
Meeting:	Coast to Capital Audit Committee Meeting
Date:	24 June 2020
Report Title:	Governance
Report by:	Katie Nurcombe
Item No:	4
Part:	A (Paper and all Annexes except Annex A)

Recommendation:

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

- Discuss and note the management response to the internal HR Working Practices Audit
- Approve the Audit Plan 2020/21
- Discuss and agree the Audit Charter
- Consider the constitution of the Accountable Body sub-Committee to ensure both continuity and diversity.

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 February. We are in the top 10 of Local Enterprise Partnerships on overall performance and the Government has awarded us an Exceptional for Governance, along with a Good for Delivery and Achieved for strategy. This is an excellent recognition of the work on Governance that has been undertaken and we will continue to focus on this to maintain our Exceptional rating.

3. Assurance Framework

We have committed to review the Assurance Framework annually and an updated version will be presented to the Audit Committee in November for approval.

4. Scrutiny

As agreed by the Board in January 2019, we will not be setting up a new Scrutiny Committee; however, we have written to all our Local Authorities to let them know we are happy to participate in any Local Authority overview and scrutiny committee. Since the 1 April 2020 we have not had any formal requests to present. Our

approach to scrutiny will be kept under review to ensure that this is as effective as it can be.

Our Local Authority partners are fully involved in our activity and the Local Authority Chief Executives are briefed individually by the Chief Operating Officer on a regular basis. Local Authority Leaders are also being briefed together on a monthly basis in the absence of a formal Joint Committee meeting. Both CEOs and Leaders of our Local Authorities are also being kept up to date by email (weekly moving to twice a month).

5. Audit

Audit Plan 2019/20 Update

A management response to the HR Working Practices Audit, undertaken internally, has been approved by Executive Committee for consideration by the Audit Committee and can be found at Annex A. This is the last outstanding audit from the 2019/20 Audit Plan.

Audit Plan 2020/21

Following discussion with the Audit Committee in April an Audit Plan for 2020/21 has been agreed with the Accountable Body which can be found in Annex B. The Audit Committee is asked to approve the Audit Plan for 2020/21.

The Chair of the Audit Committee will meet regularly with the Head of Corporate Affairs to ensure that our approach to audit continues to provide a positive contribution to the development of Coast to Capital as an organisation through strong evaluation and a mature risk management approach.

The two delayed Accountable Body led audits have been included in the Audit Plan 2020/21 and the following initial reports have been provided:

- Payroll function and other finance systems (Annex C)
- Accountable Body arrangements (Annex D)

The Procurement Audit remains suspended so that we can write the procedure document. The Head of Finance will draft the Procurement Procedure document after the financial year-end activity is complete.

Audit Charter

A draft Audit Charter has been prepared for discussion by the Audit Committee and can be found in Annex E.

Backing Business Grants Review

The team has worked really hard to deliver the new Backing Business Grants (BBG) Fund under difficult circumstances and we are proud of what we have achieved and so quickly. The Audit Plan confirms that the BBG fund will be independently audited

to ensure that our decision making and processing of the funds etc was undertaken correctly to give confidence to Government and our partners etc. However, as we are keen to ensure that we learn as many lessons as possible to ensure that the process develops further and we can be even more efficient we undertook a short review of the fund in May. This was also in anticipation of further funds potentially being released to ensure we have an effective model which is resourced appropriately.

This review was led by the Head of Finance as the Accountable Body and myself as an independent SMT member. The report has been drafted and will be presented to the Audit Committee Chair and Vice Chair and subsequently will be shared with Audit Committee for information.

6. Accountable Body

We will need to appoint a new Accountable Body by April 2021 and we have received two expressions of interest from our Local Authority partners in delivering this service. A project will commence over the summer to appoint this service with an appropriate handover period. This project will utilise the best practice approach undertaken in 2018 to appoint Croydon as the current Accountable Body. However, this process will be simpler as we now have one rather than multiple Accountable Bodies and we are clear about the model we want to have in place.

A sub-Committee of the Audit Committee was created to undertake the process in 2018 which consisted of Chris Maidment (Chair); Karen Hayes; Mike La Rooy and Jonathan Sharrock. Cath Goodall as a Government representative was also involved in the scoring. Audit Committee is asked to consider the constitution of the Accountable Body sub-Committee which has two Directors and two independent members and ensures both continuity and diversity.

7. Complaints

We currently have no live complaints. We are directing any Backing Business Fund applicant that is disappointed with being turned down for funding to our Complaints Policy but have received no follow up activity to date.

8. Virtual Meetings

For the time being we are holding our Board and Committee meetings virtually and have received advice from the Accountable Body on their operation (see Annex F). We have chosen Zoom as our preferred virtual meeting platform; however, this is not the approved platform used by Croydon Council. We are keeping security considerations under review as we operate more governance meetings using Zoom.

9. Accountable Body Statement

Croydon Council has now entered its last year as Accountable Body, and will be working to support Coast to Capital to appoint a new Accountable Body.

There have been no changes to personnel supporting Coast to Capital since the last Audit Committee in April 2020.

The two audits, being undertaken by Mazars have been completed and the reports are attached to this agenda. Work will be undertaken by the Accountable Body to implement the recommendations from the reports and a further update will be provided to the Audit committee later in the year.

10. 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 maintain Coast to Capital's reputation as 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.

Given the ongoing COVID-19 crisis we propose a short and agile Audit Committee update meeting for early September to take a reading of the risk register position at that point.

11. Diversity Statement

There are no diversity implications for consideration.

12. Legal Statement

The Accountable Body has approved the Audit Plan 2020/21. No legal position has been sought on the other areas covered by this paper.

13. Finance Statement

There is a £10,000 budget for Internal Audit carried out by an external independent which the Audit Plan 2020/21 will work within. There are no other financial considerations.

Annexes (All Part A except Annex A)

- Annex A – HR Working Practices Audit Management Response (Part B)
- Annex B – Audit Plan for 2020/21
- Annex C – Payroll function and other finance systems Audit Report
- Annex D – Accountable Body arrangements Audit Report
- Annex E – Draft Audit Charter
- Annex F – Virtual Meeting Guidance

Coast to Capital Audit Plan 2020/21

The National Assurance Framework specifies that we must agree an audit plan with our Accountable Body following the Annual Review with Government.

In addition to this, the Audit Committee has agreed that we commission an optional annual independent assurance report on Coast to Capital at the discretion of the Audit Committee.

Given the unprecedented times the Audit Committee has agreed that the Audit Plan should factor in an element of flexibility to respond to changing priorities within the year.

Scope

As our risk and audit function has now grown and matured, the development of our Audit Plan each year will take the following into consideration:

- Any areas highlighted by our Annual Review with Government
- Risks highlighted by our risk management system
- Audits identified that must be reviewed on a regular basis
- Follow up audits from previous audits
- A key area identified for an 'independent scrutiny review'

Regular Audits

The Audit Committee agreed to:

- An annual audit of our HR Working Practices
- An annual audit of one of our funding programme each year
- An audit of our Finance controls every two years (next due mid 2021/22)

Audit Plan 2020/21

Audit	Conducted by	Notes	Timetable
Payroll function and other finance systems	Accountable Body (Croydon Council's internal auditors)	Delayed from 2019/20	Completed by Q1 (June)
Accountable Body arrangements	Accountable Body (Croydon Council's internal auditors)	Delayed from 2019/20	Completed by Q1 (June)

Procurement	Internal Audit	Audit will take place once the Procurement Process has been documented	Completed by Q2 (September)
Backing Business Grants	Independent	Focused on decision making rather than operation	Completed by Q2 (September)
GDPR	Internal Audit or Independent subject to budget	To keep under review	Completed by Q3 (December)
HR Working Practices	Internal Audit	Annual audit	Completed by Q3 (December)
Recruitment audit	Internal Audit	Follow up audit	Completed by Q4 (March 2021)

Diversity Statement

There are no diversity implications for consideration.

Legal Statement

The Audit Plan 2020/21 has been agreed by the Accountable Body.

Finance Statement

There is a budget of £10,000 for independent external audit activity in 2020/21.

Final Internal Audit Report

Coast to Capital – Finance Systems

June 2020

Distribution: Director of Finance, Investment and Risk and S151 Officer
(Croydon Council)
Head of Finance (Coast to Capital)

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	2
	Priority 3	1

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- 2. Definitions For Audit Opinions And Recommendations
- 3. Statement Of Responsibility

Executive Summary

1. Introduction

- 1.1 Coast to Capital (C2C) was founded in 2011 as the Local Enterprise Partnership (LEP) for the London Borough of Croydon; East Surrey; Gatwick Diamond; Brighton & Hove; Lewes and West Sussex. It is a business led collaboration between private and public sectors across a diverse area and is responsible for the administration, allocation and distribution of the Government funded Local Growth Fund to support the delivery of the growth deal and other publically funded schemes within the area.'
- 1.2 The audit plan agreed by the C2C Audit Committee at its 18 June 2019 meeting included an audit of the 'Payroll function and other finance systems by Croydon internal auditors'.
- 1.3 The Accountable Body Agreement, clause 1.11 details that, '*The dedicated finance package required and to be delivered is a 'full package' and included in the fees detail above at the following services*
- *The provision of a dedicated team*
 - *Financial monitoring and reporting*
 - *Payment of invoices and associated queries*
 - *Raising of purchase orders and any associated queries*
 - *Budget setting*
 - *Completion of the annual accounts and completion of the annual audit in conjunction with the independently appointed external auditors*
 - *Payroll*
 - *Treasury Management'*

2. Key Issues

Priority 2 Recommendations

The annual accounts close down procedures were not documented, **(Issue 1)**.

A treasury policy was not in place, **(Issue 2)**.

The Priority 3 Issue is detailed under heading 4 below.

Action and Key Findings/ Rationale

<u>Control Area 2: General Ledger</u>		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
2	Head of Finance to document the Annual Financial Statements process	<p>The Coast to Capital statutory audit occurs annually in May, with the annual financial statements being presented at the June Audit Committee along with any findings arising from the audit. Once the financial statements are issued, the prior year is closed down in Sage 50.</p> <p>It was established that the timetable and procedures for year-end close were not documented. The Head of Finance explained that Annual General Meeting was used as a deadline for signing the financial statements and that she was in the process of documenting all finance procedures.</p> <p>Where duties and responsibilities for closing down the accounts are not clearly defined, and there is no timetable for closing the accounts, there is a risk that staff are unaware of their year-end roles and responsibilities. This risk is more likely to materialise if the existing staff vacate their positions, as new employees may struggle to follow procedures if these are not documented.</p>
Responsible officer		Deadline
Head of Finance (Coast to Capital)		September 2020

Control Area 6: Treasury		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
2	Head of Finance to document a Treasury Policy	<p>A good treasury policy will articulate the business’s appetite for financial risk and approach to controlling it, with written guidelines describing the responsibilities of the treasurer and how they should conduct themselves in that role. It should be approved by the company board and reviewed annually to keep it aligned with that business’s objectives.</p> <p>Examination of the Coast to Capital Assurance Framework January 2020 and discussion with the Head of Finance established that, although cash flow forecasting is detailed in the Assurance Framework document, none of the other aspects expected from a treasury policy (such as the target minimum bank balance, use of higher interest accounts or investments) were detailed.</p>
Responsible officer		Deadline
Head of Finance (Coast to Capital)		September 2020
		Where an appropriate treasury policy is not in place, there is a risk that the treasury function will not be appropriately managed or managed in line with Board expectations.

Priority 3 Issue

Action Proposed by Management	Detailed Finding/Rationale – Issue 3
<p>As mentioned an accounts mail box has been set up which is managed by the Head of Finance to support timely management of invoices. Those who invoice Coast to Capital are encouraged to send their invoices to the email box.</p> <p>Additional action has been taken to mitigate the risk and payment runs have moved from once a fortnight to weekly since December 2019.</p>	<p>Coast to Capital has been a signatory of the Prompt Payment Code since 14 October 2013, which stipulates suppliers should be paid within a maximum of 60 days and work towards adopting 30 days as the norm.</p> <p>Internal audit testing of a sample of 15 transactions identified 2 invoices that were not paid on time (INV_S002170 and 6248), one of which exceeded the 60 day limit by 17 days.</p> <p>The Head of Finance explained that it was unusual for invoices to be paid late and that, for the instances noted, the invoices had been sent to the accounts inbox late resulting in the late payment. She further explained that Coast to Capital had worked to improve the supplier payment process over the last year by setting up a Central Accounts Inbox for suppliers to send invoices directly. This is to reduce the risk that invoices are sent to Coast to Capital employees and then only forwarded on for payment.</p> <p>Where payments to suppliers are not made on time, Coast to Capital is exposed to the risk of reputational damage from disappointed suppliers, loss of supplier goodwill, and financial loss from the application of late payment penalties.</p>

TERMS OF REFERENCE

Coast to Capital – Finance Systems

1. INTRODUCTION

- 1.4 Coast to Capital (C2C) was founded in 2011 as the Local Enterprise Partnership (LEP) for the London Borough of Croydon; East Surrey; Gatwick Diamond; Brighton & Hove; Lewes and West Sussex. It is a business led collaboration between private and public sectors across a diverse area and is responsible for the administration, allocation and distribution of the Government funded Local Growth Fund to support the delivery of the growth deal and other publically funded schemes within the area.'
- 1.5 The audit plan agreed by the C2C Audit Committee at its 18 June 2019 meeting included an audit of the 'Payroll function and other finance systems by Croydon internal auditors'.
- 1.6 The Accountable Body Agreement, clause 1.11 details that, '*The dedicated finance package required and to be delivered is a 'full package' and included in the fees detail above at the following services*
- *The provision of a dedicated team*
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 - *Budget setting*
 - *Completion of the annual accounts and completion of the annual audit in conjunction with the independently appointed external auditors*
 - *Payroll*
 - *Treasury Management'*

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3 SCOPE





- 3.1 This audit will examine the Council's arrangements for Coast to Capital Finance Systems and will include the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Budgetary Control	0	0	0
General Ledger	0	1	0
Accounts Receivable	0	0	0
Accounts Payable	0	0	1
Cash and Banking	0	0	0
Treasury	0	1	0
Payroll	0	0	0
TOTAL	0	2	1

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

Draft Internal Audit Report

Coast to Capital – Accountable Body

June 2020

Distribution: Lisa Taylor – Director of Finance, Investment and Risk and
S151 Officer (Croydon Council)
Kate Edwards – Head of Finance (Coast to Capital)

Internal Auditor: Dave Phillips

Assurance Level	Recommendations Made	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	0

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1. Introduction

- 1.1 Coast to Capital (C2C) was founded in 2011 as the Local Enterprise Partnership (LEP) for the London Borough of Croydon; East Surrey; Gatwick Diamond; Brighton & Hove; Lewes and West Sussex. It is a business led collaboration between private and public sectors across a diverse area and is responsible for the administration, allocation and distribution of the Government funded Local Growth Fund to support the delivery of the growth deal and other publically funded schemes within the area.'
- 1.2 Coast to Capital has a single Accountable Body, Croydon Council, which is responsible for overseeing the proper administration of the governance and financial affairs within Coast to Capital. Croydon Council commenced the role of Accountable Body on 1 October 2018. The Accountable Body is actively involved in all key Coast to Capital Committees including the Board, Investment Committee and Audit Committee. The Accountable Body is also represented at the Annual Review with Government and the Section 151 Officer has regular meetings with senior Coast to Capital staff.
- 1.3 The Coast to Capital Assurance Framework (January 2020) details that, '*the Accountable Body is responsible for:*
- *Providing a finance function which involves holding funds under managed investment paid by Government on behalf of the LEP, administering and processing Government funds and delivering our operational finance requirements;*
 - *An oversight function ensuring funds are handled with the relevant procedures and grant conditions and that funds are used with propriety, regularity and deliver value for money*
 - *A support function providing technical advice on the relevant law, discussing risks, and the issue of funding agreements and terms and conditions precedent to those as detailed within the Coast to Capital model funding agreement available on our website.'*
- 3.1 This audit (except for the 'operational finance requirements' subject to a separate internal audit) reviewed the accountable body arrangements in place against the 'National Local Growth Assurance Framework' and the accountable body systems and processes in place to enable it to fulfil its responsibilities.

2. Key Issues

Priority 2 Recommendations

The 'Growing Places Fund – Project Proposal' and a 'Expression of Interest for Future Funding' forms on the Coast to Capital website did not include privacy information (or reference to the Coast to Capital Privacy Policy or Privacy Notice) as required by the Data Protection Act 2018, **(Issue 1)**.

Although the Coast to Capital Assurance Framework (January 2020) included reference to audit, an internal audit charter (or document including the expected aspects of an internal audit charter) was not in place, **(Issue 2)**.

Although regular progress reports on the internal audit function were provided to the Audit Committee, there was no evidence of an annual (at least) Head of Internal Audit report (in line with Section 2060 of the IIA International Standards), **(Issue 3)**.

A finance opinion was not recorded on Board and Board sub-committee papers prior to these being finalised, **(Issue 4)**.

Detailed Report

Action and Key Findings/ Rationale

Control Area 3: Oversight of the Award and Use of Funds		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
2	<p><u>Thank you for your feedback and recommendations will be reviewed and action will be progressed to ensure GDPR compliance.</u></p> <p><u>As mentioned, the information is available but not overtly referred to in the highlighted documentation.</u></p>	<p>The Data Protection Act (DPA) 2018 and the General Data Protection Regulations (GDPR) include of ‘the right to be informed’. The Information Commissioners Office website details that in this regard:</p> <ul style="list-style-type: none"> • ‘Individuals have the right to be informed about the collection and use of their personal data. This is a key transparency requirement under the GDPR. • You must provide individuals with information including: your purposes for processing their personal data, your retention periods for that personal data, and who it will be shared with. We call this ‘privacy information’. • You must provide privacy information to individuals at the time you collect their personal data from them.’ <p>Examination of the Coast to Capital website noted that this included a ‘Growing Places Fund – Project Proposal’ and a ‘Expression of Interest for Future Funding’ (for Backing Business Grants) both which collected personal data but did not include the required privacy information. While a ‘Privacy Policy’ and a ‘Privacy Notice’ were available on the Coast to Capital website, neither of the two documents referenced these.</p>
Responsible officer		Deadline
<u>Kristel Smith</u>		<u>September 2020</u>
		Where the required privacy information is not provided when personal data is collected, there is a risk that Coast to Capital is in breach of the DPA 2018 and may face significant fines from the Information Commissioners Office.

Control Area 4 – Local Audit Arrangements		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
2	<u>This is in development and the Audit Committee is aware. The paper is to be presented for review and approval at the June Audit Committee.</u>	<p>Internal Audit Code of Practice Guidance on effective internal audit in the private and third sectors paragraph 6 details that. <i>‘The role of internal audit should be articulated in an internal audit charter, which should be publicly available.’</i> Further guidance by the Institute of Internal Auditors (IIA) details that, <i>‘Every organisation is different with unique objectives, challenges and risks. The internal audit charter is the best way to agree and describe how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives. Having an internal audit charter also establishes the internal audit activity’s position within the organisation, including the head of internal audit’s (HIA) reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; and also defining the scope of internal audit activities. It is therefore a reference point for measuring the effectiveness of internal audit.’</i></p> <p>Examination of the Coast to Capital Assurance Framework (January 2020) noted that while the following was detailed relating to audit, ‘Each year we agree an audit plan with our Accountable Body following the Annual Review with Government. Our Accountable Body also completes an annual internal audit using their internal auditors. All feedback in relation to scrutiny or audit is considered by the Audit Committee and reported to the Board’ this did not include all the aspects of an audit charter that are expected, (for example the mission, objectives, role and scope of work, independence, access, reporting etc.)</p>
Responsible officer		Where an appropriate audit charter (or similar document) is not in place, there is a risk that the effectiveness of the internal audit function may be impaired.
Deadline		
Anna Merridith		June 2020

Control Area 4 – Local Audit Arrangements		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
2	The Annual Appraisal is presented to the Board / Audit Committee	<p>The Institute of Internal Auditors (IIA) 'International Standards' 'Section 2060 Reporting to Senior Management and the Board' details that, <i>'The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the board.'</i> Internal Audit Code of Practice Guidance on effective internal audit in the private and third sectors paragraph 13 also details that, <i>'Internal audit's reporting to the board audit and any other board committees should include: ... at least annually, an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation, and its conclusions on whether the organisation's risk appetite is being adhered to, together with an analysis of themes and trends emerging from internal audit work and their impact on the organisation's risk profile.'</i></p> <p>Examination of the Audit Committee meeting minutes and accompanying papers on the Coast to Capital website confirmed that there were regular progress reports on the internal audit function to the Committee; however, no reports as expected in line with Section 2060 of the IIA International Standards were evident.</p> <p>Where an annual (or more frequent) report in line with Section 2060 of the IIA International Standards is not presented to the Audit Committee, there is a risk that the Audit Committee is not properly informed and therefore does not have proper oversight of the audit function.</p>
Responsible officer		Deadline
Katie Nurcombe		xx

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Control Area 6: Provision of Technical Advice		
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4
2	<u>All papers to include a “Financial Statement”</u>	<p>The Accountable Body Agreement paragraph 5.2.1 details that, ‘<i>The S151 Officer / delegate (Finance Director) will be invited to record an opinion on all Board papers. All Board and Board sub-committee papers with a financial and legal implications will be sent to the S151 Officer / delegate for comment prior to finalisation.</i>’</p> <p>Examination of a sample of Board and Board sub-committee papers available on the Coast to Capital website confirmed that, while all these included a legal and a diversity opinion, none included a finance opinion. It is acknowledged that the S151 Officer or delegate attend Board and Board sub-committee meetings at which time a finance opinion can be provided, however the finance opinion should still be provided prior to papers being finalised.</p>
Responsible officer		Where a finance opinion is not provided on Board and Board sub-committee papers, there is a risk that financial impacts are not properly considered.
Deadline		
<u>Katie Nurcombe</u>		<u>Immediate Effect</u>

Appendix 1**TERMS OF REFERENCE****Coast to Capital – Accountable Body****1. INTRODUCTION**

- 1.1 Coast to Capital (C2C) was founded in 2011 as the Local Enterprise Partnership (LEP) for the London Borough of Croydon; East Surrey; Gatwick Diamond; Brighton & Hove; Lewes and West Sussex. It is a business led collaboration between private and public sectors across a diverse area and is responsible for the administration, allocation and distribution of the Government funded Local Growth Fund to support the delivery of the growth deal and other publically funded schemes within the area.
- 1.2 In April/May 2018 C2C undertook a tender process to appoint a single Accountable Body. The London Borough of Croydon (LBC) won the bid.
- 1.3 The 'Coast to Capital Local Enterprise Partnership Assurance Framework' details that, 'The Accountable Body is actively involved in all key Coast to Capital Committees including the Board, Investment Committee and Audit Committee. The Accountable Body also attends the Annual Review with Government and the Section 151 Officer has regular meetings with senior Coast to Capital staff. Our Accountable Body is responsible for:
 - Providing a finance function which involves holding funds under managed investment paid by Government on behalf of the LEP, administrating and processing Government funds and delivering our operational finance requirements.
 - An oversight function ensuring funds are handled with the relevant procedures and grant conditions and that funds are used with propriety, regularity and deliver value for money including:
 - Ensuring decisions and activities conform with all relevant law including state aid and public procurement and ensuring that records are maintained so this can be evidenced.
 - Ensuring that the funds are used in accordance with the conditions placed on each grant.
 - Oversight of LEP governance and transparency arrangements and ensuring that this assurance framework is adhered to.
 - Ensuring compliance with the National Assurance Framework and agreement on scrutiny arrangements.
 - Ensuring that there are arrangements for local audit of funding allocated by the LEP equivalent to those of local authorities.
 - Monitoring arrangements as set out in the Accountable Body agreement detailed on the Coast to Capital website.
 - A support function providing technical advice on the relevant law, discussing risks, in particular: The issue of funding agreements and terms and conditions precedent to those as detailed within the Coast to Capital model funding agreement available on our website.'

- 1.4 The Assurance Framework document also, within the Accountable Body section details the role of the S151 Officer and the 'Accountable Body arrangements for funding received from Government'.
- 1.5 The audit plan agreed by the C2C Audit Committee at its 18 June 2019 meeting included a 'Review of Accountable Body arrangements'.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.2 This audit, except for those aspects detailed under item 3.2, reviewed the accountable body arrangements in place against the 'National Local Growth Assurance Framework' and the accountable body systems and processes in place to enable it to fulfil its responsibilities.
- 3.3 The 'operational finance requirements' (detailed in 1.3 above) have been subject to a separate internal audit and thus excluded from this audit.





Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Legislative Requirements	0	0	0
Holding, Administering and processing of Government Funds	0	0	0
Oversight of the Award and Use of Funds	0	1	0
Local Audit Arrangements	0	2	0
Monitoring Arrangements	0	0	0
Provision of Technical Advice	0	1	0
The Role of Section 151 Officer.	0	0	0
TOTAL	0	4	0

Appendix 2

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS


In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.



Audit Charter 2020

Purpose and Mission –

The purpose of the Coast to Capital Audit function is to provide independent, objective assurance and consulting services designed to add value and improve Coast to Capital's operations. The mission of internal and external audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The audit activity helps Coast to Capital accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Authority –

To establish, maintain, and assure that Coast to Capital's audit function has sufficient authority to fulfill its duties on an annual basis, Audit Committee will:

- Approve the audit function's charter.
- Approve the risk-based Audit Plan.
- Approve the audit function's budget and resource plan.
- Receive communication on the audit activity's performance relative to its plan and other matters.
- Make appropriate inquiries of management and any Auditor to determine whether there is inappropriate scope or resource limitations.

The Head of Corporate Affairs will:

- Ensure that the Accountable Body has approved the Audit Plan.
- Manage the allocation of audit work as necessary between Internal and External provision.
- Allocate resources, set frequencies, select subjects and determine scopes of work for each audit engagement for consideration by the Audit Committee.
- Communicate results of audit engagement with senior management, create a management response and implement any actions as necessary.
- Share audit reports with the Audit Committee including the management response and actions taken or due.

Any Internal or External Auditor will have unrestricted access to and communicate directly with the Audit Committee, including in private meetings without management present should this be necessary in cases where the auditor feels independence may be impacted otherwise.

The Audit Committee authorises the Auditor to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to carrying out and engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Apply techniques required to accomplish audit objectives and issue reports including the writing of audit scopes.
- Obtain assistance from the necessary personnel of Coast to Capital, as well as other specialised services from within or outside Coast to Capital, in order to complete the engagement.
- Complete and submit reports to the Head of Corporate Affairs.

Independence and Objectivity –

The Auditor will ensure that the audit function remains free from all conditions that threaten the ability to carry out activity in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

The Auditor will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

The Auditor will have no direct operational responsibility or authority over any of the activities audited. Accordingly the Auditor will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment including:

- Assessing specific operations for which they had responsibility within the previous year.
- Directing the activities of any Coast to Capital employee other than in the case of said employee assisting in an audit activity.

Where the Auditor has or is expected to have roles and/or responsibilities that fall outside of the Audit function, safeguards will be established to limit impairments to independence or objectivity.

The Auditor will:

- Disclose any impairment of independence or objectivity, in fact or appearance to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity of process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Auditor will confirm as requested, to the Audit Committee, the organisational independence of the audit function. The Auditor will disclose to the Audit Committee any interference and related implications in performing work and/or communicating results.

Scope of Audit Activities –

The scope of audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for Coast to Capital, Internal and external audit assessments include evaluating whether:

- Risks relating to the achievement of Coast to Capital's strategic objectives are appropriately identified and managed.
- The actions of Coast to Capital's officers, directors, employees and contractors are in compliance with Coast to Capital's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact Coast to Capital.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently and protected adequately.

The Head of Corporate Affairs will discuss regularly with the Audit Committee Chair and report periodically to the Audit Committee regarding:

- The audit function's purpose, authority and responsibility.
- The audit function's plan and performance relative to its plan.
- The audit function's ability and success to maintain independence and objectivity and any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to Coast to Capital.

The Head of Corporate Affairs also coordinates activities, including the engagement of external assurance and consulting service providers as needed. The audit activity may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the activity does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility –

The Head of Corporate Affairs has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based Audit Plan for review and approval, which is also approved by the Accountable Body.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the Audit Plan.
- Review and adjust the Audit Plan, as necessary, in response to changes in Coast to Capital's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit Committee and significant interim changes to the Audit Plan.
- Ensure each engagement of the audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee and corrective actions not effectively implemented.
- Ensure the principles of independence, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the audit charter.
- Ensure trends and emerging issues that could impact Coast to Capital are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the audit activity.
- Ensure adherence to Coast to Capital's relevant policies and procedures, unless such policies and procedures conflict with the audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.

Signatures –

Audit Committee Chair –

Date -

Chief Executive Officer –

Date -

Guidance on Holding Virtual Board and Committee Meetings

Background

The COVID-19 pandemic which arose in March 2020 has advanced the requirement to conduct formal Governance meetings by virtual means. Prior to this time, there have been some virtual meetings, usually by optional dial-in, but without any standard guidance.

Currently Coast to Capital has deployed the 'Zoom' video conferencing facility and is actively reviewing the security of this platform and its appropriateness. Guidance has been prepared with advice from the Accountable Body, covering the following key personnel:

- For the Chair so that they can be confident on requirements ahead of each meeting which they will be chairing as well as handling arrangements during the course of the meeting;
- For the Secretariat leads or 'meeting hosts' as part of meeting planning and to ensure the smooth running of the meeting itself;
- For meeting participants.

Separate advice will be produced for the AGM in September given that this is also a public event. Secretariat leads should ensure that agendas on the website are updated with how the meeting will be held and that this is recorded in the minutes.

Pre-meeting Guidance for all Participants

Platform confidence - Participants should be familiar with the platform to ensure the smooth running of the meeting either through trial meetings in advance or tutorials if required.

IT security - Participants should be advised to have their security settings, privacy settings and software up to date.

Background settings - Participants should be advised to consider their backgrounds or choose a virtual background if required.

Recording - Some meetings will be recorded for the purposes of compiling accurate minutes which will be deleted once completed. Participants will be made aware of this upon joining the call automatically.

Calendar invite information – see page 4.

Etiquette and Protocols

Etiquette should be shared in advance of each meeting, which should also be included as part of the Chair's script/steering brief. Meeting participants should also be notified and be requested to adhere to the protocols set out below.

Joining the meeting - Participants should join the meeting around 10 minutes ahead of the start of the meeting to address any technical issues.

Video - Participants should be aware what will be visible through the camera feed at all times. A non-descript or virtual background is preferred.

Sound - Participants should have their microphones muted when not speaking.

Screen sharing - Participants should not share their screen and this function will be switched off by the Meeting host.

Name display - Participants should ensure that their usual name is visible upon joining the meeting.

Requests to speak - Participants should use the 'raise hand' facility and wait to be invited to speak by the Chair. If in a large group it is advisable to state your name before making a comment.

Documents - When referring to a specific report, page, or slide, it is advisable to mention the report, page, or slide so that other participants have a clear understanding of what is being discussed at all times.

Chat function - The main purpose of this function is to indicate to the Chair a wish to speak. Private conversations between participants are best avoided.

Confidentiality and Exemptions - Confidentiality in relation to confidential or exempt matters under discussion needs to be maintained for virtual meetings. Care should be taken with papers which contain any exempt or confidential information to ensure that this is not inadvertently shared to all participants in error. Participants should confirm that there are no other persons present who are not entitled to be (either hearing or seeing) consideration of such items and/or recording the proceedings.

Conflicts of Interest - Any conflicted member that would have been asked to leave the room for a discussion under normal circumstances will be asked to leave the virtual meeting. The Secretariat lead will allocate them to a virtual 'waiting room' and return them to the main meeting when the conflicted item discussion is over. It should be clearly recorded in the minutes when the participant has left the meeting and when they returned.

Voting - Members will vote by raising a hand on screen or in the 'Participants' section. A meeting poll option might also be considered, if appropriate, depending on the matter to be decided.

IT Considerations

There are various implications of IT failures during official meetings most of which can be anticipated for. Key points to consider are listed below.

Communication

Participants should notify the Secretariat lead that they are no longer connected or have missed a portion of the meeting. Contact details should be shared in advance of the meeting taking place.

Re-connection attempts and Zoom phone call option

Participants might attempt to re-join the meeting without the camera feed (if there is a weak connection), or use the meeting's telephone facility as advertised within the calendar invitation.

Participant re-connection

If the participant has successfully re-established connection, they will be deemed to have returned at the point of re-establishment. They will not however be able to vote on the matter under discussion as they would not have heard all the facts.

Meeting quorum/voting

Secretariat leads, together with the Chair, should actively monitor attendance/connectivity issues at all times to ensure that quorum is satisfied at the start and throughout the meeting so that due process is followed and the requirements of the meeting are met.

If a member is not able to participate in a decision due to connectivity issues this will be noted in the minutes.

In the event of severe/ongoing connection issues resulting in the absence of the participant, an assessment needs to be made as to whether the meeting can continue if quorum can no longer be satisfied.

Possible meeting adjournment

If there is no quorum, the Chair may call a short meeting adjournment as specified by them, as to allow the connection to be re-established. In the event of a participant's permanent connection failure, that person will be deemed to have left the meeting at the point of failure and this should be recorded in the minutes.

Contingency plans

Plans should be agreed in advance with the Chair and could include a back-up telephone conference facility. They should also make provision for chairing the meeting and taking the minutes.

Outlook Calendar invitation summary guidance for participants

This meeting will be held via the Zoom platform (details below). If you need help with using the functionality let us know in advance. [Add If applicable: Note that this meeting will be recorded for the purpose of compiling accurate minutes then deleted] Please also be aware of the guidance below.

Ahead of the meeting, participants should:

- join the meeting around 10 minutes ahead of the scheduled start time to address any technical issues;
- be aware what will be visible through the camera feed at all times. A non-descript or virtual background is preferred;
- ensure their usual name is visible upon joining the meeting for noting purposes.

During the meeting, participants should:

- have their microphone muted when not speaking;
- use the 'raise hand' facility under the 'Participants' section and wait to be invited to speak by the Chair;
- be specific when referring to any written materials;
- use the 'Chat' function for points to be conveyed across the meeting participants. Private conversations are best avoided;
- be clear about the method of voting for the meeting. This could be by raising a hand on screen (for smaller meetings) or by 'Raise Hand' in the 'Participants' section. The 'Polling' function might also be considered;
- declare a conflict of interest at any point during the meeting as customary. If so the meeting host will deploy the 'Waiting Room' function for any conflicted participant/s temporarily;
- use the Zoom telephone dial-in alternative provided (see below) if a protracted disconnection issue occurs. Please note this information in advance.

The meeting host will:

- closely monitor attendance/connectivity issues so that quorum is satisfied throughout the meeting. They will provide a mobile phone number for essential use only during the meeting.

[ADD Zoom Joining details and password here]