



Coast to Capital Audit and Risk Committee

Wednesday 15 March 2023, 10:30-12:00

Teams Call (see calendar invite for instructions)

Attendees

Chair

Amanda Jones

AJ

Board members

Mark Brunt (tentative)

MB

Anthony Middleton

AM

Independent Members

Andrew Swayne

AS

Chris Maidment

CM

Mike La Rooy

MLR

External Presenter

David Kershaw – Assistant Manager – RSM UK Risk Assurance Services LLP

DK

Accountable Body

Nigel Manvell

NM

Wendy Mc-Rae Smith

WMS

Coast to Capital

Hannah Gosling

HG

Jake Daniels

JD

David Smith

DS

Carli Foster

Apologies

Agenda

Time	Item	Agenda item	Action	Owner	Part
10:30	1	Introduction: a) Welcome and Apologies b) Conflicts of Interest c) Public Comments d) Previous meetings minutes from 16 August e) Joint Audit & Risk Committee and Finance & Resource Committee minutes	Record	AJ	A
10:35	2	Matters Arising	Note	AJ / AM	A
10:40	3	Chief Executive Update (verbal update)	Note	AM	B
10:50	4	Finance Update	Note	CF / DS	B
11:00	5	Audit a) RSM Internal Controls Audit b) Statutory Audit (Verbal)	Approve / Note	DK CF / DS	A
11:30	6	Review Risk Register	Note	HG	B
11:40	7	Governance	Note	HG	A
11:50	8	Close: a) AOB b) Next Meeting: June 2023 (date TBC)	Note	ALL	A
Meeting end time: 12:00					

Coast to Capital

Meeting: Coast to Capital Audit and Risk Committee Meeting
Date: 15 March 2023
Report Title: Matters Arising Schedule
Report by: Jake Daniels
Item No: 2

Meeting reference (16 August 2022)	Action	Lead	Status
Item 3	Explore a new legal structure for the company due to the evolving operating environment of the business.	AM	Closed – working group set up.
Item 3	Matters Arising document to be brought to the next committee meeting	JD	Closed
Item 4	Consultancy revenue to be recognised in future accounts.	DS	Closed
Item 4	Explore possibilities for new accounting system	DS	To be complete upon future funding certainty
Item 4	Clarity on the names of the bank accounts, a full list of Coast to Capital bank accounts be brought to the next meeting.	DS	Underway
Item 4	Explore a clear policy for reserves for the Finance & Resource committee to discuss.	AM	Closed
Item 4	Upcoming accounts reforecasting will need to be taken into consideration by Kreston Reeves.	RS/DS	Closed
Item 4	Directors report to be reworded to portray a more balanced picture of current circumstances. To be circulated to the committee for comment before going to the Board for final approval.	AM/DS	Closed
Item 5	Presentation to be shared with the	JD	Closed

	committee.		
Item 5	Joint meeting between Audit & Risk Committee and the Finance & Resource Committee to take place before the January Board meeting.	HG/JD	Closed
Item 7	Full names to be included on the Risk Register	HG	Closed
Item 7	Staff training to be undertaken on the Risk Register	HG	Underway
Item 8	Governance calendar for next year to be set as soon as possible.	JD	Closed

Coast to Capital

Audit and Risk Committee Meeting

Tuesday 16 August 2022: 10:00am – 12:00pm

By Teams Video Conference

Committee Members:

- Chair: Amanda Jones (AJ).
- Directors: Anthony Middleton (AM); Mark Brunt (MB).
- Independent Members: Chris Maidment (CM); Andrew Swayne (AS).

In Support:

- Accountable Body: Nigel Manvell (NM)
- Coast to Capital: David Smith (DS); Jake Daniels (JD); Hannah Gosling (HG); Carli Foster (CF).
- Guests: Richard Spofforth – Kreston Reeves (RS).

Apologies:

- Rosaleen Liard; Paul Marshall; Mike La Rooy; Karen Hayes; Wendy McRae-Smith; James Hengeveld; Adam Szczotka.

1. Introduction

a) Welcome and Apologies.

AJ welcomed everyone to the Teams meeting.

Apologies were stated.

b) Public Comments

It was noted that no public comments were received in advance of the meeting.

c) Conflicts of Interest

AJ read the conflicts of interest statement and invited any necessary declarations.

No conflicts of interest were declared.

d) Minutes from last meeting and Matters Arising.

The Committee noted that there were no Matters Arising.

The Committee approved the Minutes of the meeting held on Tuesday 3 March 2022.

2. Chief Executive Update

AM notified the committee that most Local Authority and Government core funding contributions have now been paid and that a final outstanding contribution from West Sussex County Council is expected to be paid shortly.

AM stated that Coast to Capital has good certainty over its financial position for the remainder of the financial year, however, there is significant uncertainty over funding contributions from Government and Local Authorities which is an ongoing risk for 2023/24.

AM noted that scenario planning has been discussed with the Board, who have supported plans to assertively expand the consultancy arm of the business and explore areas of commercialisation, with the caveat that any revenue raised should be used to continue to support the region and the work of Coast to Capital.

AM thanked AJ for her support with preparing recent grant funding applications and concluded by reassuring the committee that the Coast to Capital team and Board are dedicated to delivering a refreshed mission as set out in the 2022/23 Business Plan.

AS questioned whether BEIS had responded to a recent enquiry regarding risk assessment, to which AM confirmed that BEIS have not responded. AM agreed to follow this up with BEIS.

AS questioned whether a new legal structure for the company would need to be explored due to the evolving operating environment of the business. AM agreed to bring this to the committee in the future once more certainty around future funding has been confirmed.

AJ shared thanks with AM and the team.

3. Financial Statement and External Audit

CF noted that expenditure has been significantly reduced year on year due to funding uncertainty, Coast to Capital has had tight control over spend throughout the year, the main driver of the decrease was from reduced staff costs due to a recruitment freeze.

CF noted Coast to Capital has taken on board the key points raised by the auditors via the Key Findings report such as implementing a new accounting system, although Coast to Capital does not currently have resources to deliver this.

Processes with the bookkeepers will be reviewed to see if there is a better way of utilising the existing system to improve controls.

There has been delays in the accounts being updated due to resource issue, however the Q1 results are now up-to-date.

CF has been looking to improve internal management reporting, particularly considering the new commercial business model. Coast to Capital will be presenting a detailed update of Q1 results and reforecasting to the Finance & Resource Committee.

DS noted the difficulties with receiving grant income from Local Authorities (LAs) and central Government which have mostly now been settled and reaffirmed the importance of streamlining processes to ensure the smooth running of the business.

AJ thanked DS and CF for their update.

A presentation was given by RS from Kreston Reeves on the year-end annual accounts.

AS shared an expectation for consultancy revenue to be recognised in future accounts. RS agreed to take this forward as an action.

CM noted the importance of the recommendation to move to an improved online accounting system which would future-proof the financial operations of the business. DS requested that the committee consider this further upon future funding certainty. AM supported DS request and asked for him to come back to the committee with options so that a decision can be made at the end of the calendar year. RS offered his support with taking this forward. DS agreed to take this forward as an action.

AJ asked for clarity on the names of the bank accounts identified as part of the risk by Financial Statement area and requested that a full list of Coast to Capital bank accounts be brought to the next meeting. DS agreed to take this as an action.

AJ noted that a plan for use of Coast to Capital reserves in 23/24 should come to Audit & Risk and Finance & Resource committees if possible. AM explained that there could be an option similar to 22/23 where Coast to Capital run reserves down in absence of funding and that options will be presented to the January board. RS noted that accounts could be amended depending on what reserves are being used for.

AJ asked AM to explore a clear policy for reserves for the Finance & Resource committee to discuss. AM agreed to take this forward as an action.

RS noted that the accounts have been circulated on a going concern basis and that upcoming reforecasting will need to be taken into consideration by Kreston Reeves.

CM noted that the Directors report should be balanced and reflect risks and uncertainty and that Directors should make sure that this reflects the position of the

company. AJ asked that AM, DS and CF revise the wording of the Directors report and circulate to the committee for comment before going to the Board for final approval. RS offered his support with preparing this. AM, DS and CF agreed to take this forward as an action.

AJ asked the committee if they are happy to approve the accounts subject to the directors report being reviewed. The committee **approved** the accounts on this basis.

RS thanked the team for their cooperation with collating the audit. AJ thanked RS and asked for a copy of presentation to committee. RS agreed to take this forward as an action.

a) Audit

RS shared the key findings of the Payroll Audit with the committee. The Audit found that the Knill James engagement letter was out-of-date and that this has since been rectified.

RS noted that Knill James have responded to data queries and that there were no outstanding actions to take place.

AJ thanked RS and he left the meeting

HG shared an update as per the Internal Audit Strategy paper as previously circulated. AJ agreed with the recommendations set out in the paper and requested that the internal controls audit should take place first, then financial forecasting, then the governance audit. The committee **agreed** this approach and asked for each audit to be discussed at future committee meetings. The Executive team agreed to take this action forward.

AJ noted the importance of Directors being clear on what their responsibilities are in supporting the senior team. HG confirmed that an IOD training session is being planned and will hopefully take place after the October Board meeting.

AJ stated that there should be a joint meeting between Audit & Risk Committee and the Finance & Resource Committee and needs to take place before the January Board meeting. The Executive Team agreed to take this forward as an action.

b) Finance Update

DS presented his previously circulated paper which provided an overview of the current financial position along with planning and progress towards the financial year-end. DS noted that the Q1 position would be explored in more detail by the Finance & Resource Committee.

The committee noted the paper and thanked DS for his update.

4. Risk Management Report

HG presented the Risk Management Report previously circulated.

HG noted that we are reconfiguring the risk register based on the revised company structure.

AS noted that there was a column that was left blank. HG noted that training sessions would take place with the team to ensure their forms are being completed correctly.

AJ suggested that risk was discussed in more detail at the next meeting and to be the first agenda item discussed.

MB requested that initials on the risk register are written as full names. HG agreed to take this action forward.

5. Governance

HG highlighted governance arrangements that took place over the previous months as set out in the previously circulated paper.

AJ requested the governance calendar be set as soon as possible for next year. JD agreed to take this forward.

The Committee noted the paper and thanked HG for her update.

6. Close

AJ thanked the Committee and team for attending and thank team for their dedication.

a) AOB

There were no other items of business raised.

b) Future Meetings

The next meeting of the Audit and Risk Committee is to be confirmed.

Unconfirmed minutes – to be approved at next Audit and Risk Committee

Meeting: Coast to Capital Audit and Risk Committee Meeting
Date: 15 March 2023
Report Title: Management Response to Internal Controls Audit
Report by: Hannah Gosling
Item No: 5
Part: a

Recommendation:

The Committee is asked to:

- **Review** and **approve** the Single Points of Failure audit conducted by RSM.
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1. Context

The Audit & Risk Committee appointed RSM to undertake an internal controls audit and the area they focussed on was Single Points of Failure.

Coast to Capital has now received the final draft report from RSM and the management team have gone through the report ahead of the March Audit & Risk Committee meeting.

2. Feedback from Management Team

- Management Action 1 – The risk register has been updated to include a risk focussed on Single Points of Failure, in particular in the Consultancy area of the organisation. This will be reviewed monthly as part of the risk register review.
- Management Action 2 – Additional individuals added to the bank signatories. This was complete before the audit as the Senior Management Team had already discussed.
- Management Action 3 – Succession planning with Management team will take place.

3. Next Steps

RSM will be attending the March Audit & Risk Committee meeting to go through the findings of the report and take any feedback from the Committee to feed into the final report.



COAST TO CAPITAL

Single Points of Failure

Internal audit report 1.22/23

Draft

3 March 2023

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

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1. EXECUTIVE SUMMARY

Background

We have conducted an Internal Audit Advisory Review for Coast to Capital regarding Single Points of Failure.

Within many organisations there are single points of failure, these could be specialist roles or groups of roles where due to the volume of work only a single person, part time person, or small team stretched across business areas are to carry out tasks. The challenge of single point of failure posts becoming vacant or for example the post holder being off long-term sick is managed as part of line management, through process frameworks, continuity plans and through the structure of a business area or unit. Some single points of failure may be so critical that they have a wider impact on other teams or the running of the organisation as a whole if they do become vacant.

We have reviewed samples of controls that Coast to Capital operate with the aim of ensuring that the risk of a single point of failure is managed, reduced, and the implications of a failure are mitigated ensuring the organisation operates normally.

The average number of employees at Coast to Capital within 2022 was 28. With this small number of staff covering a range of different services and responsibilities there is an increased risk that operations in some areas may be reduced or cancelled all together with a member of staff leaving or undertaking an extended period of absence. We have discussed the business-critical process with management and considered where relevant the extent of staff training, segregation of duties, monitoring arrangements including overall assurances to ensure that Coast to Capital have effectively reduced their risk exposure.

Overall the best way of managing single point of failure risk is to understand the team or business unit(s) operation in a holistic way and keeping in mind questions such as 'what would happen if X person left'. Practical options to manage these risks include:

- Outsourcing services and sharing knowledge;
- Ensuring policies, procedures, and training materials are in place so that a temporary or new member of staff could quickly pick up the role;
- Spreading the role through segregation of duties;
- Have plans/ideas in place to know "what would you do if the post became vacant"; and
- Accepting the risk and knowing the activities will not continue to operate until a replacement is recruited.

Throughout this review we have attempted to be proportionate and bear in mind the Coast to Capital's culture and size of organisation.

We would like to thank the staff at Coast to Capital for their assistance during this review.

Conclusion

Within the confines of this review we have identified areas of effective control and management where options have been identified to address a single point of failure. In addition to these areas, three medium priority areas where actions for management have been agreed relating to developing use of the Risk Register as a tool for recording and managing single point of failure risks, annual reporting of the status of bank signatories to the Finance and Resources Committee, and building on this report, undertaking a risk based targeted approach to identifying training needs and where there is a need for further policies, procedures, and guidance documents.

The Projects & Business Development (Consultancy) is a new business area that is expected to lead Coast to Capital into the future as an organisation with its main income source being consultancy fee income. As part of the set-up of a subsidiary a Draft Consultancy Business Plan has been introduced for the period 2023-2026. It is intended the consultancy business will become a legacy organisation of the current Local Enterprise Partnership arrangements.

Overall the aim of this review is to extend benefits beyond the contents of this report and to support thinking, questioning, and cultural development in relation to potential single point of failure management.

Key findings

Governance

A weekly Management Team meeting is held to discuss a range of issues relating to the operation of Coast to Capital. We appreciate the invitation and welcome received to a meeting at the start of fieldwork, particularly as this helped us to build our understanding of the organisation.

We reviewed relevant elements of the Governance structure from the perspective of oversight and monitoring that takes place across the organisation. Coast to Capital's Committees include the Audit Committee, Investment Committee, Joint Committee, Growing Places Fund Committee, and Finance and Resources Committee. Committees report to the Board to provide assurance and make recommendations for the Board's approval. As part of this review, we reviewed the most recent meeting minutes for the Board, Audit Committee, and the Finance and Resources Committee.

It was noted the Investment Committee oversees and scrutinises the existing projects within the organisation measuring their delivery, outcomes and risk. Furthermore, the committee decides all funding awards up to £2 million in value, with the awards over £2 million being recommended to the Board. Currently the Investment committee meets on an ad-hoc basis due to the stage projects are at in their lifecycle. The Audit and Risk Committee is responsible for overseeing and monitoring compliance of Coast to Capital to ensure that the organisation is compliant with the agreed assurance and governance framework.

Regular quarterly Board meetings are held in two parts, Part A covers non-confidential items whereas Part B is held in private. We reviewed the meeting minutes for the Board meetings held 13 October 2022 and 26 January 2023.

Detailed in the Assurance Framework 2022 is a governance matrix to present the delegation of responsibilities to each of the relevant committees. We additionally confirmed through review of the Assurance Framework that all the committees' Terms of Reference were incorporated in to the framework.

We were informed Coast to Capital's governance structure is seen as a good practice model. Experiences and information have been shared with other Local Enterprise Partnerships.

Risk Register

A review of Coast to Capital's full risk register was undertaken to establish the approach to monitoring and management of risks within the organisation. The risk register includes the 'Top Risk' map which identifies the overall risk using a combination of organisation-wide risks. The Top Risk map identifies the Risk Owner, Inherent Combined Score, Key Current Mitigations, Residual Combined Score and Planned actions to ensure sufficient monitoring of the key risks. The risk register is subsequently broken down by business area, including CEO, Operations and Finance, Investments, Projects & Business Development and Partnerships. These sections of the register include more detail than the Top Risks with a clear breakdown of the risk scores by Likelihood x Impact, as well as due dates for actions to be implemented.

Currently the Risk Register contains a range of risks to the organisation and its operation however there is currently no specific coverage across each business area to highlight areas susceptible to single point of failure risks. Recording of this type of risk should be seen as 'live' and continually updated to reflect changes such as to staffing, leavers, joiners, or other changes that may impact the risk profile.

Management Action 1 - To support risk management and provide assurance that known, workable solutions are in place for current and future single points of failure, an addition(s) will be made to the Risk Register and used as a tool for identifying and managing such risks. As part of the existing Risk Register reviews, single point of failure risks can be monitored and revised to reflect upcoming changes. There should be a focus on, and more detailed documentation of risks relating to Projects & Business Development (Consultancy) as this part of the business continues to evolve.

Business Unit Review

As part of the audit we have reviewed a sample of services to identify where there is a potential single point of failure. In the sections that follow we have set out our feedback by providing a summary of the role and operation of each service selected as being business critical, identifying key staff within those services, and whether based on our review there is a single point of failure risk. With the agreement of management the following sample of business areas and functions was selected:

- Payments to staff and suppliers.
- Financial management.
- Time off, absence, or loss of staff within business units. The business units considered to be critical to support the operation of Coast to Capital overall were:
 - Projects & Business Development (Consultancy business).
 - Operations and Finance.
 - Careers hub.
 - Governance.
 - Legacy.
 - Growth hub.

A red, amber, green 'RAG' rating has been assigned to each area and each rating agreed with the Head of Legacy Projects & Governance, and Head of Operations & Finance. The green ratings indicate no clear or significant single point of failure risks, amber indicates there is a moderate potential risk, however. No red ratings were assigned. For Operations and Finance, and Careers Hub a mid-point has been assigned, i.e. 'amber / green'.

Business Unit	Posts	RAG Rating	Summary of activities, key personnel and risks
Projects & Business Development (Consultancy)	<p>Chief Executive (FT overall, part time in Consultancy)</p> <p>Head of Project Delivery and Business Development (FT)</p> <p>Head of Partnerships (FT)</p> <p>Business Development and Marketing Manager (FT overall, part time in Consultancy)</p> <p>Senior Project Delivery Manager (FT)</p> <p>Project Delivery Officer (FT)</p>		<p>The Project Delivery and Business Development business unit works with and provides support to partners. This is a new business unit which is critical to the future of Coast to Capital, it involves fee income being generated from the provision of consultancy services which include, but are not limited to:</p> <ul style="list-style-type: none"> • Research, data and analysis • Strategy and Economic development • Project management & monitoring • Investment plans & business cases • Identifying funding opportunities & Bid Writing • Property & Regeneration <p>With oversight and reporting to the Chief Executive, the Head of Project Delivery and Business Development leads the Projects & Business Development team. The Senior Project Delivery Manager and Project Delivery Administrator are involved in day-to-day project delivery. The Head of Partnerships manages longer term contracts i.e. those lasting over one year and the Head of Operations & Finance provides finance team support. Although not directly part of the team there are staff who contribute a significant proportion of their time including the Head of Partnerships and Business Development and Marketing Manager.</p> <p>Examples of work completed by the team include a piece of research of work for Gatwick Airport, and completion of options appraisal / preparation a business case for presentation to the Local Authority.</p> <p>The Head of Operations and Finance issues invoices and therefore introduces some segregation of duties. The risk of non-payment is limited due to work mainly being with Local Authorities however financial support and advice is vital to success of the business. In addition to the staff focused on consultancy activities, other Coast to Capital staff contribute to this business area depending on the type of work and skills required.</p> <p>There is a weekly internal consultancy meeting which the Head of Project Delivery and Business Development; this is used to discuss potential opportunities and, for example, to determine the team's resource capacity.</p>

			<p>Project and other documentation can be accessed via a shared folder and the team generally has more than one person assigned to each project to introduce some continuity should this be necessary.</p> <p>Specific single point of failure would relate to the Senior Project Delivery Manager and following our conversations held during the audit it was confirmed the team may struggle if the manager left or was absent for an extended period. The team would likely need to be re-organised and a replacement for the role considered, although with a specific skill set this recruitment process make take time. We understand management are looking at the possibility of setting up a bank of consultants to step in when gaps are identified, and workloads increase due to the service driven workload.</p> <p>There are no formal documented policy or procedures currently, and it was explained that each piece of client work is different meaning skills of the team are seen as being more valuable than having written documentation, and a tracking document is used to oversee client work. Documentation used by the team as part of day-to-day operations is held on a shared drive as referred to above which would support continuity should a member of the team leave unexpectedly. Training is 'on the job' and we were informed of planned training on bid writing and project delivery. There is a training budget available and if a certain type of work was bid for, staff training would be provided as required.</p> <p>There is a standard suite of documents for bid use however processes are largely driven by Local Authority requirements. It was noted that the Chief Executive approves the pricing of projects. Whilst this is not formally evidenced it does ensure knowledge is shared and reduces some risk associated with the Head of Project Delivery and Business Development being a single point of failure.</p> <p>Overall the Chief Executive could step in if the Head of Project Delivery and Business Development left, in particular temporarily covering the role of writing bids and team management. The Project Delivery Officer role is not currently a cause for concern regarding single point of failure, however the Senior Project Delivery Manager post is of the most concern due to the role specific knowledge and skill set.</p> <p>In time as this part of the business evolves this RAG is expected to move towards 'green' however considering the business is relatively new, the reliance placed on it for the future of Coast to Capital, and unlike other areas the business area does not have existing long-term procedures in place, we have assigned an amber rating. To emphasise, this also considers the importance of this business area succeeding and the implications on Coast to Capital as a whole.</p>
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Business Unit	Posts	RAG Rating		Summary of activities, key personnel and risks
Operations and Finance	<p>Head of Operations & Finance (FT)</p> <p>Finance Manager (PT. Three days / week with one in an accountable body role)</p> <p>Operations Coordinator (FT with one day study)</p>			<p>The Head of Operations & Finance has overall responsibility for management of the Coast to Capital operations and finance functions and participates in day-to-day management activities. Responsibilities extend to providing HR support, payroll, purchasing, insurance, and IT. Support is provided by the Finance Manager whose responsibilities include working alongside an external bookkeeper (currently outsourced to a local accountancy firm), and management account preparation.</p> <p>General administrative support is provided to the team by the Operations Coordinator. The Coordinator is undertaking study for an HR qualification and once qualified may move more towards a dedicated HR role. The role of Coordinator is not 100% assigned to operations and finance work as additional tasks are involved such as assisting the Chief Executive day to day.</p> <p>Processes are documented within a Finance Processes Document which was last reviewed in February 2022.</p> <p>A summary of key functions is provided in the following sections covering payment authorisation, supplier payments, payroll, and financial management.</p> <p><u>Bank Account / Authorisation</u></p> <p>We were informed that historically Coast to Capital had a back-up plan for payment approval with the bank however following a period of significant change including staff turnover there was reliance on the Head of Operations & Finance, effectively at this time a single point of failure.</p> <p>This issue was identified at the start of the internal audit review regarding a possible single point of failure regarding payment approval with the Head of Operations & Finance being the only bank payment 'approver'. Cheque payment was identified as a back-up however this understandably was not seen as a payment method Coast to Capital would choose to use in place of electronic bank transfers. Since the initial conversations where this was raised as an issue we have kept up to date with progress and have confirmed there are now three full signatories (Chair, Vice Chair, and Head of Operations & Finance) and one restricted signatory (Finance Manager).</p>

Commented [DS1]: Head Of Project Delivery & Business Development

			<p>The updated arrangements should reduce the risks linked to payment approval and a further mitigation, should it be necessary, would be for Brighton and Hove City Council to make payments on behalf of Coast to Capital.</p> <p>Management action 2 – When a bank signatory leaves or changes role, details of the bank mandate, signatories and authority levels will be reported to the Finance and Resources Committee. Where there are no changes, the mandate will be subject to a routine annual review by the Committee. In addition to this being good practice from a security and fraud point of view, confirmation should be provided to the Committee that a sufficient number of signatories is in place to avoid any single points of failure or over-reliance on one individual. In the immediate future there is to be a total of three full authorised individuals with one additional restricted role.</p> <p><u>Supplier payments</u></p> <p>The majority of requests for payment arrive at Coast to Capital via email and are logged on receipt by the Operations Coordinator. Each invoice is approved by the budget holder and once approved payments are made via a weekly payment run. As part of the work undertaken by the external bookkeeper the transaction is processed through the Sage finance system, checks are then made by the Finance Manager during management account preparation.</p> <p>Coast to Capital does not use purchase orders due to the relatively small volume and value of purchases and based on walkthrough it was noted purchases primarily do not tend to be physical goods and instead are related to, for example, phone and data use and legal fees. Using the latest data available as of January 2023, a total of 37 payments were made to a value of £34k.</p> <p>No formal budget holder training has been provided however support is available from the Head of Operations & Finance and Finance Manager, and one to one coaching / training can be provided as required. In addition a Procurement Policy (2022) is in place and has been reviewed during this audit.</p> <p><u>Payroll</u></p> <p>There has been a recent payroll audit completed by Coast to Capital's external auditor in May 2022, however we did undertake a high-level review of processes.</p> <p>The Head of Operations & Finance maintains a log of changes including starters, leavers, amendments and changes such as to employee addresses. Monthly payroll processing is</p>
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Commented [DS2]: And independently on a weekly basis outside of management accounts preparation.

				<p>outsourced to the same accountancy firm as referred to above as providing book-keeping services.</p> <p>Coast to Capital notify the payroll provider of any changes required and are provided with a report on the payments to be made prior to release to staff. Reports are approved by the Chief Executive and Finance Manager who also completes a check on payment calculation and accuracy. In addition, the Head of Operations & Finance completes a line-by-line review of payments compared to prior months to identify any significant or unexplained changes. Exception reports are forwarded for review by the payroll provider and evidence of this was viewed on screen.</p> <p><u>Financial management</u></p> <p>The Finance Manager works alongside the external bookkeeper currently, and once all transactions are accurately recorded liaises with budget holders to work through and highlight any queries or concerns. Following budget holder liaison there is reporting, as required, to the management team, Finance and Resources Committee, through to the Board.</p> <p>Overall there is limited single point of failure risk. Written processes are in place which could serve as 'handover notes' should this be required in the event of unexpected long-term absence, the Head of Operations & Finance, and Finance Manager could cover each other's roles to a large extent if necessary.</p> <p>In the event of both the Head of Operations & Finance and Finance Manager being absent the firm currently providing book-keeping and payroll services could provide support. We understand this has been discussed as an option however there is no formal agreement in place due to the small likelihood of such assistance being required.</p> <p>Issues would occur if the team lost staff however these would likely be short-term.</p>
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Business Unit	Posts	RAG Rating		Summary of activities, key personnel and risks
Careers Hub	<p>Lisa Mobbs – Strategic Hub Lead (FT)</p> <p>Operational Hub Lead (FT)</p> <p>Enterprise Coordinators (FT)</p> <p>SEND Enterprise Coordinator (FT)</p>			<p>The Careers hub is funded by the Department for Education with the hub's programme of 15 projects being delivered locally through Local Enterprise Partnerships (LEPs), Local Authorities and other partners. The hub supports over 100 state funded schools by providing career education and employers engagement. Funding is provided by the Careers and Enterprise Company and the Strategic Hub Lead reports performance and delivery to the Company.</p> <p>At the time of fieldwork for this review the Strategic Hub Lead was developing the strategy for the Careers Hub. The role of Strategic Lead involves oversight and management of projects and initiatives, budgets, partnership delivery, and strategic reporting. Within the current structure the Strategic Lead has one direct report, this role being the Operational Hub Lead. The main difference between the Strategic and Operational Lead roles is that the Operational Lead line manages the team of Enterprise Coordinators and has operational responsibility for driving forward progress in schools in line with relevant projects.</p> <p>Priorities of the two staff forming the Hub team are to ensure projects are delivering as intended. In the event of the Strategic Hub Lead being absent the Operational Hub Lead would be able to step up and take on the Strategic Lead's role, however without the Operational Hub Lead there is a risk that work would not be delivered. In terms of the wider Coast to Capital structure, the Strategic Hub Leads report to the Partnerships Manager however based on discussion the view was that the Partnerships Manager would not be close enough to the detail of programme work to allow delivery to continue.</p> <p>There is a register system, and this shows the status of schools within the programme. All of the team can access the register which would provide some degree of continuity. It was also noted that if an Enterprise Coordinator were to be absent there is knowledge at each school level through individual school reports being held on a shared drive.</p> <p>We were informed the Strategic Hub Lead and Operational Hub Lead undertake training with the Careers and Enterprise Company on subjects such as developments including education and leadership, however there is no further training provided on Coast to Capital's internal processes.</p> <p>Segregation of duties is limited in the level of risk posed as the main risk area of purchasing would pass through the Head of Operations & Finance.</p>

				<p>Regular external reporting is provided to the Careers and Enterprise Company, and internally up to Board level with the most recent reporting being in January 2023. A section entitled Careers Hub Programme Update was reported to the Board.</p> <p>Overall, If the projects cannot be delivered the consequence would be on funding received from the Careers and Enterprise Company, likely in financial and reputational damage relating to the non-delivery. There does not appear to be a high single point of failure risk however there could be an issue should two members of the team such as both the Strategic Hub Lead and Operational Hub Lead be unavailable for work at the same time.</p> <p>Enterprise Coordinators work with about 20 schools each, and there are five Coordinators currently, with their reporting line being to the Operational Hub Lead.</p> <p>The business unit currently has no local documented policy or procedures however processes appear to be robust and set out and there is close management, in their role as sponsor, by the Careers and Enterprise Company.</p>
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Business Unit	Posts	RAG Rating	Summary of activities, key personnel and risks
Governance	<p>Head of Legacy Projects & Governance (Approximately 0.25 with 0.75 on other roles)</p> <p>Jake Daniels, Business Development & Marketing Manager (0.3 - 0.4 dependant on variation in workload / project cycle)</p>		<p>The Head of Legacy Projects & Governance took on a governance lead role during summer 2022. The role is supported by the Business Development & Marketing Manager. Governance requirements are largely set out in the Coast to Capital Assurance Framework document. Due to being government funded, Coast to Capital is required to comply with the Assurance Framework and from a governance perspective this is a significant part of the Head of Legacy Projects & Governance role.</p> <p>The full Assurance Framework document is available on the Coast to Capital website and contains a variety of details relating to governance, for example, this includes committee terms of reference. The latest version of the Assurance framework is available on the Coast to Capital website and is the March 2022 version. The Assurance Framework is important from a governance continuity perspective as it sets out how Committees should operate.</p> <p>Examples of governance requirements to be met are through mid-year and annual compliance reviews to government to check on Coast to Capital's publicly available information including conflicts of interest checks, Board papers, and other documents made available via its website. Responsibility for management of the Coast to Capital website is assigned to the Business Development & Marketing Manager.</p> <p>There is a governance calendar in place managed by the Business Development & Marketing Manager, this is intended to set out key tasks and ensure there is sufficient time for meeting paper preparation and review by the Chief Executive, Chair, and other members of senior management.</p> <p>Considering the two main roles referred to in this section, the Head of Legacy Projects & Governance and Business Development & Marketing Manager there would be a straightforward way of covering in the event of one of the roles being absent in that the roles would cover each other. The Operations & Finance Coordinator and Business Support & Marketing Officer both have access to the website and could assist if required.</p> <p>Additional areas noted that would reduce the risk of single points of failure in respect of governance are board member training, and a review of key documentation including the Articles of Association which we understand is planned to be undertaken by the Chief Executive and Head of Legacy Projects & Governance.</p>

			<p>Overall there is limited risk of a single point of failure in respect of governance, roles involved in governance can provide cover and clear documentation such as the Assurance Framework is in place.</p> <p>When discussing future plans and Coast to Capital moving to a self-funded consultancy model there would likely be a reduction in the time required to be spent on governance due to government reporting and other requirements no longer applying. A review of the governance operation would be required.</p>
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Business Unit	Posts	RAG Rating	Summary of activities, key personnel and risks
Legacy	<p>Head of Legacy Projects & Governance (As above, noting this is dependent on workflow and Consultancy work)</p> <p>Finance Manager (Project monitoring support)</p>		<p>One of the main Legacy functions is part of 'Growth Deal / Local Growth Fund', this is funding from government which started in 2015/16 with a value to date of over £275m. The aim of this funding was to encourage growth across the Coast to Capital area through targeting investment of funds in infrastructure and innovation.</p> <p>The projects span over more than one financial year, and for example, related to regeneration and development of roads, colleges, and universities. The projects had to match fund and bidding organisations prepare a business case which were presented to the Coast to Capital Investment Committee (NB: Previously there was reporting to the Investment Committee quarterly however since all funding has now been paid, deep dive groups are set up when required). Due to the stage of Growth Deal projects the current Coast to Capital role is one of ongoing monitoring only.</p> <p>Within funding agreements it is listed out what the projects' aims are along with details of funding and key aims such as supporting homes, jobs, commercial floor space, etc. Coast to Capital are required to monitor project outputs until 2025. Monitoring is completed through the RAG rating of projects. If a project is stalling or experiencing issues a project group can be set up and attended by the Head of Legacy Projects & Governance.</p> <p>We were informed of two cases during this review where funding was withdrawn for projects after they were identified as being undeliverable.</p> <p>There are other funds such as the Getting Building Fund (approximately £19m) which has also paid out all funds.</p> <p>Overall the role of Coast to Capital is to monitor and report findings on the progress of funding project to government. Given the reduced workload due to the stage of projects and structured methods of reporting there is minor risk of a single point of failure. Despite there being some inefficiency initially, colleagues could step to cover absent staff as required. Anecdotally we are aware various members of the wider teams have supported legacy team work.</p>

Business Unit	Posts	RAG Rating	Summary of activities, key personnel and risks
Growth Hub	<p>Senior Business Account Manager (FT)</p> <p>Business Account Managers (FT)</p> <p>Business support and marketing officer (FT)</p> <p>Growth Champions (Not direct employees)</p> <p>Head of Partnerships (0.7 Growth Hub)</p>		<p>The Senior Business Account Manager leads the Growth Hub team, providing support to SMEs across the geographical areas covered by Coast to Capital. Support provided includes triage, signposting to where further support and advice is offered and search support in respect of funding. If a greater depth of support is required, the team can offer engagement with Growth Champions (a pool of consultants not directly employed by Coast to Capital).</p> <p>The Senior Business Account Manager line manages the team, completes Business, Energy & Industrial Strategy (BEIS) reporting which includes, for example management of resources and organising / allocating attendance at events. Part of the role includes providing business support and covering wherever there are gaps in the team.</p> <p>In the event of the Senior Business Account Manager being absent the team management would be undertaken by the Head of Partnerships. Specific responsibilities for reporting to government would be taken on by the Head of Partnerships with the remaining business support work being taken on by the Business Account Managers and Business Support and Marketing Officer. In the event of the Head of Partnerships being absent or not having capacity to support the team, line management could be supported temporarily by the Head of Operations & Finance</p> <p>Staff from the team explained that due to changes in Coast to Capital over recent years they have become adept at dealing with change and being flexible in the approach to work.</p> <p>There is an induction document which could be used to support the team remaining in the event of unplanned absence and there has been an informal documentation of processes within the team. No specific training has been provided to team members however the nature of the roles would mean Coast to Capital colleagues could be trained and cover key tasks if necessary</p> <p>As with other teams there is a quarterly board meeting where an update report is provided from each team on what the team activities have been, along with any issues. If issues are identified there is opportunity for discussion and escalation through to the Chief Executive who can also raise issues to the Board Chair.</p> <p>Overall, there are some measures to reduce single points of failure for parts of roles. If the Senior Business Account Manager, or Business Account Managers were to unexpectedly be absent there does not appear to be immediate or full cover internally. However, we were</p>

			<p>informed of past experience within the team of people leaving and this not causing major issues. New staff could be recruited should a staff member leave or despite acknowledging the higher cost, a consultant or Growth Champion could be put in place as temporary cover.</p> <p>Due to there being an annual funding period (i.e. only confirmed to 31 March each year) options for temporary cover may be more appealing than the appointment of a long term or permanent recruit. However, there are clear cost implications with the use of consultants / Growth Champions.</p> <p>The Business Support and Marketing Officers have allocated geographical areas however the roles can cover each other and there is some flexibility in these roles. The role could also be covered by the Senior Business Account Manager, and in addition a network of Growth Champions could be called in to support. Growth Champions have different specialisms, eg with finance and digital skills and are in place to support businesses however they could also support Coast to Capital. In addition to their specialist areas Champions have general skills required to run businesses and can be brought in to support as required.</p>
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2. DETAILED FINDINGS AND ACTIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Area: Risk Register – Single Point of Failure Risks				
Findings / Implications	Currently the Risk Register contains a range of risks to the organisation and its operation. However, there is currently no specific coverage across each business area to highlight areas susceptible to single point of failure risks. Recording of this type of risk should be seen as 'live' and continually updated to reflect changes such as to staffing, leavers, joiners, or other changes that may impact the risk profile.			
Management Action 1	To support risk management and provide assurance that known, workable solutions are in place for current and future single points of failure, an addition(s) will be made to the Risk Register and used as a tool for identifying and managing such risks. As part of the existing Risk Register reviews, single point of failure risks can be monitored and revised to reflect upcoming changes. There should be a focus on, and more detailed documentation of risks relating to Projects & Business Development (Consultancy) as this part of the business continues to evolve.	Responsible Owner: TBC – PLEASE ADD	Date: TBC – PLEASE ADD	Priority: Medium
Management comment				

Area: Bank Authorisation – Signatory Review

Findings / Implications

We were informed that historically Coast to Capital had a back-up plan for payment approval with its bank however following a period of significant change including staff turnover there was reliance on the Head of Operations & Finance, effectively at this time a single point of failure. This issue was identified at the start of this review regarding a possible single point of failure regarding payment approval with the Head of Operations & Finance being the only bank authorised individual.

Since initial conversations where this was raised as an issue we have kept up to date with progress and there are now three full signatories (Chair, Vice Chair, and Head of Operations & Finance) and one restricted signatory (Finance Manager), however there is no requirement for this information to be formally reported to the Finance and Resources Committee.

Management Action 2

When a bank signatory leaves or changes role details of the bank mandate, signatories and authority levels will be reported to the Finance and Resources Committee. Where there are no changes, the mandate will be subject to a routine annual review by the Committee. In addition to this being good practice from a security and fraud point of view, confirmation should be provided to the Committee that a sufficient number of signatories are in place to avoid any single points of failure or over-reliance on one individual. In the immediate future there is to be a total of three full authorised individuals with one additional restricted role.

Responsible Owner:

TBC – PLEASE ADD

Date:

TBC –
PLEASE ADD

Priority:

Medium

Management comment

Commented [DS3]: Head Of Projects & Business Development

Area: Knowledge Sharing Framework

Findings / Implications Throughout the business unit summaries above there are areas where detailed training on internal process is not required due to strict requirements set out by project sponsors / government, for example with the Careers Hub. A similar theme applies to the documentation of processes, where in some areas such as through the financial processes document, or Assurance Framework, suitable documentation is in place. However, there are some areas, for example Projects & Business Development (Consultancy) which may benefit from the addition of process documentation and training to share knowledge with the wider team. Please note the business areas noted in this section are examples only and not referred to because any particular concern.

Management Action 3		Responsible Owner:	Date:	Priority:
	Focusing on the business areas within this report agreed as having a risk rating of 'amber' or 'amber / green', management will consider: Documenting processes in a clear and concise style which ensures they could be used by a new team member with little or no knowledge of the role. This would be a document that could be read to understand basic information relating to the role and to use as a foundation to build from. Conducting a training needs assessment to establish where further training on internal processes would be beneficial and support the reduction of single point of failure risks. This training should be focused on internal processes and where required may be most effectively completed by 'shadowing'. We are aware of the time commitments shadowing can involve so would encourage this to be targeted at key risk areas.	TBC – PLEASE ADD	TBC – PLEASE ADD	Medium

Management comment

APPENDIX A: CATEGORISATION OF FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

The following table highlights the number and categories of management actions made as a result of this audit.

Risk	Agreed actions		
	Low	Medium	High
Coast to Capital suffers a breakdown of internal control and/or approval processes.	0	3	0
Total	0	3	0

APPENDIX B: SCOPE

This document sets out the key information relating to the internal audit assignment, the internal audit team and client staff to be involved, and most importantly the scope of the assignment, including the limitations to the scope.

1.1 Objectives and risks relevant to the scope of the review

The internal audit assignment has been scoped to provide assurance on how Coast to Capital manages the following area.

Objective of the area under review	Risks relevant to the scope of the review
Coast to Capital has critical processes within the business to ensure controls can be maintained.	Coast to Capital suffers a breakdown of internal control and/or approval processes.

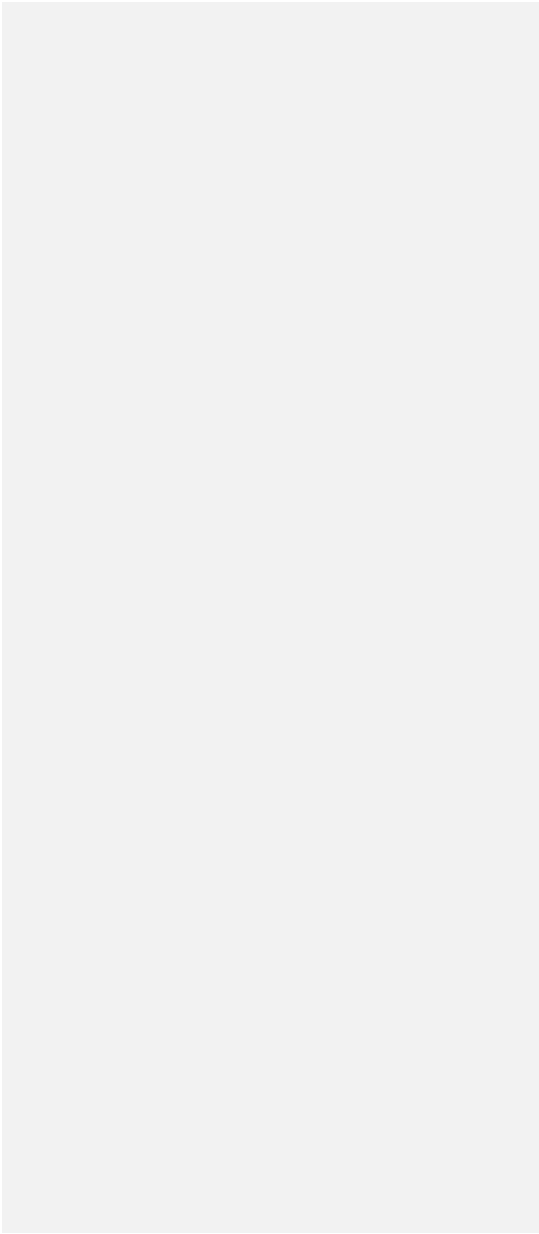
1.2 Scope of the review

We will focus the review on the following areas:

- We will initially discuss with Management the critical processes within the business and select areas for review in consultation with Management – this will cover a mixture of financial and non-financial processes.
- For the areas selected for review we will seek to establish how control is maintained and review processes where appropriate.
- Extent of staff training undertaken to ensure competency and understanding of business-critical processes.
- Extent to which the areas selected for testing have segregation of duties in place and where this is not feasible, we will review other controls such as approval processes to ensure these are appropriate.
- Adequacy of monitoring arrangements in place to ensure controls are operating effectively.
- Review of relevant risk registers to assess whether these are used to drive the internal control processes.
- How the organisation gains overall assurance that internal controls are operating effectively.
- Review of the process around how critical business decisions are undertaken, and extent to which these are subject to an appropriate level of scrutiny by relevant Committees and the Board.

The following limitations apply to the scope of our work:

- Any testing will be undertaken on a sample basis from April 2022 through to the date of review.
- The audit is a high-level review based on the areas for consideration above.
- This will be an advisory review and no overall assurance opinion will be provided.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.



Debrief held
Draft report issued
Responses received
Final report issued

1 March 2023
3 March 2023

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Hannah Gosling, Head of Legacy Projects & Governance
David Smith, Head of Operations & Finance

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Coast to Capital, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

Meeting: Coast to Capital Audit & Risk Committee Meeting
Date: 15 March 2023
Report Title: Governance
Report by: Hannah Gosling
Item No: 7

Recommendation:

The Committee is asked to:

- **Note** the paper regarding governance activity.
 - **Approve** amendment to the Assurance Framework (item 3 below).
-

1. Context

With confirmation now received from Government regarding funding for next Financial Year, the team are continuing to work hard and generate business in the consultancy area of the business due to the shortfall in funding from Government. Funding from government has been cut 33% and there is still no confirmation on Growth Hub Funding.

Since the August Audit and Risk Committee the following meetings have been held:

- 25 August – Finance & Resource Committee
- 26 September – Investment Committee
- 13 October – Board Meeting
- 01 November – Finance & Resource Committee
- 24 November – Joint Audit & Risk Committee and Finance & Resource Committee
- 15 December – Finance & Resource Committee
- 26 January – Board Meeting
- 20 February – Finance & Resource Committee

2. Board

At the October 2022 Board meeting, Jane Longmore and Mark Brunt were re-appointed as Board Directors. Lindsay Pamphilon and Polly Toynbee (co-opted) were appointed as Board Directors.

At the January Board meeting the Board agreed a pessimistic budget for the next financial year. The board also agreed for the Blackrock Funding Withdrawal Protocol Letter to be withdrawn, on the basis that heavy monitoring is put in place for the project. They also agreed for the remaining unspent LGF funds to be transferred to the GPF.

Councillor Paul Marshall has resigned from the Board and West Sussex County Council have been invited to propose a new individual to join the Board.

All current Board members have recently undergone Board re-fresher training.

3. Assurance Framework

Our Current Assurance Framework still remains compliant with the National Assurance Framework and Coast to Capital still adheres to the Assurance Framework.

One small amendment has been added to the Assurance Framework, the below section was missing in the Assurance Framework and is included in the Articles of Association, therefore it is appropriate to include it in the Assurance Framework:

“Board Directors are required to attend all Board meetings and Committee meetings they are members of. If they are unable to attend (or send a deputy if eligible) they must provide in writing to the Chair of the Board or Committee a satisfactory reason (this is determined by the responsible Chair). If Board Directors fail to attend three consecutive meetings (or do not send a deputy if eligible) of the Board or Committee meetings without giving a satisfactory reason for their non-attendance to the Chair, the Board may require their resignation as a director”.

The Audit & Risk Committee is asked to **approve** the amendment to the Assurance Framework.

A thorough review of the Assurance Framework will be undertaken once the revised National Assurance Framework has been released.

4. Consultancy

The Board agreed that a subsidiary consultancy company to be set up, and is hoped this will be in place for 01 April 2023. All consultancy activity that we undertake will be routed through this company. Further information on this will be presented to the next Audit & Risk Committee.

5. Office / Meetings

Coast to Capital still remains a fully virtual organisation. There are scheduled team meetings in the diary where the team meet face to face at locations in the Coast to Capital area. The next all team meeting is taking place on 22 March at Crawley Borough Council’s new offices. All Board meetings are still taking place face to face,

the next Board meeting is scheduled for 12 July and is likely taking place in the borough of Reigate & Banstead. We continue to rely on our partners to host us on these certain events.

We plan to have a virtual AGM on 22 March.

6. Government

On 31 January we had our Annual Performance Review meeting with Government. No issues were raised and we will find out the final rating in due course.

7. Accountable Body

As things currently stand there are no issues with the Accountable Body to be reported to the Audit and Risk Committee and Brighton and Hove City Council are still undertaking their functions as per the agreement published on our website. This agreement will last until 3 years and will next be reviewed in 2024.

8. HR

The following new recruits have joined the team since the last meeting:

Joe Smith – Enterprise Co-ordinator (SEND)

Sian Lewis – Enterprise Co-ordinator

Eppie Silverman – Enterprise Co-ordinator

Matthew Montgomery – Project Delivery Officer

Gail Winnie – Business Account Manager