



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY
AUDIT & GOVERNANCE COMMITTEE MEETING
MINUTES

Date: Monday, 26th June 2017

Time: 10.00a.m. – 12.00a.m.

Present: John Pye (Chair and Independent Person)

Councillors:

Barry Chapman – Huntingdonshire District Council,
Andrew Fraser – South Cambridgeshire District Council,
Richard Robertson – Cambridge City Council,
Nichola Harrison – Cambridgeshire County Council,
Alan Sharp – East Cambridgeshire District Council,
Anne Hay – Fenland District Council.

Officers:

John Harrison – Interim Chief Finance Officer,
Marion Kelly – Interim Deputy S151 Officer,
Steve Crabtree – Chief Internal Auditor,
Paul Cook – Interim Head of Corporate Finance, Peterborough City Council,
Ian Pantling – Financial Accounting and Control Manager, Peterborough City Council,
Jon Alsop – Interim Project Accountant.

Others in Attendance:

Suresh Patel – Executive Director, Audit, Ernst & Young LLP,

Kay McClennon – Manager, Ernst & Young LLP.

1. INTRODUCTIONS, APOLOGIES AND DECLARATIONS OF INTERESTS

The Chair welcomed everyone to the inaugural meeting of the Cambridgeshire and Peterborough Combined Authority (CPCA) Audit and Governance Committee and asked all those present to introduce themselves.

The Chair thanked everyone who had completed the skills questionnaire circulated by Anne Gardiner. The Committee was a strong group, including a number holding accounting qualifications.

It was agreed that Committee Members would send any suggestions for short 'pre-meeting training briefings' to Anne Gardiner.

Apologies were received from Councillors Chris Morris (East Cambridgeshire District Council), Chris Seaton (Fenland District Council), David Seaton (Peterborough City Council) and Mark Ashton (Cambridge City Council).

There were no declarations of interest.

2. APPOINTMENT OF VICE-CHAIR

At the meeting held on 31st May 2017, the Combined Authority Board asked the Audit & Governance Committee to elect its Vice Chair for the municipal year 2017/2018.

Councillor Anne Hay proposed the appointment of Councillor Barry Chapman as Vice Chair of the Audit & Governance Committee. The proposal was seconded by Councillor Andrew Fraser.

It was resolved to elect Councillor Barry Chapman as Vice Chair for the municipal year 2017/18.

3. TERMS OF REFERENCE

The Committee was asked to note the Terms of Reference of the Audit and Governance Committee.

One Member queried the process of the appointment of the external auditors and why the Terms of Reference did not refer to it. The Chief Finance Officer explained that following the closure of the Audit Commission, Public Sector Audit Appointments Limited (PSAA) had taken over temporary responsibility for the statutory duty to appoint external auditors to local public bodies. PSAA had put forward Ernst & Young to audit the Combined Authorities Statement of Accounts for 2016/17 and 2017/18. PSAA is in a procurement process to invite tenders for audit providers for audit appointments from 2018/19.

The Chief Finance Officer suggested that the terms of reference be updated once the PSAA tender process has been concluded.

It was resolved to:

a) note the terms of reference, subject to the update for external and internal audit as outlined above.

b) review the Terms of Reference in twelve month's time.

c) It was noted that according to the CPCA Constitution the Chief Finance Officer would arrange internal audit and reviews of financial records and operations in accordance with the Accounts and Audit Regulations 2015 and relevant professional guidance.

4. INTERNAL AUDIT PLAN – OVERVIEW AND FUTURE PLANS

The Committee was asked to note the development of the internal audit plan for 2017/18. Steve Crabtree, Chief Internal Auditor for Peterborough City Council and for other Constituent Authorities introduced the report and suggested that the early focus of internal audit should be on Governance and Programme Management. The Chief Internal Auditor proposed to produce the Audit Brief (scoping document) for the Governance Audit to the September Committee meeting.

The Committee considered how to handle Internal Audit reports. Where an audit report was 'good' or 'low risk' the Committee would receive an overview of the audit., Where there was 'limited' or 'no assurance', the Committee would receive the full report and the Lead Officers responsible would be invited to a meeting to answer questions.

One Member stated that the internal audit plan needed to reflect that the Combined Authority was 'project driven', with large projects with potential for overspends spanning a number of years. The Committee therefore arguably needed greater visibility that finances were recorded correctly than they would receive in a 'normal' Council.

It was resolved:

(a) to note the development of the internal audit plan for 2017/18.

(b) that the Chief Internal Auditor produce an Audit Brief (scoping document) for the Governance Audit to the September Committee meeting.

5. WORK PROGRAMME

The Committee was asked to agree the Work Programme.

It was resolved

(a) to agree the Work Programme subject to the following additions:

- (i) an Internal Audit 'Governance Briefing' item be included onto the September agenda from the Chief Internal Auditor.
- (ii) a 'Risk Management' training slot, of about 45 minutes, be included at the beginning of the September meeting.
- (iii) 2017/18 External Audit plan be reported to the December meeting.
- (iv) the inclusion of a 10 minute 'hot topic' slot on Combined Authority activities at each meeting, starting with December 2017 – Chairman to look into.

(b) To update the Work Programme accordingly.

6. STATEMENT OF ACCOUNTS

Members were asked to review and comment on the draft Statement of Accounts prior to the Chief Finance Officer's certification by the 30th June 2017.

The main features of the Statement of Accounts were that it reflects a very short accounting period and the impact of the Combined Authority not yet having a Section 33 VAT Order in place to recover input VAT on its purchases.

The 2016/17 Statement of Accounts reflected the set up costs incurred by the Shadow Combined Authority before the Combined Authority came into existence on 3rd March 2017 and for the period ended 31 March 2017.

One Member queried when the Section 33 Order would be in place and would the Combined Authority be able to claim backdated VAT?

The Chief Finance Officer confirmed that he had been lobbying on behalf of the Combined Authority to get the Order made and that a meeting with the HM Revenue and Customs' Customer Relationship Manager for Combined Authorities along with Grant Thornton, who were providing the Combined Authority with specialist VAT advice on this matter, was scheduled for 29th June.

The Statement of Accounts reflected a prudent position on being able to reclaim VAT on purchases made by the Combined Authority.

The Committee thanked Ian Pantling and Paul Cook for the hard work they have put into producing the first Statement of Accounts for the Combined Authority.

It was resolved to note the draft Statement of Accounts for 2016/17.

7. EXTERNAL AUDIT PLAN 2016/17

Members were asked to agree the Audit Plan for the external audit of the Statement of Accounts for the period ended 31 March 2017, as presented by Ernst & Young, the external auditors.

The agreed audit fee for the 2016/17 Statement of Accounts was £15,000.

The overall materiality for the financial statements of the Authority was £10,000, based on 2% of the forecast gross expenditure of c£500,000. The 'gross' figure was misleading as much of the expenditure occurred before the period 3 March to 31 March 2017 covered by the accounts. The Committee encouraged the Combined Authority to have a statement ready in the event of queries about the rate of initial spend.

It was noted that it was up to the Authorities concerned to form the bases of any recharges to the Combined Authority from Constituent Councils and for the auditors to audit them.

It was resolved:

- (a) that the Audit Plan be agreed, and
- (b) that a briefing note on 2016/17 expenditure be circulated to Members for information.

8. DATE OF NEXT MEETING

It was resolved to note the date of the next meeting – Thursday, 21 September 2017 at 10.00am at Cambridge City Council offices, Cambridge
The meeting would start with with a 45 minute briefing on risk management, so three hours should be allowed overall.