

Local Enterprise Partnership

Final Audit Report
2021/22



Our Mission

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

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Report Status

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Draft Report Distribution

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Final Report Distribution

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This audit has been conducted in accordance with the Public Sector Internal Audit Standards.

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1 Executive Summary

1.1 Scope and Background of Audit

- 1.1.1 Staffordshire County Council continue to be the accountable body for the Stoke-on-Trent and Staffordshire Local Enterprise Partnership (LEP). In accordance with the Local Assurance Framework the accountable body must ensure the LEP are compliant with the National Local Growth Assurance Framework. As the accountable body, SCC are required to provide an annual assurance statement to confirm compliance with both national and local guidelines.
- 1.1.2 LEP arrangements going forward are under review nationally, pending the outcome of a wider Government review and the 'Levelling up' white paper which had been delayed. Clarification as to the future arrangements for LEP's has been awaited since October 2021. Anticipated changes may involve a different purpose and remit, membership and geography.
- 1.1.3 The scope of the audit was to keep under review the existing decision making and governance arrangements of the LEP in terms of setting a clear vision and operating under a clear governance framework, securing and accounting for funding, managing performance of regeneration schemes and achieving milestones and outcomes.
- 1.1.4 Internal audit activity included a review of the LEP's compliance with the national and local Assurance Frameworks and whether actions have either been completed, or identified, to address recommendations made in the last Annual and Mid-Year Performance Reviews.

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
To ensure the LEP complies with the Local Assurance Framework	1	1	0	0
To ensure the LEP is applying policies and processes in line with the Local Assurance Framework	7	5	1	1

To ensure the LEP is complying and/or has made plans to comply with recommendations raised in the 2020-21 Annual Performance Review and 2021-22 Mid-Year Performance Review by target dates	2	2	0	0
TOTALS	10	8	1	1

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

Rec Ref	Risk Rating	Summary of Weakness	Agreed Action Date
1	Low Priority	Draft minutes for the Board meeting held 16th December 2021 were not published in accordance with the National Assurance Framework timeframe of 10 working days, it is acknowledged that this was due to annual leave during the Christmas period.	19/12/2022
2	Medium Priority	Code of Conduct forms have not been completed/signed by the CEO and LEP Officers which contravenes Assurance Framework requirements and governance principles.	01/03/2022

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	1	2

1.3 Summary of Control Assurance Provided

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

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 Compliance with Local Assurance Framework (LAF)

- An established LAF was in place, which was agreed by the LEP Board in October 2020 (LAF v8). This version was being worked to pending national review outcomes confirming the future and focus of all LEPs.
- Review of Board documents highlighted that Assurance Framework updates were being given consideration and had been raised on the forward plan at the December 2021 LEP Board meeting.
- The LEP Engagement Officer and Governance and Project Officer keep operational compliance with the LAF under continual review.
- Due to the uncertainties regarding the future and function of LEPs beyond March 2022, Board retirement and vacancies, the LEP is faced with compliance challenges regarding recruitment and ensuring appropriate gender and public/private ratios as set out in the National Local Growth Assurance Framework (known as the NAF). Following the retirement of a Board member in December 2021 the gender ratio reduced from 40% female to 33%, this is below the target of a 50:50 ratio across the whole board, however, it was noted that 55% of private board membership is female. Future appointments are intended to address this. Having a balanced board has been acknowledged as a national issue, discussed at external reviews with the local Cities and Local Growth Unit (CLGU) Area Team with a timescale set for 2023. One vacancy was being recruited to with the other two pending update from the CLGU on the future of LEPs.
- Records of the discussion with the CLGU in October 2021 referred to the delay in announcing the future of LEPs causing reputational damage to the relationship with partners for both the LEP and Government. It was stated that despite this, there remains a high degree of interest in supporting the LEP from businesses; that once the future is clearer, filling the remaining two private board vacancies should be straightforward and invitations for the LEP to engage with business have accelerated recently.

2.2 Application of Local Assurance Framework

- A schedule of Board meetings is in place and available on the LEP website.

- Publication of Board meeting minutes is referred to in section 103 of the NAF which states:
 - The LEP website must include a commitment to meet set timelines, these are based on the Best Practice Guidance in accordance with the Local Government Act 1972.
 - Minutes of Board meetings are to be published within 10 working days of the meeting taking place and may be in draft if internal LEP processes require clearance before the minutes are finalised. The final minutes of Board meetings must be published within 10 working days of being approved.

Review of the LEP website and published Executive Board Meeting minutes found:

- Final minutes had been published for each meeting held between April-November 2021;
- The new process to publish draft Board minutes to the website that was introduced during the previous audit has been continued in accordance with the LAF and NAF;
- Draft Board minutes for the November meeting were observed as being published within the 10 working day NAF timescale. These draft minutes were then replaced with the final approved version.
- A review of the LEP website confirmed that Board meeting agendas and supporting papers are available. For a meeting held during the audit the agenda and supporting papers were published five working days before the meeting taking place which provides members appropriate time to review and scrutinise papers in advance, in accordance with NAF and LAF requirements.
- Review of the LEP Board agendas published on the LEP website from April to December 2021 confirmed there is a clear standing agenda item at the start of each meeting to invite attendees to make a declaration of interest. Declaration of interests made at meetings are recorded within meeting minutes.
- Sample testing confirmed that six-monthly Declarations of Interest had been made by individual Board Members, Alternates for Board Members and the LEP CEO, which were published on the LEP website and timely, in line with the LAF review timescale.
- The LEP Whistleblowing policy is clear, contained within the Local Assurance Framework and published on the LEP website. The Whistleblowing policy covers situations where an individual has concerns about a danger, risk, contravention of rules or illegality and provides useful information to whistleblowers to address this. In doing so whistleblowers are acting in the wider public interest, usually

because it threatens others or impacts on public funds. A LEP Enquiries, Comments & Complaints Policy is also in place.

- A review of the Whistleblowing policy noted that the Responsible Officer at the Accountable Body has been included within the policy as a mechanism for Disclosers to raise concerns and awareness independently. There is also a clear procedure within the policy on how concerns should be raised and handled. No cases have occurred within the financial year to date.
- A LEP Code of Conduct is posted on the LEP website and is contained within the LAF.
- Review of the Code confirmed it clearly outlines the seven established Nolan Principles of Public Life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership, for individuals to follow in their conduct at all times.
- Annual review of sub-groups Terms of Reference was on hold pending clarification from government over the future remit of LEPs. A Task & Finish Group for Strategic Change was established which was supported by agreed Terms of Reference and initial reporting until it was paused awaiting the delayed national update.
- The auditor was informed that the local industrial strategies linked to the LEPs existing sub-groups have been suspended subject to new government plans, therefore meetings of the related sub-groups were cancelled.
- Board meetings were being held monthly except for the months of January and August (as planned) and cancellation of the planned September 2021 meeting due to quoracy/ absence. The minimum meeting frequency as outlined in the LAF for at least six times a year has been met.
- There was an adequate and up to date publication scheme included on the LEP website in line with the LAF.
- A register of gifts and hospitality is in place, it was last updated and published online during the audit in January 2022. The register is primarily informed by the six monthly declaration of interest process as declaration forms include a specific question to capture this.
- Remuneration and expenses figures were reported as part of the 2020/21 Annual Financial Statements. This included a remuneration figure of £12k although additional details were not published. The Assistant County Treasurer (Deputy 151 Officer) confirmed this was to provide for an honorarium for the Chair that had not been claimed at the time of producing the accounts and was subsequently decided not to be claimed; therefore was credited in the 2021/22 accounts and was not required to be published online.

- Performance Reviews are undertaken by the Cities and Local Growth Unit which analyse the performance of the LEP across three themes: Governance, Delivery and Strategy. The reviews also highlight any areas that require further development or where there is good practice to be shared. Previous Annual and Mid-Year Performance Reviews were last conducted in January and October 2021 where no significant issues were raised, progress against actions is referred to under section 2.3 of this report
- SCC as the LEPs accountable body are required to provide an annual assurance statement on the LEP as part of the Annual Performance Review (APR) to the Cities and Local Growth Unit, and in accordance with LAF section 2.16. The next APR is expected to begin at the end of January 2022.
- Champions continue to be in place at the LEP in line with the Local Assurance Framework requirements, for Equality and Diversity, to support diversity and workplace culture being embedded within the LEP and an SME Champion is also in place to ensure the needs and interests of small business are taken into account.
- A Risk Management Statement and responsibilities are set out in the LAF. The Audit & Finance Committee maintain and manage the overarching organisational risk register and associated mitigation plan on behalf of the Board. Testing found a risk and issue log was included on the Board agenda for each meeting held since May 2021.
- Scrutiny Arrangements as required by the NAF relate to annual joint scrutiny where more than one Local Authority is involved. The Joint annual LEP Overview and Scrutiny Committee with Stoke-on-Trent City Council scheduled to take place in December 2021 was cancelled due to sickness and was being rescheduled during the audit.

2.3 Actions from Performance Reviews

- Two of four actions raised in the 2020/21 Annual Performance Review were complete and supporting evidence was held. The remaining two actions were carried forward to the 2021/22 Mid-Year Performance Review.
- Testing confirmed that the LEP has made plans to comply with actions agreed in the 2021/22 Mid-Year Performance Review. All three actions were open and review of the action plan found progress is appropriately managed. Although two actions were delayed, the reason for this was due to the pending national review outcome, one action was for the CLGU to advise of this outcome as soon as possible, and the other was for this outcome to inform a suitable recruitment plan to fill Board vacancies.

- The final open action referred to City Deal reporting of Carbon Emissions Reduction Targets. Commentary was now being reported to Strategic Programme Management Group on a regular basis. A City Deal update paper for Q2 2021-22 was provided to the November 2021 Strategic Programme Management Group meeting. Data was to be added to this report in an easy to read style to allow measurement against targets once Keele University Smart Energy Network Distributor (SEND) project data is available.
- It was noted that the activities required to be taken on all open actions referred to above depended on matters beyond the control of the LEP.

3 Control Weaknesses & Recommendations

3.1 Application of Local Assurance Framework

3.1.1 It is expected the LEP publishes minutes of meetings on the LEP website within 10 working days of the meeting taking place.

Publication of Board meeting minutes is referred to in section 103 of the NAF which states:

- The LEP website must include a commitment to meet set timelines, these are based on the Best Practice Guidance in accordance with the Local Government Act 1972.
- Minutes of Board meetings are to be published within 10 working days of the meeting taking place and may be in draft if internal LEP processes require clearance before the minutes are finalised.

Testing highlighted that draft minutes for the Board meeting held Thursday 16th December 2021 were published one day late.

However, it was acknowledged that the 10 day publication timescale included the Christmas period when key Secretariat staff were not available due to annual leave, due to return to work until the first working day of the new year (4th January 2022). These minutes were then promptly approved by the LEP CEO and published online by the LEP (5th January 2022).

There is a risk of non-compliance with Assurance Framework requirements.

Recommendation 1		Summary Response	
Risk Rating:	Low Priority	Responsible Officer:	Business Engagement Officer /Executive Support Assistant
Summary of Weakness: Draft minutes for the Board meeting held 16th December 2021 were not published in accordance with the National Assurance Framework timeframe of 10 working days, it is acknowledged that this was due to annual leave during the Christmas period.		Agreed Actions: This year's December Board meeting falls on Thursday 15 th . Therefore, minutes should be written & uploaded as draft before Christmas office closures/by 22/12/22, regardless of whether the CEO has approved them.	
Recommendation: The impact of leave on publication deadlines be considered.		Implementation Date: 19/12/2022	

3.1.2 It is expected that 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.

The LAF states all Board Members and LEP Officers are to sign up to a Code of Conduct. There have been no new Board members since the review of Board members Codes of Conduct in the previous 2020/21 audit.

The only change in senior staff related to the new Chief Executive Officer (CEO). The CEO joined the LEP in April 2021; however, completed Code of Conduct forms for the CEO and LEP officers were not available. The Business Engagement Officer advised this appeared to have been missed for the CEO and Secretariat Officers and would be completed imminently. This was not available at the conclusion of this review.

There is a risk of non-compliance with governing standards.

Recommendation 2		Summary Response	
Risk Rating:	Medium Priority	Responsible Officer:	Governance and Project Officer
Summary of Weakness: Code of Conduct forms have not been completed/signed by the CEO and LEP Officers which contravenes Assurance Framework requirements and governance principles.		Agreed Actions: Code of Conduct for LEP staff to be produced as part of AF review (following outcome of LEP national review) – to be adapted from Board Code of Conduct.	
Recommendation: The LEP to ensure a Code of Conduct form is completed for all relevant staff as soon as possible and that appropriate review mechanisms are in place to ensure ongoing compliance.		Implementation Date: 01/03/2022 Consideration by 01/03/22, or carried forward if review still outstanding.	

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.