
Meeting: Coast to Capital Audit Committee Meeting
Date: 18 June 2019
Report Title: Governance - Update
Report by: Katie Nurcombe
Item No: 3 a)
Part: A (Paper and all Annexes A to G)

Recommendation:

The Audit Committee is asked to note the Governance update and:

- Identify an Audit Committee representative to lead a short review of the Conflict of Interest Policy
- Provide comment on the updated Articles of Association
- Provide comment on the new Anti-fraud and Anti-bribery Policy

1. Context

Our focus on Governance continues and we have made significant progress in this area which is summarised below.

2. Annual Review

Our Annual Review with Government took place in January. We are in the top 10 of Local Enterprise Partnerships on overall performance, with confirmation that we are 'good' in all three areas of Governance, Delivery and Strategy. This is an improvement on the previous year where we were classed as 'requiring improvement' in Governance and Delivery. The confirmation letter from Stephen Jones (Director, Cities and Local Growth Unit) can be found at Annex A.

3. Assurance Framework

Following the publication of the National Local Growth Assurance Framework by Government in January we have updated our [Assurance Framework](#) to meet the new requirements. This was signed off by the Accountable Body and the Board and the final version was published on the website on 31 March 2019.

Following this, the Cities and Local Growth Unit's compliance team undertook checks on each Local Enterprise Partnership website to ensure that the new requirements of the National Assurance Framework had been taken into account. We are pleased to confirm that we were found to have 'no compliance issues'.

We have committed to review the Assurance Framework annually; however, over the next couple of months the Assurance Framework will be updated to reflect:

- The agreed arrangements in relation to the Newhaven Enterprise Zone
- Any revisions to the Growth Grants Programme as it evolves
- The change of the name of the 'Gatwick 360 Programme Group' to the 'Local Industrial Strategy Programme Group'
- The inclusion of the Growing Places Fund Terms of Reference
- That the Chief Executive is a paid position
- That two Directors must be on a sub-Committee (in line with the Articles)
- That Board members must live and/or work in the region or have strong connections to the region (will also need to be strengthened in the Articles)
- Our new Anti-fraud and Anti-bribery Policy (see below)

In addition, we now have the opportunity to look at our policies in more detail to ensure these are as effective as possible, in particular our Conflicts of Interest Policy. Annex B sets out our Conflicts of Interest policy marked up with minor points of clarification from the legal review of the Assurance Framework. We are looking for a representative from the Audit Committee to help lead a short review of this policy.

DMH Stallard has reviewed and updated our Articles of Association which can be found in Annex C to reflect the new Assurance Framework. As there was inconsistency in the previous version, the updated Articles now provide that all Directors are also members for the duration of their office.

Differentiation between members and Directors of a company limited by guarantee lies primarily in the voting rights, as certain decisions have to be approved by members, for example the adoption of new Articles of Association (which need to be filed at Companies House). Going forward, Coast to Capital should maintain a register of members and appointment letters to newly appointed directors should include confirmation of their membership status.

Following comments by the Audit Committee, the updated Articles will be issued to the Board for agreement by Special Resolution.

4. Scrutiny

Following feedback from the Board at its meeting in January and feedback from members of the Joint Committee we will not be progressing with setting up a new Scrutiny Committee; however, we will be writing to all our Local Authorities to let them know we are happy to participate in any Local Authority overview and scrutiny committee. A draft letter can be found in Annex D.

An external scrutiny review of the Growth Grants Programme took place in February by BDO. No red flags were identified and the management response to the points raised can be found in Annex E. All comments on the operation of the Programme have been accepted. One recommendation from the review is that Coast to Capital agrees an Anti-fraud and Anti-bribery Policy. BDO have produced a draft policy for consideration by the Audit Committee which can be found at Annex F. In addition

to the external scrutiny review the LGF auditor undertook an internal review of the Programme which can be found at Annex G.

The Board will consider the outcomes of this review along with feedback on the operation of the Growth Grants Programme at its meeting in July.

5. Audit

An Audit Plan for 2019/20 has been agreed with the Accountable Body which is covered under item 3b.

6. Conclusion

Coast to Capital is committed to good governance and transparency and we are proud of the strong governance we have in place. Our aim is to make Coast to Capital an outstanding LEP recognised as leading best practice and best in class, with a clear culture of governance and accountability in everything that we do. We are targeting an 'Exceptional' rating in relation to Governance at our Annual Review with Government next year.

7. Diversity Statement

Following the recommendations of the Rose Review we have been chosen as one of two LEPs to pilot a Banker In Residence. This initiative involves us working in partnership with a colleague from NatWest to encourage collaboration and deliver positive action on supporting and profiling Diversity and Inclusion in business. A particular focus will be to ensure that our Growth Hub engagement with, and support of, women business leaders is equitable. We also want to ensure that programmes such as the Growth Grant programme is accessed by more women led businesses.

8. Legal Statement

The updates to the Articles have been produced by legal firm DMH Stallard. No legal position has been sought on any other area covered by this paper

Annexes (Part A)

- Annex A – Annual Review Confirmation Letter
- Annex B – Coast to Capital Conflicts of Interest Policy
- Annex C – Draft Articles of Association
- Annex D – Draft letter to Local Authorities
- Annex E – Growth Grants Scrutiny Review – Management Response
- Annex F – Draft Anti-fraud & Anti-bribery Policy
- Annex G – Business Finance Audit Report

Meeting: Coast to Capital Committee Meeting
Date: 18 June 2019
Report Title: Governance – Audit Plan
Report by: Katie Nurcombe
Item No: 3 b)
Part: Paper Part A; Annexes Part B.

Recommendation:

The Audit Committee is asked to:

- Approve the Audit Plan for 2019/20
- Approve the recommendation that BDO take forward a review of our risk management
- Consider our position in relation to IT security

1. Context

The National Assurance Framework specifies that we must agree an audit plan with our Accountable Body following the Annual Review with Government. Audit Committee commented on a paper circulated in March which set out the 2018/19 position and suggested an approach for 2019/20. This paper confirms the plan for 2019/20.

2. Audit Plan 2019/20 Overview

Our Annual Review with Government did not highlight any areas of focus for audit. Going forward our risk processes will also inform our audit plan which is a key area of focus for us this year.

Our proposed Audit Plan as agreed with the Accountable Body for 2019/20 is as follows:

- Engage BDO to complete an audit and review on our internal risk management and controls as a priority
- Complete audits on:
 - Payroll function and other finance systems by Croydon internal auditors
 - Employment legislation compliance
- Undertake a review the value for money of our major procurement contracts

- Review our insurance cover by an industry expert
- Review of Accountable Body arrangements by Croydon internal auditors

3. Risk Management Review

We have outgrown our approach to corporate risk management and need a methodology that can respond to the different types of risk emanating from the diversity of what we do as a public-private partnership, our various funding streams, our commercial strategy and the Government requirements we need to meet.

BDO have put together a specification which can be found at Annex A to undertake a practical exercise to help lift our management of risk to a new level, with the possible options of adopting new processes including software.

The review would involve BDO working with Board members and other key individuals to determine Coast to Capital's risk appetite which would then inform a new risk management process including how the governance of risk would best operate within our existing governance structure.

The timing of this review would be over summer to inform the business planning process which would begin in the autumn.

The cost of this work will be split between the corporate and Local Growth Fund budget. Software costs are unbudgeted in the 2019/20 financial year.

Audit Committee is asked to approve the recommendation that BDO take forward a review of our risk management.

4. IT Systems

Members expressed the need for more information on our current position in relation to the security of our IT systems. A summary report can be found at Annex B. We are planning to re-run training on cyber security. Separate to IT security we will be reviewing our IT systems in order to ensure that our systems meet our business needs.

The Audit Committee is asked to consider our position in relation to IT security.

5. Independent Scrutiny Review

We will present a recommendation for the optional independent scrutiny review for 2019/20 to the Audit Committee at its November 2019 meeting. The topic identified would be based on risk, informed by our proposed enhanced process, and is subject to budget constraints.

6. Audit Plan Cycle

Going forward the Audit Plan cycle will follow the below timeline:

- Annual Review with Government (January)
- Audit Plan developed with Accountable Body following feedback received and informed by risk management processes (March/April)
- Audit Committee to sign off Audit Plan (June Meeting)
- Audits take place (Q2-Q3)
- Audit Committee to sign off approach to the optional independent scrutiny review (November Meeting)
- Independent Scrutiny takes place (Q4)
- Audit Report drafted following scrutiny review (end Q4)

7. Diversity Statement

There are no diversity implications for consideration.

8. Legal Statement

The Audit Plan 2019/20 has been agreed by the Accountable Body.

Annexes (Part B)

- Annex A – BDO Risk Review Specification
- Annex B – IT Security

Coast to Capital

Meeting: Coast to Capital Audit Committee Meeting
Date: 18 June 2019
Report Title: Governance – Accountable Body Update
Report by: Lisa Taylor – Director Of Finance, Investment and Risk, Croydon Council
Item No: 3 c)
Part: A

Recommendation:

The Audit Committee is asked to note:-

- The work of the Accountable Body (AB) since the last report presented to this Committee in November 2018.
- The way in which the AB will continue to work with Coast to Capital over the remainder of the term as AB.

1. Context

Croydon Council was appointed Accountable Body for Coast to Capital at its Board meeting on the 4th July 2018, and commenced in role on the 1st October 2018.

Since appointment the national LEP review has revised the criteria for AB's and MHCLG has announced that a LEP must have an AB from within the LEP footprint.

Croydon Council is a member of the London LEP and as local authorities are unable to be members of more than one LEP Croydon Council cannot be part of the Coast to Capital LEP too.

As a result of this change, Croydon Council will be unable to remain as the AB for Coast to Capital which is disappointing for the Council given that we have just been appointed to the role. We will work with Coast to Capital to transition to the new AB by the set deadline of April 2021. This deadline has been confirmed by MHCLG.

2. Section one - AB key personnel update and support

Since the last report to this committee the S151 Officer at Croydon Council has changed. Richard Simpson left the Council in early March and Lisa Taylor has been appointed as the Interim S151 Officer.

The lead Legal Officer remains as previously reported.

The AB has continued to build a good solid working relationship with Coast to Capital and Council officers have attended Board meetings, Investment Committees and Audit Committees providing support and challenge to the LEP as appropriate.

As previously reported to this Committee the AB has appointed an interim Head of Finance who works solely at Coast to Capital. The plan was to recruit a permanent Head of Finance. With the changes to the appointment of an AB as detailed in section one of this report Croydon Council as AB will now not make a permanent appointment.

3. Section two - SLA

The Service Level Agreement (SLA) between Coast to Capital and Croydon Council has been completed and signed.

4. Section 3 - Letter of Compliance

A letter of compliance was submitted by the S151 Officer of the AB to MHCLG in February 2019, confirming that the AB has undertaken the necessary checks to ensure the LEP has in place the processes to ensure the proper administration of their financial affairs since appointment as AB in October 2018.

5. Section 4 –Local Growth Assurance Statement

The AB has worked with the LEP and signed off the Assurance Statement in March 2019

6. Annual LEP Review

The AB took part in the Annual Review with Government in January 2019 and attended the meeting with LEP Board members and officers at MHCLG. The result of this conversation are detailed in item 3a of this agenda.

7. Next Steps

The AB has now been in role for over six months and will now commission the audit of the AB role as previously reported to this committee. The audit report being presented at a future committee.

The AB will start conversations next year with the LEP regarding the appointment of a new AB and work with them on the recruitment process and to ensure a smooth handover in April 2021.

8. Diversity Statement

There are no direct diversity implications arising from this report.

9. Legal Statement

The Director of Law and Governance from the AB is satisfied that there are no direct legal implications arising from this report.

Annexes:

- None

Further information on request:

- None