

Paper for: The LEP Board

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

Date: 13 July 2022

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 2021/22, in June, 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 receiving papers to explore specific issues in greater depth.

2.2 During 2021/22, 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 2021/2022, 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 2022/23, recommending it to the board for approval. With the board's agreement budget preparations were not finalised until after publication of the outcome of the LEP review (31st March 2022) which confirmed reductions in core government and Growth Hub funding.
- 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 2021/22 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 received by the Committee covered:

- A review of cyber security.
- 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.
- Approval, prior to implementation, of recommendations arising from a review of procurement policy and procedures.
- Review of the financial consequences and accounting treatment arising from the approved proposal to manage an underspend within the Getting Building Fund caused by the early closure of a project.
- Consideration and approval of a revised approach to risk management, which improves strategic overview and embeds operational review more actively across the different functions of the LEP and MC.

(3) Review of Committee Performance

3.1 In the past two 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. In 2021/22, the committee has relied on informal arrangements to ensure it is meeting its remit, partly because of the departure of Stephen Kinsey.

Chris Hindley

Interim Chair of Finance & Audit Committee

July 2022