

**Paper for: The LEP Board (Agenda Item 8 g)**

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

**Date: 13<sup>th</sup> September 2023**

**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 risks are being managed appropriately. By providing an annual report to the full board on its activities the committee 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 discharging their responsibilities in respect of the preparation of the accounts and management of risks.

#### **(2) Review of activities**

2.1 The finance and audit committee met four times during the year 2022/23, in June, September, January and March. This report also covers the meeting in June 2023. 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 receiving papers to explore specific issues in greater depth.

2.2 During 2022/23, 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.

- With regard to accounting policies, on the recommendation of the external auditors, the Committee reviewed in June 2023, the LEP's income recognition policy in detail. The LEP's funding is a mixture of service agreements and grant funding, where cash receipts are often received at different times compared to the performance of activities or expenditure incurred for which the funding has been provided. Some agreements for funding stipulate performance conditions while others are less specific. Where there are conditions, income is recognised once the performance conditions are fulfilled, or expenditure defrayed. Where there are no specific requirements, income is recognised in the year it is received, which can mean surpluses taken as part of the general reserve before being utilised in the subsequent financial year. The review was triggered by funding from retained business rates and the purposes to which it is put, which is well-understood by the LEP and Local Authorities, but which lacked the necessary documentation to support the approach applied to income recognition. Suitable documentation has therefore been put in place which ultimately means no change to the historic practices.
- Reviewed the management accounts and forecasts prepared by the LEP during the year, thereby monitoring the financial position regularly and routinely. In 2022/2023, the management accounts for May, July, October and January with associated full year forecasts were reviewed and interrogated. The reviews include oversight of the investment funds managed directly by the LEP (Growing Places Fund, Getting Building Fund, Retained Business Rates).
- Reviewed the draft annual budget for 2023/24, recommending it to the board for approval. Between the presentation of the draft budget to the committee and the board meeting, the Chancellor announced on the 15<sup>th</sup> March 2023, as part of his Budget Statement, proposals for the future of LEPs and their funding beyond 31<sup>st</sup> March 2024. In addition, confirmation of funding was received for some of the LEPs programmes. The board approved an updated version in April 2023.
- 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 2022/23 were:

- Assurance that the Local Assurance Framework meets DLUHC requirements and guidelines and the LEP complies with the framework. The committee noted that there were five minor recommendations and that these are being addressed by management.
- Audit of various claims made for grant payments, e.g. the Growth Hub, the Pledge.

2.4 Papers received by the Committee covered:

- A review of cyber security.
- Assessment of the LEP Review including potential financial and operational risks
- A review of contracts awarded by the LEP.
- An opportunity to comment on the LEP's developing Business Continuity Plan.

### **(3) Review of Committee Performance**

3.1 In the past few years the committee has undertaken a formal review of its own performance, constitution and skills, following as a guide the National Audit Office template and checklist and the areas identified for improvement have been acted on. For 2022/23, the NAO published a revised version of its guidance for audit committees to assess their effectiveness. The committee debated whether to use the new version, which is considerably more detailed and has sections pertinent for a Government Department but less appropriate for the LEP, deciding to remain using the older version. Because we have acted on improvement areas identified in prior years, the analysis this year identified no material areas for further improvement.

#### **(4) Review of Committee Structures**

4.1 In February 2023, the LEP board approved a restructuring of sub-boards and committees including combining the Finance and Audit Committee with the Performance and Investment Committee. The Committee chairs of the two committees have held discussions about how this will be implemented, and the new committee first meeting will be on September 12<sup>th</sup> 2023.

The terms of reference for the combined committee have been prepared and will be presented to the board for approval.

**Nichola Newton**

**Chair of Finance & Audit Committee**

**Sept 2023**