Authority ensures that it makes informed decisions and properly manages its risks

Judgement on the nature of the significant weakness identified

We consider that there are significant weaknesses in the Authority's governance arrangements for the specific reasons set out below. As a result of these weaknesses, we are concerned that the Authority has insufficient capacity, capability and an inappropriate culture to support the effective governance and operation of the organisation and how it discharges its statutory services

Our concerns are as follows:

- Investigations into key individuals in the Mayor's office following a whistleblower notification;
- Increased number of employment related claims against the Authority;
- Current vacancies in the Authority's senior management team, particularly at Chief Executive level, and the prospect that this could increase further from July 2022;
- Weaknesses we have observed in how the extraordinary meeting of the Authority Board makes informed decisions; and
- That the nature of the whistleblower allegations and initial findings of independent investigation reports raises significant questions on the culture, behaviour and integrity of key individuals in the Mayor's office.

The evidence reviewed on which our view is based

As part of our audit procedures performed to date, we have held discussions with management, attended the Extraordinary Meeting of the Authority Board (both public and private session elements) and reviewed the following relevant documentation:

- Whistleblowing investigation UPDATED REPORT FOR SHARING WITH CPCA BOARD FINAL FOR RELEASE - SUPPLEMENTED;
- APPENDIX A - Original Complaint;
- APPENDIX B - Whistleblowing investigation_Redacted;
- APPENDIX D - Investigators report redacted_Redacted; and
- Claims update for external auditor FINAL 26052022.

The possible future impact on the Authority

The Authority is responsible for discharging the devolution deal, which was the award of a single pot of investment. This single pot for the Authority initially comprised of a devolved, multi-year transport settlement and an additional long-term investment fund grant, worth up to £600 million over 30 years. Other funding streams have since been secured, linking through to the overall strategic objectives make the Authority area a leading place in the world to live, learn and work.

The Authority Board has considered and agreed a settlement package for the current Chief Executive, who is expected to leave her post on the 31 May 2022.

There is the potential for further employment related risks against the Authority, which pose a significant financial risk, given the specific project-based funding nature of the Authority's business, and its ability to service any revenue based financial obligations outside of these projects.

These risks equally have the potential to significantly impact the Authority's senior leadership capacity, which is already undermined by previous resignations and unfilled vacancies at Management Team Level. The Authority could find itself without incumbents to statutory officer posts as from the 1 July 2022, without immediate and urgent action, and even with such action, one would have to question the nature of such appointments at short notice.

Without appropriate leadership capacity with the requisite skills, knowledge and experience, there is significant doubt as to the Authority's ability to discharge its statutory obligations as set out in The Cambridgeshire and Peterborough Combined Authority Order 2017, Local Government Act 1999 and other relevant pertinent legislation.

The action required by the Authority to address the significant governance weakness

Addressing the significant employee related matters emanating from the whistleblowing notification and ensuring that all Authority employees are appropriately safeguarded is of paramount importance. The Authority also needs to be mindful of the impact that implementing these safeguarding actions has on the Senior Management employees taking those actions.

However, the Authority needs to urgently ensure that it has sufficient appropriate leadership capacity to be able to deliver its objectives and statutory responsibilities. In order to do so, we believe more formal intervention is required, and expeditious discussions with the Authority's sponsoring department to this end are time critical.

These actions would support the Authority in achieving value for money through appropriate governance arrangements and safeguard the future delivery of services.

Other audit reporting considerations

Without fettering our future discretion, we will, alongside our work on VFM arrangements, continue to review how the Authority responds to our concerns and the significant weaknesses set out in this letter. Depending on the action taken by the Authority to address our concerns, we may consider the need for us to discharge our other statutory responsibilities in relation to:

1. Section 24 and Schedule 7 of the 2014 Act which provide that a local auditor should consider whether, in the public interest, they should report on any matter that comes to their notice during the course of the audit, so that it may be formally considered by the body concerned or brought to the public's attention.
2. Written recommendations – the auditor should consider whether to use the powers Schedule 7 of the Act provides to make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We have copied this letter to those set out below, to allow them to discharge their own responsibilities, where applicable, and for them to be fully aware of our concerns at this stage.

Yours faithfully,



Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP (Local Auditor)

cc Jon Alsop – Chief Finance Officer, Cambridgeshire & Peterborough Combined Authority
Rowena Limb – Interim Director – Areas and Analysis | Cities and Local Growth Unit
Kate Hallett - Assistant Director & Area Lead, Cities and Local Growth Unit: Government's Local Growth Team