



**Cheshire and Warrington Enterprise Partnership
Finance & Audit Committee Board Meeting Minutes**

30th June, 2020 by Teleconference

Present:

Chris Hindley (Acting Chair)
Stephen Kinsey

In attendance:

Ian Brooks, Alex Thompson (CEC), Mike Benson (Murray Smith), Nicola Tucker (Murray Smith),
Michael Todd (CEC), David Rees (CEC)

Apologies:

Philip Cox

PART A – Public Session

Agenda Item 1: Apologies and Introductions

1.1 CH welcomed members and attendees to Committee meeting. Apologies were noted as above. MB explained NT will be taking over as Audit Director of the LEP account in 2020/21.

Agenda Item 2: Conflicts of Interest

2.1 No conflicts of interest were declared in relation to Agenda Items.

Agenda Item 3: Minutes of the Meeting 26th March 2020

3.1 The minutes were accepted and ratified.

Agenda Item 4: Matters Arising

4.1 IB confirmed that agreement had been reached with Cheshire Pensions Fund such that the LEP had now crystallised its' liability position in respect of former employees. As such the risk had been closed on the risk register.

Agenda Item 5: Annual Report and Accounts for the year ended 31/3/2020

5.1 MB presented the draft annual accounts to the committee, highlighting the growth in turnover from £2.2M to £3.3M and the small annual surplus of £26k. He explained that the growth is largely due to programmes, where income and expenditure is matched against specified delivery milestones, which in turn tends toward a balanced outturn.

5.2 He confirmed that the detailed financial records, and access to supporting evidence, had been good which had facilitated the audit process and which, this year, had been completed entirely through remote working. Recognition was given to both the LEP and Murray Smith teams for the constructive and co-operative approach to the audit.

5.3 MB made two recommendations for consideration by the executive and the committee:

- The detailed income and expenditure statement, which does not form part of the statutory accounts yet is useful for management, is now rather cumbersome. He suggested the LEP review the presentation of the detailed accounts and separate more clearly incoming resources and outgoings for the core and programme activities.
- He recommended that the LEP review its' policy relating to income recognition with reference to the FRS102 accounting standard. The approach taken to match income with expenditure is appropriate where the contract arrangements specify outputs and expenditures, but income for general operations should be recognised in the year of receipt, even though expenditure may follow in a different period. Following the standard can result in greater movements in surpluses and deficits between financial years, which may be a source of confusion for some readers, unless accompanied by explanations.

It was agreed that these recommendations shall be considered by the Executive and proposals brought to the September meeting of the Committee

ACTION: IB

5.4 IB informed the Committee that the Strategic Report and business review was still in draft, awaiting approval from Clare Hayward, and may be subject to change, prior to presentation to the board.

5.5 Based on the above the Committee approved the recommendation that the Annual Report and Accounts be presented to the Board at its July meeting for formal approval and signature.

5.6 The agenda items 6 – 8 serve to providing the Committee and the Board with assurance over the management, governance and systems of control of the organisation.

Agenda Item 6: Review of Reserves and EZ Balances

6.1 IB presented a paper outlining the current policy for reserves, the current level of reserves and a review of the financial impact of various risks which, if they materialised, would place a requirement on those reserves.

6.2 Discussion centred on the inherent uncertainty that faces all LEPs given they exist so long as policy remains in place which supports them and their ongoing functions. In the event the policy for LEPs was to change, it is an accepted assumption that funded programmes would transfer, with associated staff, to a successor host organisation. Costs would be incurred to arrange an orderly transfer and meet any outstanding contractual obligations. Reserves are held to cover all, or the majority, of estimated costs of an orderly re-organisation of activities.

6.3 In noting the use of retained business rate balances to fund grants for Accelerate, ahead of receiving the income, AT raised a concern that Covid-19 and the associated economic impact has the potential to increase the volatility of income streams, particularly the level of retained business rates from Enterprise Zones. Any significant drop in income receipts would place a demand on the LEP to respond accordingly. IB re-assured the committee that the level of reserves and EZ balances held by Cheshire East are monitored monthly.

6.4 The committee approved keeping the level of reserves at £300k.

Agenda Item 7: Annual Review of Internal Audit 2019/20

7.1 DR presented the annual review of the work performed by the internal auditors over the course of 2019/20. Much of the programme is mandated by virtue of Cheshire East Council acting as the Accountable Body for the LEP and to support the s151 in giving assurances to MHCLG / BEIS regarding the operation of the LEP.

7.2 A key audit requirement each year is to ensure that the LEP Local Assurance Framework (LAF) reflects all of the requirements set out in the National Local Assurance Framework and, by sample testing, ensuring that the LEP then follows and applies the framework in practice. DR summarised the findings of this review, highlighting that the LAF was in need of some updating to reflect the wider range of activities performed by the LEP and the role of the Finance and Commercial Director in operational processes and procedure. He also reminded the LEP to ensure a clear trail to decision making. The report was in the final stages of completion and DR was content to confirm a minimum assurance rating of Satisfactory.

IB confirmed that the LAF is being re-drafted, which will be shared with DR, before seeking formal approval by the Board in September.

ACTION: IB

7.3 Other reviews included providing support for the Annual Conversation with BEIS / CLGU, a "Use of Funds" audit for the Growth Hub and review of the working interactions between the LEP and CEC. No material issues have been identified by these reviews.

7.4 The Committee thanked DR for his report, noting the indicative assurance rating.

Agenda Item 8: Annual Report of the Committee to the LEP Board

8.1 IB explained the purpose of the annual report to the full board of directors' presented contemporaneously with the recommendation to approve the Annual Report and Accounts sought to provide assurance that their fiduciary duty for governance and internal control was being appropriately discharged through the work and reviews of the committee.

8.2 The report summarised the activity throughout the year to March 2020.

8.3 The committee approved the report for presentation to the Board.

8.4 SK asked when the membership of the committee will be restored to three board members and, if in doing so, consideration could be given to someone with experience in accounting (the LEP board members presently rely on the external auditor and s151 officer). IB understands this will be addressed, along with other committee also short of three board members, once the board's work on vision and purpose is complete. CH will nevertheless raise the concern with the Chair.

ACTION: CH

Agenda Item 9: Review of Management Accounts to 31st May 2020 and Full Year Forecast.

9.1 IB summarised the main points of the paper. The forecast deficit for the full year should be considered no more than an "amber" flag, signalling a need for the executive to be vigilant and manage expenditures accordingly through the year to bring the forecast back to a balanced position.

9.2 The committee noted the reduction to the retained business rate balances arising from the payment of grants for Accelerate.

9.3 The committee noted the report.

Agenda Item 10: Review of Corporate Risk Register

10.1 IB presented the summarised corporate risk register. The Committee discussion focussed on those risks with the highest residual risk scores. Debate concerned in particular, scoring for a policy change by Government over the existence, form and function of LEPs. Views included the likelihood of a decision to change being lower than implied by the current score, but that any such decision would be largely out of the LEP's hands. Conversely that if such a decision were taken, the impact on the LEP would be higher. IB committed to discuss the rating with the executive, at the next routine review.

ACTION: IB

10.2 Regarding presentation of risks, CH asked that any movement in risk scores from one meeting to the next be made clear.

ACTION: IB

Agenda Item 11: Draft Internal Audit Plan for 2020/21

11.1 DR presented the proposed internal audit plan for 2020/21 which covers the mandated activities required by Government and to provide the s151 officer with assurance. The 20 planned days of activity cover the necessary requirement and would represent a similar level of activity to 2019/20.

11.2 If there is capacity within the internal audit team resources, a discretionary audit into the governance arrangements concerning the retained business rates and EZ loan facilities, once up and running, was also proposed.

11.3 The committee also noted the forward programme to receive papers from the executive in September regarding Income recognition and reporting, Fraud Risk, Cyber Security.

11.4 The Committee approved the draft plan for 2020/21.

Agenda Item 12: Any Other Business

12.1 There was no other business.

Date of Next Meeting

9th September 2020, either Wyvern House or by Teleconference.

PART B

Agenda Item 13: Re-appointment of Auditors

13.1 IB reported that the working relationships with the current auditors was professional and constructive. In addition, that the fee charged represented, on comparison with other similar sized LEPs, good value.

13.2 Committee members expressed positive views on the knowledge and contribution made by the auditors to committee meetings.

13.3 The auditor has been in place for several years, which promotes a good understanding of the LEP and its activities. Discussion on whether a re-tender exercise was necessary determined that, for the coming year, the timing was not appropriate. Uncertainties driven by Covid-19, Brexit, and Government undertaking a Spending Review in January 2021, all supported maintaining stability with experienced auditors.

13.4 The Committee will recommend to the Board re-appointment of Murray Smith for 2020/21