

Paper for: The LEP Board

Title: Annual Report of the Finance and Audit Committee to the LEP Board

Date: 17 July 2020

Strategic Purpose: Ensuring Governance and providing Assurance

Resource Implications: None

LEP Board: To note in support of the recommendation to approve the Annual Report and Accounts and in discharge of Directors' responsibilities.

(1) Background

1.1 The finance and audit committee is established to provide assurance to the Board that through its work, the financial governance and operational arrangements of the LEP are kept under review and that financial risks are being managed appropriately. By providing an annual report to the full board on its activities it provides the evidence of how it has discharged this function. It is usual for the annual report to be contemporaneous with the recommendation to the Board to approve the LEP annual report and accounts, in which directors confirm, as a whole, discharging their responsibilities in respect of the preparation of the accounts, systems of control and management of risks.

(2) Review of activities

2.1 The finance and audit committee met four times during the year 2019/20, in July, September, December and March. It operates with an annual meeting plan that ensures over the course of the year the committee covers its' full remit as defined by its terms of reference. There are several standing items through the year, which follow a natural rhythm, while other matters are determined and investigated by agreeing an internal audit plan or by the committee calling for papers to explore specific issues in greater depth.

2.2 During 2019/20, the standing items have included:

- Approval to recommend the Annual Report and Accounts to the Board and, in doing so, confirming that
 - appropriate accounting policies and representation have been selected and applied in their preparation,
 - reasonable judgements and accounting estimates were made that are prudent,
 - the LEP has sufficient reserves,
 - the LEP meets solvency requirements.
- Reviewed the management accounts and forecasts prepared by the LEP during the year, thereby monitoring the financial position regularly and routinely. In 2019/2020, the management accounts for June, August, October and January with associated full year forecasts were reviewed and interrogated.

- Reviewed the draft annual budget for 2020/21, recommending it to the board for approval.
- Reviewed the corporate risk register and commented on the range of risks, their likelihood and impact and the measures in place for mitigation.

2.3 In addition, an annual internal audit plan is agreed by the committee. The key audits performed and reviewed during 2019/20 were:

- Assurance that the Local Assurance Framework meets MHCLG requirements and guidelines and the LEP complies with the framework.
- Review of the governance and operational arrangements of the Local Growth Fund, Growing Places Fund and Enterprise Zone Retained Business Rates Fund.
- Confirmation of expenditure by the Growth Hub.

2.4 Papers called for and presented to the Committee covered:

- A review of the LEP's liabilities and exposure to risk with respect to the Cheshire Pension Fund. Since presenting the paper in September 2019, the Finance and Commercial Director has negotiated a settlement figure with the fund, crystallising the LEP's position and removing any further exposure to liabilities or movement in the pension fund values.
- A review of the policy pertaining to reserves and confirmation the level of reserves is considered sufficient to meet the foreseeable potential changes to the LEP, given the key risk of the future of the LEP is its exposure to Government funding.
- Reviewed and assisted in the proposed structure and operation of the EZ Loan facilities.
- Reviewed and recommended to the Board amendments to the scheme of delegation and bank mandate to recognise organisational development and change.

(3) Review of Committee Performance

3.1 The finance and audit committee undertook a review of its own performance, constitution and skills, following as a guide the National Audit Office template and checklist. This review identified two areas of investigation for inclusion in the plans for 2020/21.

- A review of fraud policy and fraud risks, including a review of whistleblowing arrangements and
- A review of cyber security

Chris Hindley

Acting Chair of Finance & Audit Committee

July 2020