SHROPSHIRE COUNCIL
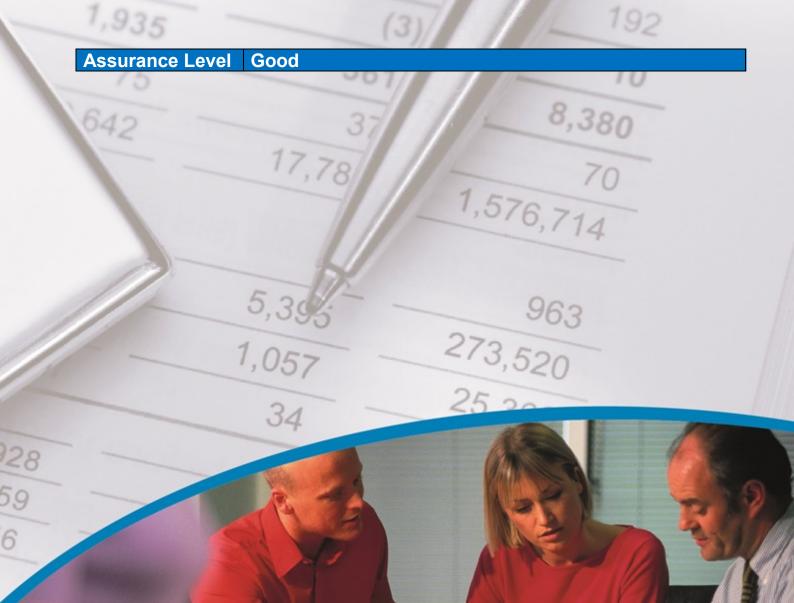# AUDIT SERVICES
"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT

LOCAL ENTERPRISE PARTNERSHIP (LEP) 2019/20

Assurance Level	Good

Audit Data	
Customer:	**James Walton, Section 151 Officer**
Report Distribution:	**Gill Hamer, Chief Executive** **Nick Alamanos, Programme Manager** **Lisa Ashby, Programme Officer**
Auditor(s):	**Kayleigh Griffiths, Mark Seddon**
Fieldwork Dates:	**January 2020**
Debrief Meeting:	**13 February 2020**
Draft Report Issued:	**26 February 2020**
Responses Received:	**03 March 2020**
Final Report Issued:	**03 March 2020**

Assurance		
Previous Assurance Level	**Current Assurance Level**	**Direction of Travel**
Limited	**Good**	**Strengthening control environment**

Introduction and Background

1. As part of the approved internal audit plan for 2019/20 Audit Services have undertaken a review of Local Enterprise Partnership.

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

3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.

4. Audit Services would like to thank officers who assisted during the audit.

5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:

   To review progress made in implementing the recommendations made in the previous audit and to assess the performance monitoring and project management arrangements together with compliance with the approved Accountability and Assurance Framework.

7. The scope includes a follow up of recommendations made in the 2018/19 audit. Where not implemented fully, these are revisited, and the findings included in this report.

8. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a √ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:

   √   The recommendations made in the previous audit have been implemented.
   √   There are Growth Deal performance monitoring and management arrangements.
   √   There are arrangements for compliance with the approved Accountability and Assurance Framework.

Assurance Level and Recommendations

9. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Audit Committee and will inform the Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

   Audit Services can give the following assurance level on the area audited:

Good	There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.

10. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in

accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
2	0	1	1	0

11.   A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.

12.   The audit work identified a significant issue leading to the following recommendation:

- The figures held within the quarterly government submission for the Shrewsbury Integrated Transport Package 2015-17, should be investigated for accuracy if no evidence can be found to support them they should be removed from the submission.

13.   The status of the recommendations accepted by management at the previous audit has been reviewed and is summarised in the table below:

Number of recommendations accepted by management at the last audit	2
Recommendations implemented	2
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not implemented	0

Good progress has been made in the implementation of previous recommendations. Recommendations which remain outstanding are repeated in the Exception Report and Action Plan.

Audit Approach

14.   The approach adopted for this audit included:

- Review and documentation of the system.

- Identification of the risks to achieving the business outcomes and associated key controls.

- Follow up of previous recommendations.

- Testing of controls to confirm their existence and effectiveness.

- Identification of weaknesses and potential risks arising from them.

15.   As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report **(Appendix 1).** Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.

16.   In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

INTERNAL AUDIT EXCEPTION REPORT FOR LOCAL ENTERPRISE PARTNERSHIP (LEP) 2019/20

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: There are Growth Deal performance monitoring and management arrangements.					
2.1	The outputs for the Eastern Gateway and Shrewsbury Integrated Transport Package deals were examined to ensure evidence was available to support the figures quoted in the quarterly submission to government. The Q1/Q2 figures for 19/20 were agreed with no anomalies noted. It could be seen that there are figures of 311 jobs and 389 housing units created in 2015-17, this is an unsupported figure that was identified in previous audits and there is no evidence for these figures. Whilst it is accepted that this figure is from before the current Programme Manager started with the LEP, if this figure is found to be inaccurate it should be removed from the submissions.	Failure to hold evidence for submissions to government could lead to questions being raised if there was an examination if the figures by government which could result in an investigation into the LEP.	1	Significant	The figures held within the quarterly government submission for the Shrewsbury Integrated Transport Package 2015-17, should be investigated for accuracy if no evidence can be found to support them they should be removed from the submission.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: There are arrangements for compliance with the approved Accountability and Assurance Framework.					
4.1	The Marches Local Assurance Framework was examined against the checklist set out in the National Local Growth Assurance Framework. All areas were confirmed to the 81 points on the checklist with the exception of one minor point. Item 53, '*The LEP is responsible for checking that decisions are being made in accordance with the process that has been set out in their Local Assurance Framework. The Local Assurance Framework should specify that a decision which is made in contravention of the process will be invalid on the basis of non-compliance unless the Board has given prior approval for variation in the decision making process*'. It could be seen that the process for decision making is clearly set out, but it could not be identified that failure to follow the process will render the decision invalid.	Best practice recommendation.	2	Requires Attention	When the Local Assurance Framework is amended and approved the wording should be updated to reflect that a decision which is made in contravention of the decision-making process will be invalid on the basis of non-compliance unless the Board has given prior approval for variation in the decision-making process

ACTION PLAN FOR LOCAL ENTERPRISE PARTNERSHIP (LEP) 2019/20

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
2.1	1	The figures held within the quarterly government submission for the Shrewsbury Integrated Transport Package 2015-17, should be investigated for accuracy if no evidence can be found to support them they should be removed from the submission.	Significant	A review on the 2015 figures has been scheduled for the Quarter 4 2019/20 period. Should an audit trail not be established, the 2015 figures will be removed as part of the Quarter 4 LGF 2019/20 submission.	Nick Alamanos, LEP Programme Manager	22 May 2020
4.1	2	When the Local Assurance Framework is amended and approved the wording should be updated to reflect that a decision which is made in contravention of the decision-making process will be invalid on the basis of non-compliance unless the Board has given prior approval for variation in the decision-making process	Requires Attention	This recommendation will be resolved through a refresh on the LEP's Assurance Framework.	Nick Alamanos, LEP Programme Manager	26 May 2020