



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY – DRAFT MINUTES

AUDIT AND GOVERNANCE COMMITTEE: MINUTES

Date: 21st September 2017

Time: 10am

Location: Cambridge City Council, Guildhall

Present:

Mr John Pye
Cllr Barry Chapman
Cllr David Seaton
Cllr Richard Robertson
Cllr Chris Seaton
Cllr Andrew Fraser
Cllr Nichola Harrison

Chairman
Huntingdonshire District Council
Peterborough City Council
Cambridge City Council
Fenland District Council
South Cambs District Council
Cambridgeshire County Council

Officers:

Kim Sawyer

Marion Kelly
Brian Madden
Jon Alsop
Ian Pantling

Steve Crabtree
Anne Gardiner

Interim Legal and Monitoring Officer –
Cambridgeshire and Peterborough
Combined Authority (CPCA)
Interim Chief Finance Officer - CPCA
Strategic Financial Adviser
Interim Project Accountant
Financial Accounting & Control Manager –
PCC
Chief Internal Auditor – PCC
Scrutiny Officer - CPCA

Others in attendance:

Suresh Patel
Kay McClennon

Executive Director – Ernst & Young LLP
Manager – Ernst & Young LLP

The Committee received a presentation from the Internal Auditor on Risk Management which is attached at Appendix A.

1. Apologies and Declarations of Interests

- 1.1 The Chairman welcomed Kim Sawyer, Marion Kelly and Brian Madden to the meeting.
- 1.2 The Chairman noted that the quorum for the meeting was 5 people and it was important that members arranged for their substitutes to attend in their place if they could not attend themselves.
- 1.3 Apologies were received from Cllr Morris.
- 1.4 No declarations of interest were made.

2. Minutes of the meeting held on 26th June 2017

- 2.1 The Chairman went through the actions from the last meeting and requested that the action sheet be appended to the minutes in the future. (See Appendix B)
- 2.2 The tender process had been completed and Ernst & Young would be the External Auditors for the Combined Authority for the next five years – further information on this was included in their report.
- 2.3 The Chairman had met with the Mayor and Monitoring Officer for the Combined Authority – the meeting had been productive and the Mayor had agreed to attend some of the Audit and Governance Committee's meetings.

The Monitoring Officer was in attendance and agreed that she would attend future meetings.

The Mayor, the Monitoring Officer or one of the other principals would provide a ten-minute update on the Combined Authority work at the start of each meeting.

- 2.4 The minutes of the meeting held on the 26th June were agreed as a correct record.

3. External Audit – Audit Results Report (ISA 260)

- 3.1 The Committee received the report from the External Auditors Ernst & Young which summarised the findings from the audit and detailed their audit opinion.
- 3.2 The External Auditors stated that they had confidence in the financial team in place for the Combined Authority.
- 3.3 Due to changes in deadlines dictated by Central Government it might be necessary for the Committee to re-organise their meeting dates to align with the new timetable for the submission of accounts.
- 3.4 Members raised a query regarding the £15k fee that had been charged for carrying out the audit and were advised that this had been a contentious issue between the Combined Authority and the Department for Communities and Local

Government (DCLG). The Combined Authority were disappointed that the 3-week accounting period could not have been included in an expanded 2017/18 set of accounts which would have saved the need and associated cost of drafting and auditing the 2016/17 accounts. However, in the event, the team felt that the significant amount of work and senior input provided by Ernst and Young had been valuable for the future.

- 3.5 The Chairman raised a query regarding the language of the letter at the start of the report as it stated that the report was solely for the use of the Audit and Governance Committee. The External Auditors advised that the statement was there to deter third parties from using the information contained within the report as a basis for their decisions, but agreed it could be worded better in future.
- 3.6 The Chairman asked why the Chair of the Audit and Governance Committee was required to sign the letter of representation, and was advised that this was a legal requirement that had been delegated by the Board of the Combined Authority to the Audit and Governance Committee.

The Committee felt that their role was more to make recommendations rather than approve matters on behalf of the Combined Authority.

The Monitoring officer agreed that this could be looked at when the Corporate Governance review was undertaken.

- 3.7 The Committee noted the report and agreed that the Chairman should sign the letter of representation on behalf of the Committee.

4. Statement of Accounts

- 4.1 The Committee received the report from the Interim Chief Finance Officer which outlined the Statement of Accounts 2016/17 and the Annual Governance Statement 2016/17 including the appointment of Ernst & Young for a five-year period.
- 4.2 The Committee were advised that the Audit and Governance Committee had been given delegated powers to approve the Statement of Accounts and the Annual Governance Statement on behalf of the Combined Authority.
- 4.3 The Committee raised a query around its obligations in relation to the review of the effectiveness of the governance framework and whether this was within the remit of the Audit and Governance Committee.

The Committee were advised that this did fall within their remit and that it might be advisable to have a training session on this for Committee Members.

The Committee agreed that at their December meeting a 45-minute training session on the obligations of the Committee in relation to the governance framework should be held prior to the public meeting.

- 4.4 The Committee approved the audited Statement of Accounts 2016/17 and the Annual Governance Statement 2016/17 and noted the proposal for the appointment of EY as the Combined Authority's external auditors from 1st April 2018.

5. Treasury Management Mid-Year Update

5.1 The Committee received the report from the Interim Chief Finance Officer which outlined the current performance against the prudential indicators included within the Treasury Management Strategy.

5.2 The following points were raised during the discussion: -

- When the existing strategy was formed, the Mayor's 100-day plan was not in place and the cash flows were not known. Therefore, developing the new strategy will be a significant piece of work for the section 151 Officer to look at over the coming months.
- When the new strategy was approved a specific list of investment names would be included. The current list would be circulated to members.
- The development of the strategy would be carried out by the section 151 Officer and the Chief Executive of the Combined Authority and would include a set of principles for basing its future investments. The strategy would be brought back to the Committee in December.
- The Committee were advised that Barclays were currently the bank for the Combined Authority.
- In response to a query regarding whether there was any scope for short term lending to other local authorities, the Committee were advised that there were some investments with Peterborough City Council but market rates were extremely low. This was why it was important to understand the cash flow and to develop the medium term financial plan and to look at other investment opportunities.
- The interim Chief Finance officer advised that she understood there would be quite significant amounts of cash available over the next 6-18 months so now was the time to look at different opportunities that may be available.
- Members noted that it would be important to consider the reputation of the Combined Authority when managing its cash and when investing in projects.

A member of the Committee asked whether there may be a need to raise money through increasing Council Tax in the future and was advised that there would be major projects that would require further funding and that this would be an area to consider in the future.

5.3 The Committee noted the report and encouraged the Combined Authority to make early progress in getting greater value for money from its cash reserves, and to adopt a creative approach in the new strategy.

6. Assurance Framework

6.1 The Committee received the report which outlined the progress on the implementation of measures in accordance with the Assurance and the Monitoring & Evaluation Frameworks.

6.2 The following points were raised during the discussion: -

- The Combined Authority was a fledgling authority and there was still a lot of work to do and systems to implement.
- The current Assurance, and Monitoring & Evaluation documents were written when the Combined Authority did not exist but they were a necessary requirement from the DCLG.
- An implementation plan was now needed to be put in place that would show how the Combined Authority would run and how the projects would be managed – this implementation plan would be brought back to the Audit and Governance Committee for its views but approval of the plan would rest with the Board.
- The Committee requested that they receive a document that would show the progress of all the current projects but were advised that such a report would need to wait until discussions with DCLG were complete regarding the Gateway reviews. However, a checklist could be provided to the Committee and an oral update from the Monitoring Officer at the December meeting to advise the Committee of the progress being made.

6.3 The Committee noted the report and agreed that a copy of the Implementation Plan should come back to a future meeting of the Committee.

The Committee agreed that an oral update and checklist would be provided by the Monitoring Office at the December meeting of the Committee.

7. Internal Audit: Corporate Governance Scoping Document

7.1 The Committee received the scoping document for the Internal Audit review of the governance arrangements within the Combined Authority.

7.2 The following points were raised during the discussion: -

- Central government had allowed a degree of flexibility for a Combined Authority to tailor its governance approach to local needs. However, there were certain Government processes and National Regulations on the operation of Overview & Scrutiny and Audit Committees that had to be followed.
- Part of the Assurance Framework document is intended to ensure that the Combined Authority creates value for money – the Authority must do more than other Constituent Councils could have done. All audits carried out would look at value for money and ensure that this was incorporated.
- As the Combined Authority was currently in its infancy, gaps might be identified as progress was made. The Committee requested that the report should state that the audit was therefore a stock take at this point in time, and there were opportunities to identify other areas for future audits.

- In answer to a query, the Committee was told that the Internal and External Auditors do work together to harmonize their respective programmes.
- The Committee noted that the scope of the governance audit was very broad, and that it would be important to keep the work manageable and focused.
- The internal audit would begin in October and an update would be provided at the December meeting.
- The Committee asked that future Internal Audit proposals included the number of days allocated and the timetable for the work.
- Any issues that were identified by the Internal Audit would be highlighted by the Internal Auditor to the Chief Officers within the Combined Authority. The Chairman requested that he should also be informed in the event that emerging findings indicated a potential 'limited or no' assurance.

7.3 The Committee noted the scoping document for the internal audit of the governance arrangements of the Combined Authority.

8. Work Programme

8.1 The Committee agreed that they would take a view on how frequently the Risk Register should be brought to the Committee after they had seen the first report in December.

8.2 The External Audit report would need to come to the December meeting due to changes in the external audit calendar. Future meetings of the Audit and Governance Committee needed to be reviewed considering this.

The Committee Clerk would work with finance officers and external auditors to arrange the civic calendar appropriately.

8.3 A private meeting with the External Auditors would always be available if any committee members requested it.

8.4 The Committee agreed the work programme.

9. Date and Location of the Next Meeting

9.1 The next meeting will be held at Fenland District Council on the 18th December at 10am, starting with the 45-minute training session on the Assurance Framework and the committees obligations..

Meeting Closed 12.22pm.

Managing Strategic Risks

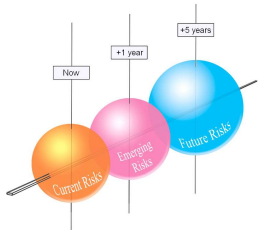


Cambridgeshire and Peterborough Combined Authority
21 September 2017

Steve Crabtree
Chief Internal Auditor, Peterborough City Council

Aim to cover

- Provide overview of risk management
- Risk Management Policy
- Risk Appetite



Why do we do Risk Management?

- Minimise potential losses
- Maximise potential opportunities
- Achieve our objectives



What is a Risk?



An event which can affect the achievement of objectives

A hazard or an opportunity

Negative, positive or uncertain outcome

Risk Matrix

Likelihood

Review 12 months
Review 6 months
Review 3 months

5					
4					
3					
2					
1					
	1	2	3	4	5

Impact

Risk Response – the 4Ts

- **Tolerate**
 - If risk is within acceptable limits
- **Terminate**
 - Not always practical/possible
- **Transfer**
 - Insurance, Outsourcing
- **Treat**
 - To mitigate the effects. This is the risk control



Risk Classification

- Strategic
- Operational
- Financial
- Compliance
- Reputational
- Environmental



Risk Management Policy

- **Risks**
 - Identify / Analyse likelihood
 - Take action to control / Record
 - Review / Report
- **Risk Registers (owned and maintained at following levels)**
 - Board / Project Groups
 - Universal template using corporate risk approach



Risk Appetite

To determine risk appetite consider:

- Capacity to manage risk should it occur
- Potential impacts upon service delivery and financial resources
- Capacity to take action to reduce / remove the risk
- The effect that managing one risk may have on another



Corporate risk appetite should be set by the Board

Risk Review and reporting

- Reviewed on a quarterly basis (more often if appropriate)
- Update reports to each Project Group / Committees / Board
- Ownership needs to be clear
- Highlight progress on managing acceptable levels
- Highlight emerging risks and proposals to mitigate

Key Question to be discussed

- What is the risk appetite for CPCA?



Action Sheet – Audit & Governance Committee Combined Authority

Committee Date	Action	Officer	Action to be completed by date.	Action completed
26/06/2017	Terms of Reference to be updated once tender process concluded	Jon Alsop		21/09/2017
	Audit scoping brief to be produced.	Steve Crabtree	8/09/2017	13/09/2017
	Risk Management Training Slot (45 mins) to be undertaken at September A&G Meeting.	Kim Sawyer	21/09/2017	21/09/2017
	Chairman to meet with Mayor & Chief Executive of Combined Authority to discuss the inclusion of a ten minute hot topic slot at Audit meetings – report back to Sept meeting.	John Pye (Chair)	21/09/2017	21/09/2017
	Briefing note on 2016/17 expenditure to be circulated to members of the committee.	Jon Alsop/John Harrison		21/07/2017
	Internal Audit Governance to be added to the agenda for Sept meeting.	Anne Gardiner	13/09/2017	13/09/2017
21/09/2017	Chairman to meet with CEO	John Pye/ Anne Gardiner	18/12/2017	
	Mayor to attend Dec Audit meeting	Anne Gardiner	18/12/2017	
	Monitoring Officer and Chief Finance Officer to provide summary of 'hot topics' from previous CA meetings – add to agenda	Anne Gardiner	18/12/2017	
	Training session on audit duties and responsibilities role of the committee – Dec meeting	Steve Crabtree	18/12/2017	

	Re-organise meeting dates to align with external audit deadlines.	Anne Gardiner / Alex Colyer	18/12/2017	
	Current investment list to be circulated to members	Jon Alsop/A.Colyer	18/12/2017	
	New Treasury Management Strategy to be brought back to Dec meeting	Jon Alsop/Alex Colyer	18/12/2017	
	Oral update to be provided at the Dec meeting with regards to the Assurance Framework	Kim Sawyer	18/12/2017	
	Implementation Plan to be brought back to future meeting in the new year – March meeting	Kim Sawyer	26/03/2018	
	Update on Internal Audit Governance Review to be given at Dec meeting	Steve Crabtree	18/12/2017	