

# Cheshire and Warrington Local Enterprise Partnership

Internal Audit Report 2020-21

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## 1. Introduction

- 1.1. This document sets out the work carried out by Cheshire East Internal Audit during 2020-21 in relation to the Internal Audit plan as agreed by Cheshire and Warrington Local Enterprise Partnership's (C&WLEP) Finance and Audit Committee in June 2020.
- 1.2. As Accountable Body for the C&WLEP, Cheshire East Council (CEC) has requirements to undertake certain assurance requirements on the use of specific funding streams administered by C&WLEP to central government, and to provide assurance to the Council's Section 151 Officer, in support of their own reporting requirements in relation to C&WLEP.
- 1.3. The Internal Audit Plan of work takes into account the C&WLEP Local Assurance Framework, the separate agreement between the C&WLEP and CEC, an agreement relating to the former Growing Places Fund and other grant conditions as appropriate. The aim has been to set a programme of work to provide a combination of the assurances required under legislation, and a further set of assurances identified following an assessment of risk.

## 2. Responsibilities and Objectives of Internal Audit

- 2.1. C&WLEP is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. CEC, as the Internal Audit function of C&WLEP's Accountable Body, plays a vital part in providing assurance to C&WLEP

and the Council that these arrangements are in place and operating properly.

- 2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) as an "independent, objective assurance and consulting service designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".
- 2.3. C&WLEP's response to internal audit activity should lead to the strengthening of the control environment and, therefore, positively contribute to the achievement of their objectives.

## 3. Standards, Ethics and Independence

- 3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1st April 2017. All internal audit work is delivered in line with the requirements of the Standards.

## 4. Summary of work carried out

- 4.1. The work carried out included all the statutory reviews required as stated in the Audit Plan. There were no additional reviews undertaken.

### **Growth Hub Grant Funding (2019/20)**

- 4.2. MHCLG require a report each year on the accounting for the £287,000 annual grant for the provision of advice and

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## Executive Summary

guidance to business as provided by the Growth Hub. This required an accountant's report in a prescribed format to be returned to MHCLG by the end of June 2020. The Growth Hub work was completed on time and the deadline met.

4.3. In completing the Auditor's Report, the following additional information was provided in respect of £31,578.94 received for Additional Growth Hub Uplift Funding:

- Invoices were identified around the year end which may not have met the criteria, but which had been included as part of the value of the claims. In undertaking sample testing it was identified that there were three invoices, totalling approx. £9,300 relating to expenditure incurred before 1 April 2019. One invoice in January 2020 included licence fee costs of £5,000 for a period April to June 2020

4.4. Information on previous audit work was provided to Cheshire East's Section 151 Officer to support the LEP in its annual review process by MHCLG.

### **Local Assurance Framework**

4.5. The main piece of work is the annual review of the Local Assurance Framework. This entails reviewing the C&WLEP's Framework to ensure that it meets the requirements of national regulations and guidance and is operating in practice. This is required to be confirmed in writing to MHCLG by the S151 Officer by the end of February each year. This work was completed, and the confirmatory letter submitted by the deadline.

4.6. The Framework meets national guidelines, however, the review identified one medium risk recommendation for management to consider.

4.7. This was in relation to implementing a standard format for reports which support business case proposals, including the use of headings to ensure that wider S151 Officer responsibilities have been considered (e.g. subsidy control principles (formerly state aid), public procurement regulations, equality and diversity, environmental sustainability and any legal advice obtained).

4.8. The recommended action arising from the audit work was accepted by management and will be finalised once the LEP review announced by Government in March 2021 is complete and the implications understood.

## Appendix A: Cheshire and Warrington Local Enterprise Partnership Summary of Internal Audit Plan 2020/21

Audit Theme/Area	Nature of Assurance Provided	Assurance Provided to:	Context	Outcome
Growth Hub Funding 2019/20	Confirmation that funding was expended within agreed terms of grant with MHCLG/BEIS	Primarily to S151 Officer for MHCLG in line with funding agreement. Shared with C&WLEP.	Requirement of funding. Assess operational level of controls in relation to specific grant within the Local Growth Fund umbrella.	Deadline met for Accountant's Report - 30 June 2020.
Overarching relationship of the C&WLEP and CEC as the accountable Body	Review of the overarching arrangements for the relationship of the C&WLEP and CEC as the accountable Body	Primarily provided to CEC's Section 151 Officer; revised document will be developed with C&WLEP.	Various funding streams have specific requirements some with out of date agreements between CEC and C&WLEP. To assist in developing an overarching agreement under which all other arrangements sit.	Internal Audit contributed to the development of the more detailed Collaboration Agreement which sets out the relationship between C&WLEP and CEC as Accountable Body.
Annual Conversation	Support to the Section 151 Statement on Governance as required.	Primarily provided to CEC's Section 151 Officer for MHCLG in conjunction with C&WLEP.	Statutory requirement. The specifics of the work programme to be determined through the Terms of Reference.	Details provided for S151 support to MHCLG/BEIS Annual Review.
Annual Local Assurance Framework review.	That the Local Assurance Framework in operation meets MHCLG requirements and guidelines	Primarily to S151 Officer for MHCLG assurance, findings shared with C&WLEP.	Statutory requirement. The specifics of the work programme to be determined through the Terms of Reference.	The review confirmed that the Framework met the national requirements and operated in practice.

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## Executive Summary

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			Will be informed by the testing programme formerly undertaken on the use of the Local Growth Fund grant.	<p>This was confirmed to the MHCLG by the end of February 2021 deadline.</p> <p>One recommendation was made, and agreed, to standardise reports supporting business case proposals to indicate that wider S151 Officer responsibilities are considered.</p>
Ad- Hoc Advice and Guidance	Advice and guidance as requested on items arising during the year.	Primarily provided to C&WLEP management as required.	Internal Audit will assess any new requirements and impact on LAF and in operational practice.	These were principally included as part of the Framework review,