

**Paper for: The LEP Board**

**Title: Agenda Item 7 b - Annual Report of the Finance & Audit Committee to the LEP Board**

**Date: 14 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 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 2020/21, 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 2020/21, 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 2020/2021, the management accounts for May, July, November and January with associated full year forecasts were reviewed and interrogated.

- Reviewed the draft annual budget for 2021/22, recommending it to the board for approval. The review of budgets now also takes account of the cash flows associated with the EZ loan facilities.
- 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 2020/21 were:

- Assurance that the Local Assurance Framework meets MHCLG requirements and guidelines and the LEP complies with the framework.
- Audit of various claims made for grant payments, e.g. the Growth Hub, the Pledge.

2.4 Papers called for and presented to the Committee covered:

- A review of fraud policy and fraud risks, including a review of whistleblowing arrangements.
- A review of cyber security.
- A review of income recognition policy.
- A review of the accounting recognition and treatment of the Greater Manchester and Cheshire Life Sciences Fund, resulting in agreement that the LEPs stake in the partnership should be recognised within the LEP accounts.
- 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 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 for potential improvement.

- To strengthen the skills of the committee. The committee has traditionally operated with three nominated board directors. For the past year it has operated with two, and it was acknowledged that the two board directors nominated to the committee do not have formal financial qualifications. Further, while they have access to the expertise of the s151 officer, internal and external auditor, a third member with a finance background appointed by the board would provide an additional level of assurance. This vacancy has now been addressed by changing the term of reference to allow non-executive committee members, other than board directors, and Tony Bochenski joined the committee in June 2021.
- To ensure that the Chief Executive attends at least some of the committee meetings. The Chief Executive gave apologies for all meetings in 2020/21, the Covid pandemic and responding to it having caused a change in priorities.

**Stephen Kinsey**

**Chair of Finance & Audit Committee**