



Local Enterprise Partnership Governance

Final Audit Report
2018/19



Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

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1 Executive Summary

1.1 Scope and Background of Audit

- 1.1.1 This audit reviewed the Staffordshire & Stoke-on-Trent Local Enterprise Partnership's (LEP) compliance with requirements set out in the Government's updated National Assurance Framework, which is due to be published in January 2019 and which the LEP is required to have implemented by 31 March 2019.
- 1.1.2 The scope of the audit was to examine the LEP's Local Assurance Framework and associated policies and procedures of the LEP to ensure compliance with the updated National Assurance Framework for LEPs issued by the Department for Business, Energy and Industrial Strategy (BEIS) in January 2019.
- 1.1.3 The Council is a member of the Stoke and Staffordshire Local Enterprise Partnership (SSLEP), and also acts as the Accountable Body for the SSLEP. The SSLEP is a partnership between businesses and the public sector in the Stoke and Staffordshire area.
- 1.1.4 As SSLEP is a recipient of public funds – primarily the Local Growth Fund – the Government requires SSLEP to fulfil various governance requirements. An updated version of the National Assurance Framework is due to be issued by the Department for Business, Energy and Industrial Strategy (BEIS) in January 2019. The Council's Section 151 Officer must complete an annual return to DCLG setting out whether or not the LEP has discharged its governance obligations. This audit supports this process.
- 1.1.5. The National Assurance Framework includes a checklist. The audit approach for the review was to undertake a comparison of the SSLEP Assurance Framework and associated documentation, against the requirements of the National Assurance Framework to identify areas of compliance, partial compliance and non-compliance.

1.2 Summary of Audit Findings

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
LEP has published and approved a compliant Assurance Framework by 31 March 2019	20	14	6	0
The LEP publish minutes of meetings on the LEP website within 10 working days of the meeting taking place	1	1	0	0
The LEP does publish an agenda and supporting papers for Board meetings on the LEP website 5 working days before the meeting taking place	1	1	0	0
Minutes of meetings include a section inviting attendees to make declarations of interest	1	1	0	0

The LEP have a standardised process for holding confidential information to be discussed at meetings which are placed on the website in line with an agreed methodology	1	1	0	0
The LEP has put in process a process for third parties and the public to confidentially report concerns about LEP decisions (in addition to the existing Whistleblowing Policy)	2	1	1	0
The LEP has published a Whistleblowing Policy on an accessible part of its website	1	1	0	0
All Board Members of the LEP have signed up to a Code of Conduct, posted on the LEP website and compliant with national standards and Nolan Principles	1	1	0	0
The LEP has an up-to-date register of interests, posted on its website and compliant with national guidance	1	1	0	0
TOTALS	29	22	7	0

1.2.1. The following issues were considered to be the key control weaknesses:

Rec Number	Risk Rating	Summary of Weakness	Agreed Action Date
1	Medium	The SSLEP Framework does not include sufficient inclusion around risk management arrangements specifically how risks escalate/de-escalate across different meetings, and the process and frequency of Board oversight	31 st July 2019
2	Low	The SSLEP Framework does not include sufficient inclusion around Board succession planning specifically how handover processes are managed and information is passed from the outgoing to successor member	31 st July 2019
3	Low	The SSLEP Framework does not include sufficient inclusion around Board training and induction process specifically how the process works, what is included in an induction pack, what minimum levels of training are required and a time period within which it must all be completed	31 st July 2019
4	Low	The SSLEP Framework does not confirm how the role of an independent secretariat is approved and maintained	31 st July 2019
5	Low	The SSLEP Framework does not include information around Board sub-group quorate levels	31 st August 2019
6	Low	The SSLEP Framework does not clarify who has overall responsibility for overseeing the recovery of funds including who receives reports and updates. Furthermore the Framework does not state what actions could or may be taken to recover non-compliant payments especially where it is decided that it is non-recoverable	31 st July 2019
7	Low	The SSLEP Framework includes incorrect references to Data Protection Laws and requires updating	30 th April 2019

This report focuses on the weaknesses in the Organisation’s systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains the follow amount of recommendations

High	Medium	Low	Total
0	1	6	7

Another one minor priority issue has been highlighted for management's consideration

1.2 Summary of Control Assurance Provided

1.2.1 **Substantial** - Internal Audit can offer substantial assurance as the areas reviewed were found to be controlled adequately. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

2 Positive Assurance

Internal Audit attempted to establish whether the Organisation's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

2.1 Compliance with National Assurance Framework

2.1.1 Audit testing undertaken has confirmed that the SSLEP Framework is compliant with the National Assurance Framework with specific regard to the key areas below:

- LEP has a published and approved Local Assurance Framework which is in accordance with the new National Assurance Framework. This was approved by the deadline of the 31 March 2019.
- Accountabilities are clearly defined, including roles and responsibilities for decision making, which are documented within the governance structure charts in place.
- The SSLEP has a dedicated website which is up to date and includes publications such as financial accounts, Board members details, the Assurance Framework and associated documents.
- The framework clearly sets out the processes to be applied for the recruitment, evaluation and appointment of all Board members and Chairs and also arrangements/responsibilities for deputies.
- The framework includes a diversity statement, which is in accordance with the National Assurance Framework.
- Accountabilities for the management of contracts and branding are clearly set out in the roles and responsibilities of the different governance groups and also within in the Accountable Body Agreement in place.
- There are clear flow charts, decision matrixes and gateway approval stages for every investment.
- The LEP publish minutes of meetings on the LEP website within 10 working days of the meeting taking place. This was confirmed via review of the website and dates of minutes and dates of publication over the past 12 months – no breaches were identified.
- The LEP publishes an agenda and supporting papers for Board meetings on the LEP website 5 working days before the meeting taking place. This was confirmed via review of the website and dates of minutes and dates of publication over the past 12 months – no breaches were identified.
- Minutes of meetings include a section inviting attendees to make declarations of interest. This was confirmed via review of the website and minutes over the past 12 months – no breaches were identified.
- The LEP have a standardised process for holding confidential information to be discussed at meetings which are placed on the website in line with an agreed methodology. The SSLEP Framework set out the minimum levels per the National Framework sufficiently. However note, there is one Low finding regarding updating the references to data protection laws in the Framework.
- The LEP has put in process a process for third parties and the public to confidentially report concerns about LEP decisions (in addition to the existing Whistleblowing Policy).

- The LEP has published a Whistleblowing Policy on an accessible part of its website.
- All Board Members of the LEP have signed up to a Code of Conduct, posted on the LEP website and compliant with national standards and Nolan Principles. This was confirmed via a review of the website, transparency pages and minutes.
- The LEP has an up-to-date register of interests, posted on its website and compliant with national guidance. This was confirmed via a review of the website.

3 Control Weaknesses and Recommendations

3.1 Compliance with National Assurance Framework

3.1.1 *It was expected that the SSLEP Assurance Framework was compliant with the National Assurance Framework and associated appendices/checklists.*

Requirement – Set out the LEP’s approach to risk

3.1.2 The National Framework sets out the LEP’s approach to risk (Paragraph 65 (d)). This should include a description of the nature of the risks undertaken by the LEP, its arrangements for active risk management, and the name of the individual responsible for risk management a process for the LEP Board to oversee risk and details of the processes for the escalation of risk analysis and risk management requirements within the LEP.

The audit found that although a risk management statement has been included at paragraph 2.14.6 of the Local Assurance Framework, which confirms that the Audit and Finance Committee (AFC) manage the overarching risk register and individual sub-groups manage their own risk registers.

However, the Local Assurance Framework does not set out arrangements for the process to escalate and de-escalate risk across different meetings, the process and frequency for LEP Board oversight over risk or the approach for how individual sub-group risk registers will link with the risk register presented at AFC.

Therefore the risk here is that unclear arrangements for risk management lead to ineffective risk management of LEP activities, duplication of activities or ineffective assignment of accountability of risks.

Recommendation 1		Summary Response	
Risk Rating:	Medium Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not include sufficient inclusion around risk management arrangements specifically how risks escalate/de-escalate across different meetings, and the process and frequency of Board oversight		Agreed Actions: The SSLEP Assurance framework will be updated to clarify the process around risk management	
Suggested Action: To revise the SSLEP Assurance Framework document to specifically cover arrangements for the process to escalate and de-escalate risk across different meetings, the process and frequency for LEP Board oversight over risk or the approach for how individual sub-group risk registers will link with the risk register presented at AFC		Implementation Date: 31st July 2019	

Requirement – Ensure appropriate succession planning Board member.

- 3.1.3 The National Framework sets out the LEP’s approach to succession planning of Board members (Paragraph 65 (i)). This should include a description ensuring there are appropriate succession planning and arrangements for the resignation of Board Members. The National Framework does not go into more detail than this.

Quality succession planning is often highlighted as a cornerstone of effective Board performance. The audit found that the Framework (note (a) of the Diversity Policy and throughout the Articles of Association) identifies that there are arrangements for recruitment of Board members and how resignation should be managed in terms of appointing interim/deputy roles. However, there is not any specific information around succession planning. Typically this may include narrative on when a resignation is notified, how knowledge and information is passed onto any successor or arrangements for a handover discussion.

The risk here is that if procedures are not clear then handover processes may lead to a less effective operation of the incoming Board member.

Recommendation 2		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not include sufficient inclusion around Board succession planning specifically how handover processes are managed and information is passed from the outgoing to successor member		Agreed Actions: The SSLEP Assurance Framework will be updated to clarify the approach around succession planning.	
Suggested Action: To revise the SSLEP Assurance Framework document to ensure succession planning arrangements cover narrative on when a resignation is notified, how knowledge and information is passed onto any successor or arrangements for a handover discussion.		Implementation Date: 31st July 2019	

Requirement – Implement an induction process for Board members

- 3.1.4. The National Framework sets out the LEP’s approach to Board member induction (Paragraph 65 (j 81-82)). This should include details of how the LEP will implement an induction process for new members of the LEP Board and LEP Officers. The National Framework elaborates by stating ‘LEPs should ensure that all Board Members and LEP Officers can access an induction and training programme. This will ensure that Board Members understand their role, are adequately supported to provide challenge and direction to their LEP and understand how best to work with Government’. It also confirms that any induction process should be completed within the first quarter of a Board member joining.

An induction programme is a structured way of providing new board members with all the information and support they need to be confident and productive in their role. The audit found that Framework includes minimal references to specific Board member training and protocols; additionally there is not a specific reference to the induction process. Typically this may include information on how the training programme can be accessed and what it

involves, induction packs a new member receives including a summary of the Boards objectives and recent history, a nominated staff or Board member who can support with queries and explanation of requirements around ethical behaviour, conflicts of interest and claiming expenses.

The risk here is that if guidance notes are unclear on induction and training then new Board members may not be adequately supported leading to them contributing to the Board less effectively than otherwise possible.

Recommendation 3		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not include sufficient inclusion around Board training and induction process specifically how the process works, what is included in an induction pack, what minimum levels of training are required and a time period within which it must all be completed		Agreed Actions: A review of the current induction progress is in progress and the assurance framework will be updated when this is completed.	
Suggested Action: To revise the SSLEP Assurance Framework document to include specific narrative around Board member training and induction specifically covering how and when induction packs are provided and what they will cover. The packs should cover the Boards objectives, the Local Assurance Framework, requirements around conflicts and ethical behaviour, claiming expenses and what training is available as a minimum. It should also be clarified that the induction pack training must be documented as complete within the first quarter of joining		Implementation Date: 31 st July 2019	

Requirement – Outline how the independent secretariat will function

- 3.1.5. The National Framework sets out the LEP’s approach to the independent role of the secretariat (Paragraph 134-135). It states the LEP requires an independent secretariat. The LEP should be able to draw on impartial advice for all Board Members; regardless of their organisational background.

The Framework refers to the secretariat throughout and their role and which meetings they will be appointed to however, a specific mention to confirm that they are independent and not a member of the particular Group they support cannot be seen. This is expected to be finalised at the June 2019 LEP Board Meeting after which the Framework will be updated.

The risk here is that if the Local Assurance Framework does be specific about the independent role and how this is maintained it could undermine the confidence in the impartial support and advice given by the role.

Recommendation 4		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not confirm how the role of an independent secretariat is approved and maintained		Agreed Actions: The structure of the Secretariat is currently being reviewed and will be approved by the Executive Board. The SSLEP Assurance framework will be updated to clarify the issue raised	
Suggested Action: To revise the SSLEP Assurance Framework document to ensure it specifically states the role of the secretariat is independent and how this is achieved and maintained		Implementation Date: 31 st July 2019	

Requirement – Information on the LEP’s decision making procedures, including the arrangements for ensuring decisions are taken at meetings which are quorate.

- 3.1.6. The National Framework sets out the LEP’s approach to quorate meetings (Paragraph 147 (d)). This should include a description on the LEP’s decision making procedures, including their arrangements for ensuring that decisions are taken at meetings which are quorate. Furthermore, information on the number of Board Members and the breakdown of those Members (private or public sector Board Members) that are required to be present at meetings to ensure that a meeting is quorate.

The audit found that the Framework sets out arrangements for the LEP Board in terms of quorate levels (note 2.3.6) needed in order to make decisions. However, the Framework does not set out quorate levels for the six sub-groups to the Board as they are not decision making meetings.

This point is more of note in that the sub-groups remits are under review in the coming months which could result in changes and if necessary the Framework should then be updated to include information on quorate levels for decisions made. The risk here is that decisions in sub-groups may be made at inconsistent quorate levels undermining the collective responsibility and effectiveness of decisions.

Recommendation 5		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not include information around Board sub-group quorate levels		Agreed Actions: The current assurance framework reflects current practice where all decisions are made by the Executive Board, and hence there are no requirements for quorate levels at sub groups. The scheme of delegation is however being revised which may change this approach, and if so the Assurance framework will be updated accordingly.	
Suggested Action: To revise the SSLEP Assurance Framework document to specify the quorate levels required for sub-groups of the Board		Implementation Date: 31 st August 2019	

Requirement – Set out the LEP’s role in recovering funding.

3.1.7. The National Framework sets out the LEP’s role to recovery of non-compliant funding (Paragraph 149). This confirms that LEPs should play a role in recovering funding where there has been non-compliance, mis-representation or under-performance. In such circumstances, the LEP Board or delegated Sub-Board should receive reports providing information on projects which have received funding, including:

- A description of projects where concerns have been identified;
- Relevant details including the amount of funding awarded and the sum at risk due to the concerns; and
- Where recovery of funds is considered, a legal opinion which sets out the legal basis for recovery and likelihood of success.

The audit found that the Framework funding agreement note 15 states ‘Breaches of legislation may result in suspension and/ or recovery of Grant where this is deemed appropriate by the Council’. It further sets out that if a breach is identified then conditions may be placed on the recipient and these must be acted upon.

However the Executive Board or other groups do not specifically state it is their role to oversee breaches. Therefore the risk here is that it is unclear who this responsibility rests with undermining accountability.

Requirement – Set out the arrangements to recover non-compliant funding.

3.1.8. The National Framework sets out the LEP’s arrangements to recovery of non-compliant funding (Paragraph 150). It states that the LEP is expected to have in place appropriate arrangements to recover non-compliant funding. Where the LEP decides not to pursue recovery where it has identified non-compliance and has legal grounds to do so it must provide a compelling justification for its decision.

The audit found that this is not set out other than to say actions will be set and recovery made; no specifics are stated. Therefore the current disclosure does not meet the requirement of setting out 'arrangements'.

The risk with not being fully compliant with the National Framework is that the SSLEP Framework is not sufficiently comprehensive which could impact the performance of the SSLEP.

Recommendation 6		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework does not clarify who has overall responsibility for overseeing the recovery of funds including who receives reports and updates. Furthermore the Framework does not state what actions could or may be taken to recover non-compliant payments especially where it is decided that it is non-recoverable		Agreed Actions: The position will be clarified in the Assurance framework and the scheme of delegation. The details of recovery of non-compliant payments relating to the Growth Deal is set out in the individual grant agreements.	
Suggested Action: To revise the SSLEP Assurance Framework document to state the Boards role in overseeing non-compliant funding specifically covering whether they or other sub-groups receive summaries of cases and what they receive. Furthermore, the arrangements to recover funding should be made specific covering how decisions are made on when it has been agreed that recovery is not worthwhile, who makes this decision and how steps are taken to document this.		Implementation Date: 31 st July 2019	

3.2. The LEP have a standardised process for holding confidential information

3.2.1. *It was expected that the SSLEP Assurance Framework sets out the laws required to be complied with in regards to data correctly*

Requirement - Set out the processes the LEP has put in place in regard to the handling on data

The National Framework sets out the LEP's approach to handling data (Paragraph 65.m 102). It states that the LEP must put in place appropriate data protection arrangements in line with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018.

The audit found that the Framework sets out in the Accountable Body agreement note 6.1.6 however, in note 6.1.7 it refers to the 1998 Data Protection Act which is no longer applicable.

The Enquiries, Comments and Complaints Policy under the heading 'Anonymous Allegations' refers to the 1998 Act incorrectly and the embedded web link is not the correct one. Also in the Grant Funding Agreement document in appendix C, it refers to the 1998 Act in note 15.8.1 incorrectly.

The risk with referencing incorrect data laws is that the SSLEP do not acknowledge and ensure compliance with the latest data laws and increase exposure to being in breach with the latest data protection laws which could incur sanctions and fines.

Recommendation 7		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	SSLEP Interim Partnership Manager
Summary of Weakness: The SSLEP Framework includes incorrect references to Data Protection Laws and requires updating		Agreed Actions: The SSLEP framework has been updated to correct these references.	
Suggested Action: To revise the SSLEP Assurance Framework document to ensure compliance it sets out the latest Data Protections Laws per the 2018 Act and not 1998		Implementation Date: 30 th April 2019	

4 Minor Priority Issues

During the course of this audit, Internal Audit have identified control issues which are considered to pose only a minor risk to the organisation, As such, Internal Audit have not raised formal recommendations for management to respond to and do not intend to formally follow up any of these issues. Management is at liberty to take whatever action it deems necessary to mitigate the following minor risks:

4.1 Board Member as Diversity Lead

Best practice (and not mandatory requirements in the Framework) set out that a nominated Board member should be a Diversity Lead. This is to support the achievement of the Diversity Statement and overall balance of the Board to ensure good decisions are made.

It was found that there is not currently an assigned Board member leading on diversity. The full Board is currently not in place as vacancies are filled and therefore this role has not been appointed but is recognised and expected that this requirement to be fulfilled in the coming months. As the Council are in the process of seeking a Diversity Board Member and that this is a best practice and not mandatory requirement, this is noted as a minor priority issue.

Disclaimer

The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. SCC neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

