



Local Enterprise Partnership

Final Audit Report

the knot unites



Our Mission

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

Chief Internal Auditor

Lisa Andrews

Lead Auditor

Susan Bluck

Report Status

Draft Report Issued – 07/06/17

Final Report Issued – 15/06/17

Draft Report Distribution

David Nicholls, Project Manager

Peter Davenport, Economic Partnership Manager

Simon Ablewhite, Strategic Financial Business Partner

Final Report Distribution

As draft

Darryl Eyers, Director for Economy, Infrastructure and Skills

Table of Contents

1	Executive Summary	1
1.1	Scope and Background of Audit	1
1.2	Summary of Audit Findings.....	1
1.3	Summary of Control Assurance Provided	2
2	Positive Assurance	3
2.1	Governance and Decision Making	3
2.2	Transparent Decision Making	4
2.3	Accountable Decision Making	4
2.4	Value for Money and Delivery	5
3	Control Weaknesses & Recommendations	7
3.1	Governance and Decision Making	7
3.2	Transparent Decision Making	8
4	Minor Priority Issues.....	10
4.1	Governance and Decision Making	10

1 Executive Summary

1.1 Scope and Background of Audit

- 1.1.1 This audit focused on the decision making and governance arrangements of the Local Enterprise Partnership (LEP), in accordance with the Government's revised Local Enterprise Partnership National Assurance Framework. The audit has been undertaken as part of the Internal Audit plan for 2016/17.
- 1.1.2 Local Enterprise Partnerships (LEP's) are local business-led partnerships between the private sector and local authorities which were established with the purpose of steering growth strategically in local communities. 39 LEP's were established following the abolition of Regional Development Agencies in 2010. Each representing a functional economic area. The Stoke on Trent and Staffordshire LEP (SSLEP) was formed as part of this process.
- 1.1.3 In 2014, the Department for Communities and Local Government developed a National Assurance Framework, in conjunction with the LEPs. The purpose of the framework was to ensure that LEPs have in place the necessary systems and processes to manage delegated funding from central Government budgets effectively. A revised framework was published in October 2016 and all LEP's were required to ensure that Local Assurance Frameworks were amended to reflect the requirements of the new framework.
- 1.1.4 The audit considered key areas as identified by the revised National Assurance Framework, including governance and decision making, funding arrangements value for money and performance monitoring.

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
The LEP must have a clear governance structure in place to ensure effective decision making	12	10	2	0
The LEP has an adequate and appropriate structure in place for evidencing and communication of decisions	8	6	2	0
Accountabilities of the LEP and each of the partner Authorities have been clearly defined.	9	9	0	0
The LEP has mechanisms in place to ensure value for money and effective delivery are achieved.	7	7	0	0
TOTALS	36	32	4	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 Priority	LEP Board membership requirements are incorrectly stated within the Constitution document in place.	30th September 2017
2	Low Priority	LEP Board member details published on the website are incorrect and do not reflect the current board structure.	30th September 2017
3	Medium Priority	Key documentation to evidence the decision making process have not been published in a timely manner consistently.	30th September 2017
4	Medium Priority	Declarations of Interest have not been obtained and / or published consistently, or are out dated.	30th September 2017

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	3	1	4

Another 1 minor priority issues have been highlighted for management's consideration.

1.3 Summary of Control Assurance Provided

- 1.3.1 **Adequate** - We are able to offer adequate assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

2 Positive Assurance

We 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 Governance and Decision Making

- Review of supporting documentation has confirmed that the revised Local Assurance Framework was presented and signed off by the LEP Executive Group on the 17th February 2017 and by the Full Partnership Board on the 9th March 2017.
- Review of documentation retained has confirmed that a letter signed by the Section 151 Officer, confirming compliance with the National Assurance Framework as required. The letter was sent via email on the 17th February 2017.
- It has been confirmed through review of key documentation that the Local Partnership Board structure is in accordance with the national framework requirements. The Chair of the Board and Vice Chair are both individuals from the private sector and the private sector representatives equate to over 50% of the board membership.
- Local partnership sub-groups and their key governance arrangements, including members, meeting requirements, accountabilities and reporting requirements have been defined within the Constitution document with the Local Assurance Framework.
- Membership of the Board and the Executive Group includes leaders and/or appropriate representatives of each of the partner Local Authorities. These include four Local Authority leaders nominated by the Chief Executives and Leaders Group to attend as their representatives. The group includes Leaders and Chief Executives from all Local Authorities across Staffordshire. In addition to representation on the Board by the nominated individuals the group also receives regular updates from the LEP.
- The Constitution document outlines the accountabilities of the LEP groups and sub-groups for ensuring that projects are implemented and delivered lawfully and effectively. Further clarification and accountabilities are also outlined within the Accountable Body Agreements and the Project Prioritisation and Business Case Process.
- A diversity statement has been included at section 45.1 of the Constitution document. The statement confirmed that any appointments to the LEP Board or the sub-groups will be undertaken to comply with the diversity requirements of the Public Appointments Governance Code (December 2016) or subsequent updates.
- Review of key documentation has confirmed that member rules of conduct are included within the Constitution document. Additionally, the Local Assurance Framework documents include a letter which confirmed the Code of Conduct which is sent to all Board members for signature and formal agreement of the Code.
- Arrangements and governance requirements, including components required to be defined in the joint working agreement and approval requirements for joint working protocols and agreements, have been clearly defined and documented within section 46 of the Constitution document.

2.2 Transparent Decision Making

- A dedicated website is in place for the SSLEP which facilitates the publication and communication of key information and documents to confirm the activities of the Partnership. This is opening up accessibility to partners and members of the public.
- Requests under the Freedom of Information Act or Environmental Information Regulations are actioned in accordance with the SCC procedures in place, as stipulated in Section 44.3 of the Constitution. Review of the Staffordshire County Council Disclosure Log published on the SCC website has confirmed that a request for information relating to the LEP was received in 2016. This was fulfilled in accordance with the legislation timescale.
- Events are held to engage with stakeholders and these are recorded and communicated via the SSLEP website. The site also provides news as to the activities undertaken and documentation which records and supports decision making and key activities, including the annual report, minutes and progress reports. A pop up when the site is first opened allows individuals to register to receive updates, news and alerts directly.

Events include the annual conference that is held in October each year, this is a public event at which the annual report and accounts are published.

- In addition, discussion with key individuals has confirmed that specific events are also held based on particular projects or development areas and representatives of the LEP attend and speak at externally arranged events to communicate the activities being undertaken.
- As well as the opportunity to provide feedback and obtain information via events, members of the public can also contact the LEP via the helpline number which is provided in the header at the top of each page on the SSLEP website.
- The Project Prioritisation and Business Case Process outlines processes and approval arrangements for business cases, grant agreements and project appraisal, prioritisation and monitoring. This document, along with the business case pro-forma and assessment templates, have been published on the SSLEP website.
- Review of key Assurance Framework documentation has confirmed that social value and impact is incorporated in the objectives of the Strategic Economic Plan. The Project Prioritisation and Business Case process confirms that projects and innovations must be linked to these objectives and review of the Business Case Proforma has confirmed that details of social value are requested within the Economic Plan section of the document. Discussion with key individuals has also confirmed that compliance with social value regulations also forms part of the contract documentation issued to providers undertaking the projects.

2.3 Accountable Decision Making

- The Strategic Economic Plan was published in March 2014, covering a period from 2014 – 2030. The full Economic Plan strategy document and a summary have been published on the SSLEP website.
- Review of the membership of the SSLEP Board has confirmed that it includes Council Leaders or appropriate delegated representatives for the two upper tier Local Authorities and the four District Councils nominated by the Chief Executive and Leaders Group.

- Processes are in place which supports the financial, legal and democratic accountabilities of the LEP. Arrangements and requirements are clearly defined, including those for resolution should the LEP and accountable bodies be in disagreement. Specific guidance, policies and procedures are also in place in relation to business case evaluations, approval and conduct.
- Section 44 of the Constitution outlines the scrutiny activities and arrangements in place and it has been confirmed that on the whole these have been effectively undertaken within 2016/17, however, as raised elsewhere in the report, there have been delays in the publication of minutes from the Executive Group meetings. Review of the agenda and minutes of the Staffordshire County Council Corporate Review Committee has confirmed that the LEP annual report was presented by the Leader of the Council and agreed at the meeting held on the 3rd April 2017. The papers from the meeting have been published on the Staffordshire County Council website.
- The Accountable Body Agreements in place with Staffordshire County Council and Stoke on Trent City Council clearly define the required general financial arrangements for the management and administration of funding as well as record keeping and auditing arrangements.
- Financial duties and rules have been defined within the Accountable Body Agreements and the Constitution. Financial activity is overseen and reviewed by the Finance and Audit Committee which includes representatives from the LEP Board, sub-groups and co-opted Section 151 officer of the Accountable Bodies.
- Annual accounts are produced and published on the SSLEP website. These include details of grant funding received and utilised. Utilisation and recording of grant funding is subject to review by the Accountable Bodies Internal Audit teams.
- SSLEP Constitution and the Accountable Body Agreements in place with Staffordshire County Council and Stoke on Trent City Council clearly define the responsibilities of the Accountable Body. These include those for the areas specified within the National Assurance Framework.
- Timescales and operating practices for the LEP groups and sub-groups and the Accountable Bodies have been defined within the Constitution, which defines the activities and meeting frequencies of the groups and sub-groups to facilitate the monitoring of project delivery. Further requirements and timeframes are stated within the Accountable Body Agreements in place, including financial reporting.

2.4 Value for Money and Delivery

- To ensure segregation and fairness, the Accountable Body Statement requires the LEP Board to ensure that the Accountable Body is not put in a more favourable position than any other promoting body in the LEP. A review of the published business cases has confirmed that these have been submitted by bodies across the LEP area, including the upper tier authorities, district / borough councils and the Environment agency. It has also been confirmed that business cases are vetted by an independent person prior to sign off by the Accountable Officer and recommendation for approval by the LEP.
- Risk Management requirements are summarised in section 48 of the Constitution. This confirms that the Strategic Funding group will maintain and manage the overarching LEP wide risk register and associated mitigation plans on behalf of the Executive Group. Maintaining a risk register and mitigation plans is also stated as a

requirement for permanent sub-groups such as the Strategic Programme Board to ensure that risks are identified and mitigated at various levels within the LEP.

- Risk registers are maintained for the individual's projects as well as an overarching programme risk register, this risk register is reviewed and updated on a monthly basis. In addition a summary presentation report is also produced on a monthly basis and provided to the City Deal Growth Deal (CDGD) Programme Board for consideration, this consolidates the highlights from the monthly programme level risk register and project level risks as reported by the project leads.
- The Project Prioritisation and Business Case Process document, in conjunction with the Business Case Proforma and Assessment Template, confirms the arrangements and requirements for the identification, appraisal, prioritisation and approval of projects. These documentations clearly incorporate key areas identified in the National Governance Framework and have been published via the SSLEP website.
- A Business Case Proforma has been developed and is now in use which defines information and detail required to support a project application. This includes option appraisal details for five key areas, these are Strategic case, Economic case, Commercial case, Financial case, Management case. Details of resources & value for money considerations are also captured. The proforma includes guidance as to the information required against each section. The business cases are assessed through utilising the Business Case Assessment Template. This is also structured in accordance with the five areas outlined above. This includes key questions and areas for consideration as part of the evaluation process and records the evidence and rationale provided, including the options appraisal and selection process and determination of value for money implications. Each of the five areas are graded as high/medium/low based on the criteria and guidance included in the proforma, with an overarching grading and recommendation to the LEP Executive Group being determined. Copies of approved business cases are published on the SSLEP website.
- Commercial, financial and management arrangements and requirements are identified and assessed as part of the Business Case process in place, as previously outlined.
- The Economic Partnership Manager is accountable for ensuring that the projects will generate value for money and for the scrutiny of the business case recommendations. To ensure independence a Programme Manager has been commissioned from an external provider to undertake the review and vetting of the proposals and business case recommendations. The Economic Partnership Manager will sign off the business case subsequent to completion of the vetting process.
- Arrangements for the monitoring and evaluation of projects are determined within the Constitution and review of meeting agendas, minutes and supporting documentation has confirmed that management information and reporting is being undertaken to facilitate and inform the monitoring of performance of the LEP and the individual key projects. This includes reports and dashboards to confirm progress and delivery against overarching KPIs, individual's project objectives and financial limitations.

3 Control Weaknesses & Recommendations

3.1 Governance and Decision Making

3.1.1 *It was expected that the LEP local assurance framework sets out rules governing the LEP board membership.*

Review of the Local Assurance Framework documentation has confirmed that the rules for the membership of the Local Enterprise Partnership Board have been clearly defined within the Stoke-on-Trent and Staffordshire Local Enterprise Partnership Constitution.

However, the Board members identified could not be fully aligned to the requirements outlined within the Constitution. Section 2.1 confirms that there should be 2 individuals that constitute University representation, however, only 1 can be identified from the website and declarations of interest provided. It has subsequently been confirmed by the Economic Partnership Manager that 1 representative is required and therefore this is an error within the Constitution document. Additionally, representation of the upper tier local authorities could not be aligned to the requirements of the Constitution. The Constitution states the Leaders, 1 x Deputy Leader and Chief Executives of the two upper tier local authorities (Staffordshire County Council and Stoke-on-Trent City Council) are required as Board members, 5 individuals in total. Through review of key documentation and discussion with key individuals it has been confirmed that the Leader of Stoke on Trent City Council (SoTCC) does not attend the meetings and is represented by the Deputy Leader. Therefore the number of representatives does not align to those required by the Constitution as the Deputy Leader (SoTCC) is fulfilling two required positions.

It was also identified during review of the website with the Economic Partnership Manager that the membership details on the SSLEP website are out of date and therefore require amending to confirm the current representation.

Errors or inconsistencies within the Board requirements stated in the Constitution document may expose the organisation to reputational and legal risk due to challenge of authorisation and transparency of decision making.

Recommendation 1		Summary Response	
Risk Rating:	Medium Priority	Responsible Officer:	Peter Davenport
Summary of Weakness:		Agreed Actions:	
LEP Board membership requirements are incorrectly stated within the Constitution document in place.		The constitution document will be reviewed, errors and inconsistencies will be corrected	
Suggested Action:		Implementation Date:	
The Constitution document should be reviewed and amended to ensure that board membership requirements are accurately documented.		30 th September 2017	

Publication and communication of inaccurate information to the public and stakeholders may prevent fulfilment of transparency requirements.

Recommendation 2		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	Peter Davenport
Summary of Weakness:		Agreed Actions:	
LEP Board member details published on the website are incorrect and do not reflect the current board structure.		A review of all board member details will be carried out and updated where necessary	
Suggested Action:		Implementation Date:	
Board member details, communicated via the SSLEP website, should be reviewed and updated to ensure they are accurate and representative of the current board structure.		30 th September 2017	

3.2 Transparent Decision Making

3.2.1 *It was expected that arrangements are in place for the recording and communication of decisions.*

Copies of documentation to support and record the decision making process, including agendas and minutes of key meetings are being published on the SSLEP website, minutes are published subsequent to approval at the next meeting of the group/board. Review of the website has confirmed that minutes from Executive Group meetings held on the 15th December 2016 and 17th February 2017 had not been published, although published agendas have confirmed that meetings were scheduled for the 17th February and 13th April 2017. A delay in the publication of key documents was also raised in the previous audit of the LEP issued in June 2016 and therefore the recommendation made has been reiterated in this review.

A lack of transparency of the SSLEP publically available information could lead to stakeholder challenge to decision making which could damage the reputation of the LEP.

Recommendation 3		Summary Response	
Risk Rating:	Medium Priority	Responsible Officer:	Peter Davenport
Summary of Weakness:		Agreed Actions:	
Key documentation to document the decision making process have not been published in a timely manner consistently.		The process for publication of documents on the website will be reviewed and the recommendation of them being made available, once finalised, within 3 working days put in place	

Suggested Action:	Implementation Date:
The Economic Partnership Manager should ensure minutes from SSLEP meetings should be made available on the SSLEP website within 3 working days of them being finalised.	30 th September 2017

3.2.2 *It was expected that the conflicts of interest policy, register of interests for decision makers and complaints policy are in place and have been published.*

Review of the SSLEP website has confirmed that the Complaints Policy and copies of Declarations of Interest for Board members have been published. However, reconciliation of SSLEP Board members identified from the website and/or meeting minutes, against the declarations published on the website and those provided by the SSLEP Project Manager has identified that a declaration has not been obtained and/or published for Liz Barnes. Additionally, published declarations for a further five individuals were completed in excess of a year ago, this includes the Chair and Vice Chair, both of who's declarations are dated 2015.

Failure to identify and record potential interests does not support transparent decision making and may result in decisions being challenged or hinder prevention/identification of fraudulent activity.

Recommendation 4		Summary Response	
Risk Rating:	Medium Priority	Responsible Officer:	Peter Davenport
Summary of Weakness:		Agreed Actions:	
Declarations of Interest have not been obtained and / or published consistently, or are out dated.		The declarations of interest will be reviewed and updated as required	
Suggested Action:		Implementation Date:	
Declarations of Interest should be completed and published for all members of the SSLEP Board a minimum of annually.		30 th September 2017	

4 Minor Priority Issues

During the course of this audit, we have identified control issues which are considered to pose only a minor risk to the organisation, As such, we have not raised formal recommendations for management to respond to and we 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 Governance and Decision Making

- The Accountability and Assurance Framework documents are available via two locations on the SSLEP website, however, those retained within the Resources section have not been updated to provide the final revised documentation.

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.

